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 June 30, 2021 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	**22-2370659**
(State or other jurisdiction of incorporation or organization)	(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:

Title of Each Class	Trading Symbol	Name of Each Exchange on Which Registered
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 ☐	Accelerated filer ☐
Non-accelerated filer ☒	Smaller reporting company ☒
Emerging growth company ☐	

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

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

Number of shares of Common Stock, $0.01 par value, outstanding as of the close of business on July 31, 2021: 10,782,782

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)

	June 30, 2021 (Unaudited)	December 31, 2020
ASSETS		
Current assets:		
Cash and cash equivalents	$ 14,625	$ 10,277
Trade accounts receivable, net of allowance for doubtful accounts of $212	12,832	8,435
Inventories	8,702	7,476
Prepaid expenses and other current assets	528	776
Total current assets	36,687	26,964
Property and equipment:		
Machinery and equipment	5,409	5,356
Leasehold improvements	2,909	2,636
Gross property and equipment	8,318	7,992
Less: accumulated depreciation	(5,856)	(5,642)
Net property and equipment	2,462	2,350
Right-of-use assets, net	5,852	6,387
Goodwill	13,738	13,738
Intangible assets, net	11,812	12,421
Restricted certificates of deposit	100	140
Other assets	36	30
Total assets	$ 70,687	$ 62,030
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 3,524	$ 2,424
Accrued wages and benefits	2,605	1,944
Accrued professional fees	704	776
Customer deposits and deferred revenue	892	396
Accrued sales commissions	871	472
Current portion of operating lease liabilities	1,147	1,215
Domestic and foreign income taxes payable	1,107	825
Other current liabilities	867	804
Total current liabilities	11,717	8,856
Operating lease liabilities, net of current portion	5,471	6,050
Deferred tax liabilities	1,841	1,922
Other liabilities	437	450
Total liabilities	19,466	17,278
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; 10,815,859 and 10,562,200 shares issued, respectively	108	106
Additional paid-in capital	28,574	26,851
Retained earnings	21,931	17,110
Accumulated other comprehensive earnings	812	889
Treasury stock, at cost; 33,077 shares	(204)	(204)
Total stockholders' equity	51,221	44,752
Total liabilities and stockholders' equity	$ 70,687	$ 62,030

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 June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Net revenues	$ 21,820	$ 13,275	$ 41,376	$ 24,505
Cost of revenues	10,858	7,208	20,893	13,571
Gross margin	10,962	6,067	20,483	10,934
Operating expenses:				
Selling expense	2,605	1,761	5,008	3,813
Engineering and product development expense	1,356	1,217	2,678	2,509
General and administrative expense	3,769	2,850	6,930	5,726
Restructuring and other charges	197	38	252	46
Total operating expenses	7,927	5,866	14,868	12,094
Operating income (loss)	3,035	201	5,615	(1,160)
Other income (loss)	21	(18)	19	(50)
Earnings (loss) before income tax expense (benefit)	3,056	183	5,634	(1,210)
Income tax expense (benefit)	447	13	813	(237)
Net earnings (loss)	$ 2,609	$ 170	$ 4,821	$ (973)
Net earnings (loss) per common share - basic	$ 0.25	$ 0.02	$ 0.46	$ (0.10)
Weighted average common shares outstanding - basic	10,442,916	10,252,490	10,386,183	10,236,672
Net earnings (loss) per common share - diluted	$ 0.24	$ 0.02	$ 0.45	$ (0.10)
Weighted average common shares and common share equivalents outstanding - diluted	10,764,936	10,258,917	10,645,381	10,236,672

See accompanying Notes to Consolidated Financial Statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Net earnings (loss)	$ 2,609	$ 170	$ 4,821	$ (973)
Foreign currency translation adjustments	24	35	(77)	(3)
Comprehensive earnings (loss)	$ 2,633	$ 205	$ 4,744	$ (976)

See accompanying Notes to Consolidated Financial Statements.

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

	Six Months Ended June 30, 2021						
	Common Stock		Additional Paid-in	Retained	Accumulated Other Comprehensive	Treasury	Total Stockholders'
	Shares	Amount	Capital	Earnings	Earnings	Stock	Equity
Balance, January 1, 2021	10,562,200	$ 106	$ 26,851	$ 17,110	$ 889	$ (204)	$ 44,752
Net earnings	-	-	-	2,212	-	-	2,212
Other comprehensive loss	-	-	-	-	(101)	-	(101)
Amortization of deferred compensation related to stock-based awards	-	-	269	-	-	-	269
Issuance of unvested shares of restricted stock	81,468	1	(1)	-	-	-	-
Stock options exercised	99,740	1	716	-	-	-	717
Balance, March 31, 2021	10,743,408	108	27,835	19,322	788	(204)	47,849
Net earnings	-	-	-	2,609	-	-	2,609
Other comprehensive earnings	-	-	-	-	24	-	24
Amortization of deferred compensation related to stock-based awards	-	-	454	-	-	-	454
Issuance of unvested shares of restricted stock	44,741	-	-	-	-	-	-
Forfeiture of unvested shares of restricted stock	(18,125)	-	-	-	-	-	-
Stock options exercised	45,835	-	285	-	-	-	285
Balance, June 30, 2021	10,815,859	$ 108	$ 28,574	$ 21,931	$ 812	$ (204)	$ 51,221

	Six Months Ended June 30, 2020						
	Common Stock		Additional Paid-in	Retained	Accumulated Other Comprehensive	Treasury	Total Stockholders'
	Shares	Amount	Capital	Earnings	Earnings	Stock	Equity
Balance, January 1, 2020	10,413,982	$ 104	$ 26,256	$ 18,005	$ 673	$ (204)	$ 44,834
Net loss	-	-	-	(1,143)	-	-	(1,143)
Other comprehensive loss	-	-	-	-	(38)	-	(38)
Amortization of deferred compensation related to stock-based awards	-	-	187	-	-	-	187
Issuance of unvested shares of restricted stock	58,160	1	(1)	-	-	-	-
Forfeiture of unvested shares of restricted stock	(8,315)	-	-	-	-	-	-
Repurchase and retirement of common stock	(13,767)	-	(74)	-	-	-	(74)
Balance, March 31, 2020	10,450,060	105	26,368	16,862	635	(204)	43,766
Net earnings	-	-	-	170	-	-	170
Other comprehensive earnings	-	-	-	-	35	-	35
Amortization of deferred compensation related to stock-based awards	-	-	208	-	-	-	208
Issuance of unvested shares of restricted stock	15,840	-	-	-	-	-	-
Forfeiture of unvested shares of restricted stock	(6,750)	-	-	-	-	-	-
Balance, June 30, 2020	10,459,150	$ 105	$ 26,576	$ 17,032	$ 670	$ (204)	$ 44,179

See accompanying Notes to Consolidated Financial Statements.

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

	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net earnings (loss)	$ 4,821	$ (973)
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:		
Depreciation and amortization	1,461	1,584
Provision for excess and obsolete inventory	93	305
Foreign exchange loss	4	37
Amortization of deferred compensation related to stock-based awards	723	395
Loss on disposal of property and equipment	27	-
Proceeds from sale of demonstration equipment, net of gain	(14)	-
Deferred income tax benefit	(81)	(209)
Changes in assets and liabilities:		
Trade accounts receivable	(4,419)	(205)
Inventories	(1,326)	(1,054)
Prepaid expenses and other current assets	246	359
Restricted certificates of deposit	40	-
Other assets	(6)	(4)
Accounts payable	1,105	635
Accrued wages and benefits	663	(133)
Customer deposits and deferred revenue	499	217
Accrued sales commissions	399	41
Operating lease liabilities	(641)	(652)
Domestic and foreign income taxes payable	284	(100)
Other current liabilities	(9)	(157)
Other liabilities	(7)	(5)
Net cash provided by operating activities	3,862	81
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(463)	(190)
Net cash used in investing activities	(463)	(190)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from stock options exercised	1,002	-
Repurchases of common stock	-	(74)
Proceeds from Paycheck Protection Program loans	-	2,829
Repayments of Paycheck Protection Program loans	-	(2,829)
Proceeds from revolving credit facility	-	2,800
Repayments of revolving credit facility	-	(2,800)
Net cash provided by (used in) financing activities	1,002	(74)
Effects of exchange rates on cash	(53)	(5)
Net cash provided by (used in) all activities	4,348	(188)
Cash and cash equivalents at beginning of period	10,277	7,612
Cash and cash equivalents at end of period	$ 14,625	$ 7,424
Cash payments for:		
Domestic and foreign income taxes	$ 610	$ 73

See accompanying Notes to Consolidated Financial Statements.

(1) NATURE OF OPERATIONS

We are a global supplier of innovative test and process solutions for use in manufacturing and testing across a wide range of markets including automotive, defense/aerospace, industrial, medical, semiconductor and telecommunications. We manage our business as two operating segments which are also our reportable segments and reporting units: Thermal Products ("Thermal") and Electromechanical Solutions ("EMS"). Our Thermal segment designs, manufactures and sells our thermal test and thermal process products while our EMS segment designs, manufactures and sells our semiconductor test products. We manufacture our products in the U.S. Marketing and support activities are conducted worldwide from our facilities in the U.S., Germany, Singapore, the Netherlands and the U.K. The consolidated entity is comprised of inTEST Corporation and our wholly-owned subsidiaries.

Our EMS segment sells its products to semiconductor manufacturers and third-party test and assembly houses (end user sales) and to automated test equipment (“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 broader semiconductor market. Our Thermal segment sells its products to many of these same types of customers; however, it also sells to customers in the wafer processing sector within the broader semiconductor market and to customers in a variety of other markets outside the semiconductor market, including the automotive, defense/aerospace, industrial (including consumer products packaging, fiber optics and other sectors within the broader industrial market), medical and telecommunications markets.

Both 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. As a result, our consolidated gross margin can be significantly impacted in any given period by a change in the mix of products sold in that period.

We refer to the broader semiconductor market, including the more specialized ATE and wafer processing sectors within that market, as the “Semi Market.” All other markets are designated as “Multimarket.” The Semi Market, which is the principal market in which we operate, is characterized by rapid technological change, competitive pricing pressures and cyclical market patterns. This market is subject to significant economic downturns at various times.

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, our ability to safeguard patented technology and intellectual property in a rapidly evolving market, downward pricing pressures from customers, and our reliance on a relatively few number of customers for a significant portion of our sales. 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 the review and evaluation of potential transactions. We may or may not be successful in locating suitable businesses to acquire or 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 our future operating results.

COVID-19 Pandemic

During the second quarter of 2021, as more Americans became vaccinated and the spread of COVID-19 appeared to be lessening, governmental mandates and restrictions in the regions in the U.S. where we operate our business were reduced or eliminated. As a result, we began the process of reopening our offices in these regions. As of the date of this Report, due to the increasing spread of COVID-19 variants in the U.S., several regulatory authorities have either reinstated certain COVID-19 mandates or restrictions or have indicated they are considering taking such actions. We are following the guidance of the Centers for Disease Control and Prevention (“CDC”). Accordingly, as of the date of this Report, our U.S. offices remain open, but we are requiring all employees to wear masks and maintain appropriate social distancing. As of the date of this Report, our offices in Europe have also reopened to varying degrees, while our employees in Asia remain under more significant restrictions. Our employees outside of the U.S. continue to follow the guidance of their local regulatory authorities, which in most cases includes wearing masks, observing social distancing, limiting travel and quarantining after travel, as required.

While the negative impact of COVID-19 on our business was reduced significantly in the second half of 2020 and the first half of 2021, the spread of the virus or variants of the virus could continue to worsen and one or more of our significant customers or suppliers could be impacted, or significant additional governmental regulations and restrictions could be imposed, thus negatively impacting our business in the future. We continue to monitor the situation closely in the regions in which we operate in the U.S. and abroad and will adjust our operations as necessary to protect the health and well-being of our employees. To the extent that further governmental mandates or restrictions are implemented in the future, we currently expect to be able to continue to operate our business in a manner similar to how we have operated over the past year. As a result of our current level of working capital as well as the availability under our revolving credit facility, which is discussed in Note 9, we currently expect to have sufficient liquidity to operate our business throughout 2021.

(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 ("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 revenues and expenses during the reporting period. Actual results could differ from those estimates. Certain of our accounts, including inventories, long-lived assets, goodwill, identifiable intangibles, deferred tax assets and liabilities, including related valuation allowances, and performance-based stock compensation 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 Form 10-K for the year ended December 31, 2020 ("2020 Form 10-K") filed on March 23, 2021 with the Securities and Exchange Commission.

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 six months ended June 30, 2021 other than those described in Note 15.

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 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.

Restructuring and Other Charges

In accordance with the guidance in Accounting Standards Codification ("ASC") Topic 420 (Exit or Disposal Cost Obligations), we recognize a liability for restructuring costs at fair value only when the liability is incurred. Workforce-related charges are accrued when it is determined that a liability has been incurred, which is generally after individuals have been notified of their termination dates and expected severance benefits. Depending on the timing of the termination dates, these charges may be recognized upon notification or ratably over the remaining required service period of the employees. Plans to consolidate excess facilities may result in lease termination fees and impairment charges related to our right-of-use ("ROU") assets that are associated with the leases for these facilities. Other long-lived assets that may be impaired as a result of restructuring consist of property and equipment, goodwill and intangible assets. Asset impairment charges included in restructuring and other charges are based on an estimate of the amounts and timing of future cash flows related to the expected future remaining use and ultimate sale or disposal of the asset, and, in the case of our ROU assets, would include expected future sublease rental income, if applicable. These estimates are derived using the guidance in ASC Topic 842 (Leases), ASC Topic 360 (Property, Plant and Equipment) and ASC Topic 350 (Intangibles - Goodwill and Other).

Goodwill, Intangible and Long-Lived Assets

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 in 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 in 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 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. If impairment is indicated, the asset 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. 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 solutions for use in manufacturing and testing across a wide range of markets including automotive, defense/aerospace, industrial, medical, semiconductor and telecommunications. We sell thermal management products including ThermoStreams, ThermoChambers and process chillers, which we sell under our Temptronic, Sigma and Thermonics product lines, and Ambrell Corporation's ("Ambrell") precision induction heating systems, including EKOHEAT and EASYHEAT products. We sell semiconductor ATE interface solutions which include manipulators, docking hardware and electrical interface products. We provide post-warranty service for the equipment we sell. We sell semiconductor ATE interface solutions and certain thermal management products to the Semi Market. We also sell our thermal management products to various other markets including the automotive, defense/aerospace, industrial, medical and telecommunications 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.

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 doubtful accounts, is included in current assets on our balance sheet. To the extent that we do not recognize revenue at the same time as we invoice, we record a liability for deferred revenue. In certain instances, we also receive customer deposits in advance of invoicing and recording of accounts receivable. Deferred revenue and customer deposits are included in current liabilities on our consolidated balance sheets.

The allowance for doubtful accounts reflects our best estimate of probable losses inherent in the accounts receivable balance. We determine the allowance based on known troubled accounts, if any, historical experience, and other currently available evidence.

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 5 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. Effective January 1, 2021, our criteria identify obsolete material as material that has not been used in a work order during the prior twenty-four months. Prior to January 1, 2021, these criteria identified obsolete material as material that had not been used in a work order during the prior twelve 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) which was effective for us as of January 1, 2019. Upon adoption of ASC Topic 842, we elected the package of practical expedients which included the grandfathering of the lease classification that had been made under prior guidance and, accordingly, we did not re-evaluate any of our leases for classification purposes in connection with the implementation of ASC Topic 842. All our lease contracts are still being treated as operating leases. We do not currently have any lease contracts that meet the criteria to be categorized as finance leases. We did not elect the hindsight practical expedient and therefore did not reevaluate the lease terms that we used under prior guidance. The implementation of ASC Topic 842 had a significant impact on our consolidated balance sheet as a result of recording ROU assets and lease liabilities for all our multi-year leases. Under prior guidance, none of these leases had any related asset recorded on our balance sheets. The only related liability recorded on our balance sheets was the amount which represented the difference between the lease payments we had made and the straight-line rent expense we had recorded in our statements of operations. The implementation of ASC Topic 842 did not have a significant impact on our pattern of expense recognition for any of our multi-year 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 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 finance lease liabilities. We do not currently have any finance leases. We do not have embedded leases nor do we have any initial direct costs related to our lease contracts.

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 in 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 8 for further disclosures regarding our leases.

Contingent Liability for Repayment of State and Local Grant Proceeds

In connection with leasing a new 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 $463 to help offset a portion of the cost of the leasehold improvements we have made to this facility. 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 2023. If we fail to meet these employment targets, we may be required to repay a proportionate share of the proceeds. As of June 30, 2021, $370 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 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 $78 at June 30, 2021.

As of December 31, 2020, we were not in compliance with the employment targets as specified in the grant agreement with the city of Rochester. We applied for and received a waiver of this requirement for the year ended December 31, 2020. The waiver provided us until December 31, 2021 to come into compliance with the targets as outlined in the waiver. As of June 30, 2021, we were in compliance with those targets.

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 granted, which is then amortized to expense over the service periods. See further disclosures related to our stock-based compensation plan in Note 10.

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.

Net Earnings (Loss) Per Common Share

Net 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. Net earnings (loss) per common share - diluted is computed by dividing net 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 per share because their effect was anti-dilutive:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	**2020**	**2021**	**2020**
Weighted average common shares outstanding - basic	10,442,916	10,252,490	10,386,183	10,236,672
Potentially dilutive securities:				
Unvested shares of restricted stock and employee stock options	322,020	6,427	259,198	-
Weighted average common shares and common share equivalents outstanding - diluted	10,764,936	10,258,917	10,645,381	10,236,672
Average number of potentially dilutive securities excluded from calculation	274,345	711,499	307,069	719,832

Effect of Recently Issued Amendments to Authoritative Accounting Guidance

In June 2016, the Financial Accounting Standards Board ("FASB") issued amendments to the guidance for accounting for credit losses. In November 2019, the FASB deferred the effective date of these amendments for certain companies, including smaller reporting companies. As a result of the deferral, the amendments are effective for us for reporting periods beginning after December 15, 2022. The amendments replace the incurred loss impairment methodology under current GAAP with a methodology that reflects expected credit losses and requires the use of a forward-looking expected credit loss model for accounts receivables, loans, and other financial instruments. The amendments require a modified retrospective approach through a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective. We plan to adopt the amendments when they become effective for us on January 1, 2023. We do not currently expect that the adoption of these amendments will have a material impact on our consolidated financial statements.

(3) RESTRUCTURING AND OTHER CHARGES

EMS Segment Restructuring and Facility Consolidation

As discussed in Note 3 to our consolidated financial statements in our 2020 Form 10-K, on September 21, 2020, we notified employees in our Fremont, California facility of a plan to consolidate all manufacturing for our EMS segment into our manufacturing operations located in Mt. Laurel, New Jersey. The consolidation of manufacturing operations resulted in the closure of the Fremont facility and the termination of certain employees at that location. As a result of the consolidation, we incurred charges for severance and other one-time termination benefits, other associated costs, including moving and production start-up costs, and charges related to exiting the facility, including an impairment charge related to the ROU asset for the lease of the Fremont facility. These charges are more fully discussed in Note 3 to our consolidated financial statements in our 2020 Form 10-K. During the six months ended June 30, 2021, we incurred $132 of additional charges associated with finalizing the integration of the manufacturing operations. All of these charges were cash charges and are included in restructuring and other charges in our consolidated statement of operations. The integration of our EMS manufacturing operations has taken longer than originally anticipated, primarily as a result of the significant increase in our business activity in the first half of 2021. During the second quarter of 2021, we delayed some final integration activities and instead allocated our resources to meet customer demand for shipments of our products. We currently expect to complete the integration of the EMS manufacturing operations in the third quarter of 2021 and expect to incur additional cash charges in the range of $50 to $100.

Executive Management Changes

On June 10, 2021, our Board of Directors (the "Board") accepted the retirement of Hugh T. Regan, Jr. from the positions of Chief Financial Officer, Treasurer, and Secretary (the "Retirement"). In connection with the Retirement, we entered into a Separation and Consulting Agreement (the "Separation and Consulting Agreement") with Mr. Regan effective June 11, 2021 pursuant to which Mr. Regan has agreed to provide consulting services for three months, subject to an extension of up to an additional three months at our option. The Separation and Consulting Agreement also provides that Mr. Regan is entitled to a severance benefit of $120. In connection with the Retirement, we have also agreed that certain options issued to Mr. Regan in March 2020 to purchase shares of our common stock that remained unvested on the date of the Retirement shall continue to vest after the Retirement and expire one year from their respective vesting dates. The full text of the Separation and Consulting Agreement is included as Exhibit 10.1 to our Current Report on Form 8-K filed on June 14, 2021.

On June 10, 2021, the Board approved, effective as of June 14, 2021 (the "Start Date"), the appointment of Duncan Gilmour to the position of Chief Financial Officer, Treasurer, and Secretary. Mr. Gilmour entered into a letter agreement (the "Letter Agreement"), dated June 10, 2021, subject to his appointment as our Chief Financial Officer, Treasurer, and Secretary, which appointments were approved on June 10, 2021 and are effective as of the Start Date. The full text of the Letter Agreement is included as Exhibit 10.2 to our Current Report on Form 8-K filed on June 14, 2021.

Total costs incurred during the six months ended June 30, 2021 related to these executive management changes were $347, which consisted of $136 for legal fees related to the transition, $120 for severance paid to our former Chief Financial Officer ("CFO") and $91 of stock-based compensation expense, primarily as a result of the modification of the March 2020 option awards issued to our former CFO, as discussed above. The $120 of severance is included in restructuring and other charges in our consolidated statement of operations. The balance of the costs are included in general and administrative expense in our consolidated statement of operations. We expect to incur an additional $24 in consulting fees during the third quarter of 2021 related to these actions.

Other Restructuring Actions

During the six months ended June 30, 2020, we recorded cash charges for severance and other one-time termination benefits of $46 related to headcount reductions in our corporate office and at Ambrell.

Accrued Restructuring

The liability for accrued restructuring charges is included in other current liabilities on our consolidated balance sheet. Changes in the amount of the liability for accrued restructuring for the six months ended June 30, 2021 is as follows:

	EMS Facility Consolidation	CFO Retirement	Total
Balance - January 1, 2021	$ 340	$ -	$ 340
Accruals for severance	-	120	120
Accruals for other costs associated with facility consolidation	132	-	132
Cash payments	(250)	-	(250)
Balance – June 30, 2021	$ 222	$ 120	$ 342

(4) GOODWILL AND INTANGIBLE ASSETS

We have two operating segments which are also our reporting units: Thermal and EMS. Goodwill and intangible assets on our balance sheets are the result of our acquisitions of Sigma Systems Corp. ("Sigma") in October 2008, Thermonics, Inc. ("Thermonics") in January 2012 and Ambrell in May 2017. All our goodwill and intangible assets are allocated to our Thermal segment.

Goodwill

Goodwill totaled $13,738 at both June 30, 2021 and December 31, 2020 and was comprised of the following:

Sigma	$ 1,656
Thermonics	50
Ambrell	12,032
Total	$ 13,738

Intangible Assets

Changes in the amount of the carrying value of finite-lived intangible assets for the six months ended June 30, 2021 are as follows:

Balance - January 1, 2021	$ 5,711
Amortization	(609)
Balance June 30, 2021	$ 5,102

The following tables provide further detail about our intangible assets as of June 30, 2021 and December 31, 2020:

	June 30, 2021		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Finite-lived intangible assets:			
Customer relationships	$ 10,480	$ 5,474	$ 5,006
Technology	600	516	84
Patents	590	578	12
Software	270	270	-
Trade name	140	140	-
Total finite-lived intangible assets	12,080	6,978	5,102
Indefinite-lived intangible assets:			
Trademarks	6,710	-	6,710
Total intangible assets	$ 18,790	$ 6,978	$ 11,812

	December 31, 2020		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Finite-lived intangible assets:			
Customer relationships	$ 10,480	$ 4,912	$ 5,568
Technology	600	477	123
Patents	590	570	20
Software	270	270	-
Trade name	140	140	-
Total finite-lived intangible assets	12,080	6,369	5,711
Indefinite-lived intangible assets:			
Trademarks	6,710	-	6,710
Total intangible assets	$ 18,790	$ 6,369	$ 12,421

We generally amortize our finite-lived intangible assets over their estimated useful lives on a straight-line basis, unless an alternate amortization method can 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.

Total amortization expense for our finite-lived intangible assets was $305 and $609 for the three months and six months ended June 30, 2021, respectively, and $309 and $620 for the three months and six months ended June 30, 2020, respectively. The following table sets forth the estimated annual amortization expense for each of the next five years:

2021 (remainder)	$ 618
2022	$ 1,167
2023	$ 1,067
2024	$ 980
2025	$ 905

(5) 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 June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Net revenues by customer type:				
End user	$ 19,266	$ 11,946	$ 36,925	$ 21,867
OEM/Integrator	2,554	1,329	4,451	2,638
	$ 21,820	$ 13,275	$ 41,376	$ 24,505
Net revenues by product type:				
Thermal test	$ 4,537	$ 3,703	$ 8,842	$ 7,850
Thermal process	6,807	4,563	12,373	8,311
Semiconductor production test	8,954	3,665	17,274	5,489
Service/other	1,522	1,344	2,887	2,855
	$ 21,820	$ 13,275	$ 41,376	$ 24,505
Net revenues by market:				
Semi Market	$ 15,677	$ 6,858	$ 28,997	$ 11,869
Multimarket:				
Industrial	4,244	3,899	8,072	8,126
Defense/aerospace	1,268	1,496	2,397	2,904
Telecommunications	215	597	555	1,008
Other Multimarket	416	425	1,355	598
	$ 21,820	$ 13,275	$ 41,376	$ 24,505

There was not a significant change in the amount of the allowance for doubtful accounts for the six months ended June 30, 2021.

(6) MAJOR CUSTOMERS

During the six months ended June 30, 2021, Texas Instruments Incorporated accounted for 14% of our consolidated net revenues. While both of our segments sold to this customer, these revenues were primarily generated by our EMS segment. No other customers accounted for 10% or more of our consolidated net revenues during the six months ended June 30, 2021. During the six months ended June 30, 2020, no customer accounted for 10% or more of our consolidated net revenues.

(7) INVENTORIES

Inventories held at June 30, 2021 and December 31, 2020 were comprised of the following:

	June 30, 2021	December 31, 2020
Raw materials	$ 6,382	$ 5,371
Work in process	1,036	1,085
Inventory consigned to others	44	45
Finished goods	1,240	975
Total inventories	$ 8,702	$ 7,476

Total charges incurred for excess and obsolete inventory for the three months and six months ended June 30, 2021 and 2020, respectively, were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Excess and obsolete inventory charges	$ 54	$ 134	$ 93	$ 305

(8) LEASES

We lease our offices, warehouse facilities and certain equipment under non-cancellable operating leases which expire at various dates through 2031. Total operating lease and short-term lease costs for the three months and six months ended June 30, 2021 and 2020 were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Operating lease cost	$ 294	$ 389	$ 618	$ 781
Short-term lease cost	$ 32	$ 10	$ 40	$ 22

The following is additional information about our leases as of June 30, 2021:

Range of remaining lease terms (in years)	0.8 to 9.8
Weighted average remaining lease term (in years)	6.3
Weighted average discount rate	4.3%

Maturities of lease liabilities as of June 30, 2021 were as follows:

2021 (remainder)	$ 706
2022	1,403
2023	1,414
2024	1,398
2025	722
Thereafter	1,845
Total lease payments	$ 7,488
Less imputed interest	(870)
Total	$ 6,618

Supplemental Cash Flow Information

Total amortization of ROU assets was $249 and $529 for the three months and six months ended June 30, 2021, respectively, and $328 and $653 for the three months and six months ended June 30, 2020, respectively.

During the six months ended June 30, 2020, we recorded a non-cash increase in our ROU assets and operating lease liabilities as a result of a modification of the lease for our EMS facility in Fremont, California. On January 23, 2020, we executed an amendment to this lease, which extended the term for a period of 61 months commencing on November 1, 2020 and expiring on November 30, 2025. At the effective date of this modification, we recorded an increase in our ROU assets and operating lease liabilities of approximately $1,176.

(9) DEBT

Letters of Credit

We have issued letters of credit as 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 consolidated 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 June 30, 2021 and December 31, 2020 consisted of the following:

				Letters of Credit Amount Outstanding	
	Original L/C Issue Date	L/C Expiration Date	Lease Expiration Date	June 30, 2021	December 31, 2020
Mt. Laurel, NJ	3/29/2010	4/30/2022	4/30/2031	$ 50	$ 90
Mansfield, MA	10/27/2010	12/31/2024	12/31/2024	50	50
				$ 100	$ 140

Line of Credit

As discussed more fully in Note 10 to our consolidated financial statements in our 2020 Form 10-K, on April 10, 2020, we entered into a Loan and Security Agreement (the “Agreement”) with M&T Bank (“M&T”). Under the terms of the Agreement, M&T has provided us with a $7,500 revolving credit facility which is guaranteed by our subsidiaries. This facility was put in place at that time to provide us with additional liquidity in response to the business environment resulting from the COVID-19 pandemic. This facility, which had no outstanding balance, was set to mature on April 9, 2021. On April 10, 2021, we amended our Agreement with M&T, with the execution of the Second Amendment to the Agreement (the “Second Amendment”). Under the terms of the Second Amendment, the maximum amount available under the revolving credit facility was increased from $7,500 to $10,000, and an unused facility fee of fifteen basis points per annum was added. This facility was amended to provide us with additional liquidity to operate our business, if needed. This facility will mature on April 9, 2024.

(10) STOCK-BASED COMPENSATION

As of June 30, 2021, 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 2020 Form 10-K.

Our unvested restricted stock awards and stock options are accounted for based on their grant date fair value. As of June 30, 2021, total compensation expense to be recognized in future periods is $3,296. The weighted average period over which this expense is expected to be recognized is 2.9 years. The following table shows the allocation of the compensation expense we recorded during the three months and six months ended June 30, 2021 and 2020, respectively, related to stock-based compensation:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Cost of revenues	$ 7	$ -	$ 7	$ -
Selling expense	6	3	9	6
Engineering and product development expense	16	11	26	21
General and administrative expense	425	194	681	368
	$ 454	$ 208	$ 723	$ 395

There was no stock-based compensation expense capitalized in the three months or six months ended June 30, 2021 or 2020.

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).

On August 24, 2020, our new President and CEO received two restricted stock awards totaling 141,610 shares valued at $650 as of the date of grant, which was also his hire date. Of the total shares awarded, 66,448 shares vest over 4 years (25% at each anniversary) and 75,162 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 August 24, 2020. The final vesting percentage will be based on the achievement of certain performance metrics, including net 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. As of June 30, 2021, we have estimated that these shares will vest at 100% of the original amount awarded and are recording expense based on this estimate on a straight-line basis over the three-year vesting period. Our estimate of the final expected vesting percentage is reassessed and adjusted, as needed, at the end of each reporting period.

On March 10, 2021, we issued restricted stock awards totaling 18,000 shares to members of the senior management within our operating segments. These shares will 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 10, 2021. The final vesting percentage will be 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. As of June 30, 2021, we have estimated that these shares will vest at 100% of the original amount awarded and are recording expense based on this estimate on a straight-line basis over the three-year vesting period. Our estimate of the final expected vesting percentage is reassessed and adjusted, as needed, at the end of each reporting period.

On June 14, 2021, our new CFO received two restricted stock awards totaling 7,941 shares valued at $133 as of the date of grant, which was also his hire date. Of the total shares awarded, 1,988 shares vest over 4 years (25% at each anniversary) and 5,953 vest on August 24, 2023 at a vesting percentage that could range from 0% to 150% of the number of shares awarded on June 14, 2021. The final vesting percentage will be based on the achievement of certain performance metrics, including net 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. As of June 30, 2021, we have estimated that these shares will vest at 100% of the original amount awarded and are recording expense based on this estimate on a straight-line basis over the vesting period. Our estimate of the final expected vesting percentage is reassessed and adjusted, as needed, at the end of each reporting period.

The following table summarizes the activity related to unvested shares of restricted stock for the six months ended June 30, 2021:

	Number of Shares	**Weighted Average Grant Date Fair Value**
Unvested shares outstanding, January 1, 2021	237,155	$ 4.93
Granted	126,209	11.74
Vested	(45,744)	7.87
Forfeited	(18,125)	9.02
Unvested shares outstanding, June 30, 2021	299,495	7.10

The total fair value of the shares that vested during the six months ended June 30, 2021 and 2020 was $577 and $210, respectively, as of the vesting dates of these shares.

Stock Options

We record compensation expense for stock options based on the fair 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 six months ended June 30, 2021 and 2020 was estimated at the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	2021	2020
Risk-free interest rate	1.03%	0.46%
Dividend yield	0.00%	0.00%
Expected common stock market price volatility factor	.50	.44
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 six months ended June 30, 2021 and 2020 was $5.70 and $1.48, respectively.

The following table summarizes the activity related to stock options for the six months ended June 30, 2021:

	Number of Shares	Weighted Average Grant Date Fair Value
Options outstanding, January 1, 2021 (204,630 exercisable)	438,200	$ 6.25
Granted	282,404	11.77
Exercised	(145,575)	6.89
Forfeited	(80,550)	9.55
Options outstanding, June 30, 2021 (142,230 exercisable)	494,479	8.67

(11) STOCK REPURCHASE PLAN

On July 31, 2019, our Board of Directors authorized the repurchase of up to $3,000 of our common stock from time to time on the open market, in compliance with Rule 10b-18 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or in privately negotiated transactions pursuant to a newly authorized stock repurchase plan (the "2019 Repurchase Plan"). Repurchases are to be made under a Rule 10b5-1 plan entered into with RW Baird & Co., which permits shares to be repurchased when we might otherwise be precluded from doing so under insider trading laws and our internal trading windows. The 2019 Repurchase Plan does not obligate us to purchase any particular amount of common stock and can be suspended or discontinued at any time without prior notice. The 2019 Repurchase Plan is funded using our operating cash flow or available cash. Purchases began on September 18, 2019 under this plan. On March 2, 2020, we suspended repurchases under the 2019 Repurchase Plan. From the adoption of the 2019 Repurchase Plan through the suspension of the plan, we repurchased a total of 243,075 shares at a cost of $1,216, which includes fees paid to our broker of $6. All of the repurchased shares were retired.

(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 will become 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.

(13) EMPLOYEE BENEFIT PLANS

We have defined contribution 401(k) plans for our employees who work in the U.S. All permanent employees of inTEST Corporation, inTEST EMS LLC, Temptronic Corporation ("Temptronic") and inTEST Silicon Valley Corporation who are at least 18 years of age are eligible to participate in the inTEST Corporation Incentive Savings 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. For the three months and six months ended June 30, 2021, we recorded $100 and $271 of expense for matching contributions, respectively. For the three months and six months ended June 30, 2020, we recorded $92 and $257 of expense for matching contributions, respectively.

All permanent employees of Ambrell are immediately eligible to participate in the Ambrell Corporation Savings & Profit Sharing Plan (the "Ambrell Plan") upon employment and are eligible for employer matching contributions after completing six months of service, as defined in the Ambrell Plan. The Ambrell Plan allows eligible employees to make voluntary contributions up to 100% of compensation, up to the federal government contribution limits. We will make 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 months and six months ended June 30, 2021, we recorded $44 and $87 of expense for matching contributions, respectively. For the three months and six months ended June 30, 2020, we recorded $15 and $32 of expense for matching contributions, respectively.

(14) SEGMENT INFORMATION

We have two reportable segments, Thermal and EMS, which are also our reporting units. Thermal includes the operations of Temptronic, Thermonics, Sigma, inTEST Thermal Solutions GmbH (Germany), inTEST Pte, Limited (Singapore) and Ambrell. Sales of this segment consist primarily of temperature management systems which we design, manufacture and market under our Temptronic, Thermonics and Sigma product lines, and precision induction heating systems which are designed, manufactured and marketed by Ambrell. In addition, this segment provides post-warranty service and support. EMS includes the operations of our manufacturing facilities in Mt. Laurel, New Jersey and, prior to the consolidation of manufacturing operations late in the fourth quarter of 2020, Fremont, California. Sales of this segment consist primarily of manipulator, docking hardware and tester interface products, which we design, manufacture and market.

We operate our business worldwide and sell our products both domestically and internationally. Both of our segments sell to semiconductor manufacturers, third-party test and assembly houses and ATE manufacturers. Thermal also sells into a variety of markets outside of the Semi Market, including the automotive, defense/aerospace, medical, industrial, telecommunications and other markets.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Net Revenues:				
Thermal	$ 12,766	$ 9,476	$ 23,821	$ 18,810
EMS	9,054	3,799	17,555	5,695
	$ 21,820	$ 13,275	$ 41,376	$ 24,505
Earnings (loss) before income tax expense (benefit):				
Thermal	$ 1,023	$ (13)	$ 1,126	$ (439)
EMS	2,869	261	5,489	(743)
Corporate	(836)	(65)	(981)	(28)
	$ 3,056	$ 183	$ 5,634	$ (1,210)
Net earnings (loss):				
Thermal	$ 875	$ (3)	$ 963	$ (353)
EMS	2,449	226	4,697	(598)
Corporate	(715)	(53)	(839)	(22)
	$ 2,609	$ 170	$ 4,821	$ (973)

	June 30, 2021	December 31, 2020
Identifiable assets:		
Thermal	$ 53,096	$ 50,782
EMS	15,647	9,667
Corporate	1,944	1,581
	$ 70,687	$ 62,030

The following tables provide information about our geographic areas of operation. Net revenues from unaffiliated customers are based on the location to which the goods are shipped.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Net revenues:				
U.S.	$ 6,632	$ 4,954	$ 12,379	$ 10,673
Foreign	15,188	8,321	28,997	13,832
	$ 21,820	$ 13,275	$ 41,376	$ 24,505

	June 30, 2021	December 31, 2020
Net property and equipment:		
U.S.	$ 2,162	$ 2,053
Foreign	300	297
	$ 2,462	$ 2,350

(15) SUBSEQUENT EVENTS

As discussed further in Note 3 to our consolidated financial statements in our 2020 Form 10-K, during the fourth quarter of 2020 we consolidated all manufacturing for our EMS segment into our manufacturing operations located in Mt. Laurel, New Jersey. Prior to the consolidation, our interface products were manufactured in our facility in Fremont, California. As a result of the consolidation and our decision to cease manufacturing in California, we incurred charges related to exiting our facility in Fremont, including an impairment charge of $522 related to the ROU asset for the lease of this facility. At the time of the consolidation of manufacturing operations, we intended to try to sublease the facility in Fremont, but we did not expect to sublet the facility for the full remaining term of the lease.

On July 19, 2021, we executed a sublease for our facility in Fremont. The sublease will commence in September 2021 and ends November 30, 2025, which is the termination date of our lease for this facility. We entered into this sublease approximately 14 months earlier than we had estimated in December 2020. As a result, we will record approximately $350 of incremental sublease income above the level that we had estimated at the time that we recorded the impairment charge in December 2020. This income will be recorded ratably over the term of the sublease and will be included in other income in our consolidated statements of operations.

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

Risk Factors and Forward-Looking Statements

In addition to historical information, this Quarterly Report on Form 10-Q for the period ended June 30, 2021 (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 and financial results, such as statements of our plans, strategies and intentions, or our future performance or goals that are based upon management's current expectations. Our forward-looking statements can often be identified by the use of forward-looking terminology such as "believes," "expects," "intends," "may," “could,” "will," "should," "plans," “projects,” “forecasts,” “seeks,” “anticipates,” “goal,” “objective,” “target,” “future,” “outlook,” “vision,” 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 estimations. These statements involve risks and uncertainties and are based upon various assumptions. Such risks and uncertainties include, but are not limited to:

- the impact of COVID-19 and its variant strains on our business, liquidity, financial condition and results of operations;
- our ability to successfully consolidate our EMS manufacturing operations without any impact on customer shipments, quality or the level of our warranty claims and to realize the benefits of the consolidation;
- indications of a change in the market cycles in the Semi Market or other markets we serve;
- developments and trends in the Semi Market, including changes in the demand for semiconductors;
- the loss of any one or more of our largest customers, or a reduction in orders by a major customer;
- changes in the rate of, and timing of, capital expenditures by our customers;
- 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 possibility of future acquisitions or dispositions and the successful integration of any acquired operations;
- ability to borrow funds or raise capital to finance major potential acquisitions;
- the success of our strategy to diversify our business by entering markets outside the Semi Market, including the automotive, defense/aerospace, industrial, medical, telecommunications and other markets and changes in demand in these markets;
- competitive pricing pressures;
- the development of new products and technologies by us or our competitors;
- effects of exchange rate fluctuations;
- progress of product development programs;
- the anticipated market for our products;
- the availability of and retention of key personnel or our ability to hire personnel at anticipated costs;
- general economic conditions both domestically and globally;
- other projections of net revenues, taxable earnings (loss), net earnings (loss), net earnings (loss) per share, capital expenditures and other financial items; and
- other risk factors included in Part I, Item 1A - "Risk Factors" in our 2020 Form 10-K.

Material changes to such risk factors may be reported in subsequent Quarterly Reports on Form 10-Q in Part II, Item 1A. 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 are not obligated to update these forward-looking statements, even though our situation may change in the future.

Overview

This MD&A should be read in conjunction with the accompanying consolidated financial statements.

We are a global supplier of innovative test and process solutions for use in manufacturing and testing across a wide range of markets including automotive, defense/aerospace, industrial, medical, semiconductor and telecommunications. We manage our business as two operating segments: Thermal and EMS. Our Thermal segment designs, manufactures and sells our thermal test and thermal process products while our EMS segment designs, manufactures and sells our semiconductor test products.

Our EMS segment sells its products to semiconductor manufacturers and third-party test and assembly houses (end user sales) and to ATE manufacturers (“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 broader semiconductor market. Our Thermal segment sells its products to many of these same types of customers; however, it also sells to customers in the wafer processing sector within the broader semiconductor market and to customers in a variety of other markets outside the semiconductor market, including the automotive, defense/aerospace, industrial (including consumer products packaging, fiber optics and other sectors within the broader industrial market), medical and telecommunications markets.

Both 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

We refer to the semiconductor market, including the more specialized semiconductor ATE and wafer processing sectors within the broader semiconductor market, as the “Semi Market.” All other markets are designated as “Multimarket.” Business within our Thermal segment can fall into either the Semi Market or Multimarket, depending upon how our customers utilize our products or upon their respective applications.

While the Semi Market represents the historical roots of inTEST and remains a very important component of our business, Multimarket is where we have focused our strategic growth efforts in the last several years. Our goal was to grow our business, both organically and through acquisition, in these markets as we believe these markets have historically been less cyclical than the Semi Market. Moving forward, with the launch of our new strategic plan which is discussed in Part 1, Item 1 under “Our Strategies” in our 2020 Form 10-K, we intend to broaden our strategic growth efforts to target both organic and inorganic growth in all of our currently served markets, which includes the Semi Market. Our goal is to further expand our existing product lines, strengthen our positions in served markets and drive expansion into new markets.

Prior to our acquisition of Ambrell in May 2017, we offered only highly specialized engineering solutions used for testing applications in Multimarket, the demand for which is limited and which varies significantly from period to period. Our acquisition of Ambrell not only provided expansion into new markets but also broadened our product offerings to include products sold into process or manufacturing applications. Historically, Ambrell sold its precision induction heating systems almost exclusively to customers in the industrial market but since 2018, has also had significant sales into the Semi Market. Overall, however, the acquisition of Ambrell has helped to diversify our customer base.

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 or, for Ambrell, the demand for wafer processing equipment. Demand for ATE or wafer processing equipment is 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 semiconductors and products incorporating semiconductors. 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. In addition, we continue to focus on design improvements and new approaches for our own products that contribute to our net revenues as our customers adopt these new products.

In the past, the Semi Market has been 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 cyclicality can cause wide fluctuations in both our orders and net revenues 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 net revenues 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 net revenues 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.

Third party market share statistics are not available for the products we manufacture and sell into the Semi Market; therefore, comparisons of period over period changes in our market share are not easily determined. As a result, it is difficult to ascertain if Semi Market volatility in any period is the result of macro-economic or customer-specific factors impacting Semi Market demand, or if we have gained or lost market share to a competitor during the period.

While approximately half of our orders and net revenues are generally 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 net revenues to deviate from the overall trend in the Semi 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 lack of consistency 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 processing 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 previously mentioned, as part of our ongoing strategy to grow our business, we continue to diversify our served markets to address the thermal test and thermal process requirements of several markets outside the Semi Market. These include the automotive, defense/aerospace, industrial, medical, telecommunications and other markets, which we refer to as Multimarket. 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 Multimarket orders and net revenues in any given period do not necessarily reflect the overall trends in the markets within Multimarket. Consequently, we are continuing to evaluate buying patterns and opportunities for growth in Multimarket that may affect our performance. The level of our Multimarket orders and net revenues has varied in the past, and we expect will vary significantly in the future, as we work to build our presence in Multimarket and establish new markets for our products.

Restructuring and Other Charges

On September 21, 2020, we notified employees in our Fremont, California facility of a plan to consolidate all manufacturing for our EMS segment into our manufacturing operations located in Mt. Laurel, New Jersey. Prior to the consolidation, our interface products were manufactured in the Fremont facility, and our manipulator and docking hardware products were manufactured in the Mt. Laurel facility. The consolidation was undertaken to better serve customers through streamlined operations and reduce the fixed annual operating costs for the EMS segment. A small engineering and sales office will be maintained in northern California. The costs related to these actions are included in restructuring and other charges on our consolidated statement of operations and are discussed in more detail in Note 3 to our consolidated financial statements in this Report and in our 2020 Form 10-K.

The integration of our EMS manufacturing operations has taken longer than originally anticipated primarily as a result of the significant increase in our business activity in the first half of 2021. During the second quarter of 2021, we delayed some final integration activities and instead allocated our resources to meet customer demand for shipments of our products. We currently expect to complete the integration of the EMS manufacturing operations in the third quarter of 2021 and expect to incur additional cash charges in the range of $50,000 to $100,000.

The EMS facility consolidation resulted in the termination of certain employees at the Fremont location, including all of our interface product line assembly staff who were located at that facility. As a result of transitioning our interface manufacturing operations to New Jersey, we have hired new production staff for this product line in our Mt. Laurel facility. These new employees are being trained to assemble our products which may impact customer shipments and quality of our interface products over the next several months. In addition, we have recently experienced difficulty in hiring personnel at the costs projected in our forecasts. This has resulted in the need to increase the labor rates offered for certain positions. If we cannot find savings in other areas or increase the price for which we sell our products in an amount sufficient to cover these additional labor costs, we may experience reduced margins in future periods. See “Risks Related to Our Business Operations” in Item 1A “Risk Factors” of our 2020 Form 10-K.

Orders and Backlog

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

	Three Months Ended June 30,		Change		Three Months Ended March 31,	Change	
	2021	2020	$	%	2021	$	%
Orders:							
Thermal	$ 14,826	$ 10,446	$ 4,380	42%	$ 14,746	$ 80	1%
EMS	10,279	3,472	6,807	196%	10,484	(205)	(2)%
	$ 25,105	$ 13,918	$ 11,187	80%	$ 25,230	$ (125)	-%
Semi Market	$ 16,532	$ 7,299	$ 9,233	126%	$ 17,174	$ (642)	(4)%
Multimarket	8,573	6,619	1,954	30%	8,056	517	6%
	$ 25,105	$ 13,918	$ 11,187	80%	$ 25,230	$ (125)	-%

	Six Months Ended June 30,		Change	
	2021	2020	$	%
Orders:				
Thermal	$ 29,572	$ 20,945	$ 8,627	41%
EMS	20,763	6,749	14,014	208%
	$ 50,335	$ 27,694	$ 22,641	82%
Semi Market	$ 33,706	$ 13,991	$ 19,715	141%
Multimarket	16,629	13,703	2,926	21%
	$ 50,335	$ 27,694	$ 22,641	82%

Total consolidated orders for the three months ended June 30, 2021 were $25.1 million compared to $13.9 million for the same period in 2020 and $25.2 million for the three months ended March 31, 2021. Orders from customers in Multimarket for the three months ended June 30, 2021 were 34% of total consolidated orders compared to 48% of total consolidated orders for the same period in 2020 and 32% of total consolidated orders for the three months ended March 31, 2021.

We believe that the significant level of increase in orders from the Semi Market during the three months ended June 30, 2021 as compared to the same period in 2020 reflects both the impact of the interruption of the normal recovery in the Semi Market cycle that was caused by the onset of COVID-19 in the first half of 2020, as well as increased demand for semiconductors (also referred to as "integrated circuits" or "ICs"), generally, which has led to the current shortage in the global supply. We believe this increase in the demand for semiconductors is being driven both by changing technology as well as increased use of technology across all aspects of daily life, such as in devices that facilitate remote work and education, smart technology used in homes and businesses, the increase in the number of ICs used in the automotive industry and changes occurring in the telecommunications and mobility markets. To a lesser extent, we also experienced an increase in orders from Multimarket for the three months ended June 30, 2021 as compared to the same period in 2020 and to the three months ended March 31, 2021. This increase was primarily from the automotive and industrial markets.

At June 30, 2021, our backlog of unfilled orders for all products was approximately $20.4 million compared with approximately $8.7 million at June 30, 2020 and $17.1 million at March 31, 2021. Our backlog includes customer orders which we have accepted, substantially all of which we expect to deliver in 2021. 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.

Net Revenues

The following table sets forth, for the periods indicated, a breakdown of the net revenues by operating segment and market (in thousands).

	Three Months Ended June 30,		Change		Three Months Ended March 31,	Change	
	2021	2020	$	%	2021	$	%
Net revenues:							
Thermal	$ 12,766	$ 9,476	$ 3,290	35%	$ 11,055	$ 1,711	15%
EMS	9,054	3,799	5,255	138%	8,501	553	7%
	$ 21,820	$ 13,275	$ 8,545	64%	$ 19,556	$ 2,264	12%
Semi Market	$ 15,677	$ 6,858	$ 8,819	129%	$ 13,320	$ 2,357	18%
Multimarket	6,143	6,417	(274)	(4)%	6,236	(93)	(1)%
	$ 21,820	$ 13,275	$ 8,545	64%	$ 19,556	$ 2,264	12%

	Six Months Ended June 30,		Change	
	2021	2020	$	%
Net revenues:				
Thermal	$ 23,821	$ 18,810	$ 5,011	27%
EMS	17,555	5,695	11,860	208%
	$ 41,376	$ 24,505	$ 16,871	69%
Semi Market	$ 28,997	$ 11,869	$ 17,128	144%
Multimarket	12,379	12,636	(257)	(2)%
	$ 41,376	$ 24,505	$ 16,871	69%

Total consolidated net revenues for the three months ended June 30, 2021 were $21.8 million compared to $13.3 million for the same period in 2020 and $19.6 million for the three months ended March 31, 2021. We believe the increase in our consolidated net revenues as compared to the same period in 2020 reflects the aforementioned increase in demand from the Semi Market.

Net revenues from customers in Multimarket for the three months ended June 30, 2021 were 28% of total consolidated net revenues compared to 48% of total consolidated net revenues for the same period in 2020 and 32% of total consolidated orders for the three months ended March 31, 2021. Decreased revenue from the defense/aerospace and telecommunications markets were partially offset by increases in revenue from the automotive and industrial markets.

COVID-19 Pandemic

During the second quarter of 2021, as more Americans became vaccinated and the spread of COVID-19 appeared to be lessening, governmental mandates and restrictions in the regions in the U.S. where we operate our business were reduced or eliminated. As a result, we began the process of reopening our offices in these regions. As of the date of this Report, due to the increasing spread of COVID-19 variants in the U.S., several regulatory authorities have either reinstated certain COVID-19 mandates or restrictions or have indicated they are considering taking such actions. We are following the guidance of the CDC. Accordingly, as of the date of this Report, our U.S. offices remain open, but we are requiring all employees to wear masks and maintain appropriate social distancing. As of the date of this Report, our offices in Europe have also reopened to varying degrees, while our employees in Asia remain under more significant restrictions. Our employees outside of the U.S. continue to follow the guidance of their local regulatory authorities, which in most cases includes wearing masks, observing social distancing, limiting travel and quarantining after travel, as required.

While the negative impact of COVID-19 on our business was reduced significantly in the second half of 2020 and the first half of 2021, the spread of the virus or variants of the virus could continue to worsen and one or more of our significant customers or suppliers could be impacted, or significant additional governmental regulations and restrictions could be imposed, thus negatively impacting our business in the future. We continue to monitor the situation closely in the regions in which we operate in the U.S. and abroad and will adjust our operations as necessary to protect the health and well-being of our employees. To the extent that further governmental mandates or restrictions are implemented in the future, we currently expect to be able to continue to operate our business in a manner similar to how we have operated over the past year. As a result of our current level of working capital as well as the availability under our revolving credit facility, which is discussed in Note 9, we currently expect to have sufficient liquidity to operate our business throughout 2021.

Results of Operations

The results of operations for our two 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 each segment where significant to an understanding of that segment.

Three Months Ended June 30, 2021 Compared to Three Months Ended June 30, 2020

Net Revenues. Net revenues were $21.8 million for the three months ended June 30, 2021 compared to $13.3 million for the same period in 2020, an increase of $8.5 million, or 64%. We believe the increase in our net revenues during the second quarter of 2021 primarily reflects the factors previously discussed in the Overview section.

Gross Margin. Our consolidated gross margin was 50% of net revenues for the three months ended June 30, 2021 as compared to 46% of net revenues for the same period in 2020. The increase in our gross margin primarily reflects that our fixed operating costs were more fully absorbed by the higher net revenue levels in 2021. Although our fixed operating costs were relatively unchanged in absolute dollar terms, as a percentage of net revenues these costs decreased from 18% of net revenues for the three months ended June 30, 2020 to 11% of net revenues for the same period in 2021. During the three months ended June 30, 2021 as compared to the same period in 2020, decreases in facility-related costs and premiums for medical insurance in both our segments were offset by increased salaries and benefits expense due to additional headcount in our Thermal segment. To a lesser extent, there were also increases in our corporate insurance premiums, which are based on the volume of business, and supplies used in our manufacturing plants. The decrease in our fixed operating costs as a percentage of net revenues during the three months ended June 30, 2021 as compared to the same period in 2020 was partially offset by an increase in our component material costs, reflecting changes in product mix.

Selling Expense. Selling expense was $2.6 million for the three months ended June 30, 2021 compared to $1.8 million for the same period in 2020 an increase of $844,000, or 48%. Commissions increased $562,000 and standard warranty accruals increased $65,000, both of which primarily reflect the higher net revenue levels. We also had an increase in salaries and benefits expense due to additional headcount and higher levels of travel and trade show expense as COVID-19 restrictions were reduced or eliminated. We expect this increase in travel costs to continue throughout the balance of 2021 as we return to a more normal business model with regard to customer support and on-site visits.

Engineering and Product Development Expense. Engineering and product development expense was $1.4 million for the three months ended June 30, 2021 compared to $1.2 million for the same period in 2020, an increase of $139,000, or 11%. The increase primarily reflects higher salaries and benefits expense as a result of headcount additions in our Thermal segment, and, to a lesser extent, an increase in spending on third-party consultants used in product development in both of our segments.

General and Administrative Expense. General and administrative expense was $3.8 million for the three months ended June 30, 2021 compared to $2.9 million for the same period in 2020, an increase of $919,000, or 32%. During the three months ended June 30, 2021, we recorded $227,000 of legal fees and stock-based compensation costs related to the retirement of our former CFO and the appointment of our new CFO, which is discussed further in Note 3 to our consolidated financial statements in this Report. In connection with our new corporate strategy, we have implemented certain corporate growth initiatives in both of our segments. Costs associated with these initiatives were $145,000 during the three months ended June 30, 2021. There were no similar costs in the three months ended June 30, 2020. In addition to these increases, during the three months ended June 30, 2021, as compared to the same period in 2020, we recorded higher levels of stock-based compensation expense, reflecting an increase in the price of our common stock, and an increase in profit-based bonuses, reflecting our increased earnings in the three months ended June 30, 2021 as compared to the same period in 2020.

Restructuring and Other Charges. For the three months ended June 30, 2021, we recorded $197,000 in restructuring and other charges related to the retirement of our former CFO and the consolidation of our EMS manufacturing operations. During the same period in 2020, we recorded $38,000 in restructuring and other charges related to headcount reductions in our Thermal segment.

Income Tax Expense (Benefit). For the three months ended June 30, 2021, we recorded income tax expense of $447,000 compared to income tax expense of $13,000 for the same period in 2020. Our effective tax rate was 15% for the three months ended June 30, 2021 compared to 7% for the same period in 2020. 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. The lower effective tax rate in the three months ended June 30, 2020 reflects adjustments that were made to bring the effective tax rate for the six-month period ended June 30, 2020 to the expected annualized effective tax rate as of that date.

Six Months Ended June 30, 2021 Compared to Six Months Ended June 30, 2020

Net Revenues. Net revenues were $41.4 million for the six months ended June 30, 2021 compared to $24.5 million for the same period in 2020, an increase of $16.9 million, or 69%. We believe the increase in our net revenues during the first six months of 2021 primarily reflects the factors previously discussed in the Overview section.

Gross Margin. Our consolidated gross margin was 50% of net revenues for the six months ended June 30, 2021 as compared to 45% of net revenues for the same period in 2020. The increase in our gross margin primarily reflects that our fixed operating costs were more fully absorbed by the higher net revenue levels in 2021. Although our fixed operating costs were relatively unchanged in absolute dollar terms, as a percentage of net revenues these costs decreased from 20% of net revenues for the six months ended June 30, 2020 to 12% of net revenues for the same period in 2021. During the six months ended June 30, 2021 as compared to the same period in 2020, decreases in facility related costs, primarily in our EMS segment, and a reduction in premiums for medical insurance in both our segments were offset by increased salaries and benefits expense due to additional headcount in our Thermal segment. The decrease in our fixed operating costs as a percentage of net revenues during the six months ended June 30, 2021 as compared to the same period in 2020 was partially offset by an increase in our component material costs, reflecting changes in product mix.

Selling Expense. Selling expense was $5.0 million for the six months ended June 30, 2021 compared to $3.8 million for the same period in 2020 an increase of $1.2 million, or 31%. Commissions increased $940,000 and standard warranty accruals increased $121,000, both of which primarily reflect the higher net revenue levels. We also had an increase in salaries and benefits expense due to additional headcount in our EMS segment and higher levels of travel and trade show expense in both of our segments as COVID-19 restrictions were reduced or eliminated. We expect this increase in travel costs to continue throughout the balance of 2021 as we return to a more normal business model with regard to customer support and on-site visits.

Engineering and Product Development Expense. Engineering and product development expense was $2.7 million for the six months ended June 30, 2021 compared to $2.5 million for the same period in 2020 an increase of $169,000, or 7%. The increase primarily reflects higher salaries and benefits expense as a result of headcount additions in our Thermal segment.

General and Administrative Expense. General and administrative expense was $6.9 million for the six months ended June 30, 2021 compared to $5.7 million for the same period in 2020, an increase of $1.2 million, or 21%. As previously discussed, during the six months ended June 30, 2021, we recorded $227,000 of legal fees and stock-based compensation costs related to the retirement of our former CFO and the appointment of our new CFO. In addition, in connection with our new corporate strategy, we have implemented certain corporate growth initiatives in both of our segments. Costs associated with these initiatives were $244,000 during the six months ended June 30, 2021. There were no similar costs in the six months ended June 30, 2020. In addition to these increases, during the six months ended June 30, 2021 as compared to the same period in 2020, we recorded higher levels of stock-based compensation expense, reflecting an increase in the price of our common stock, and an increase in profit-based bonuses, reflecting our increased earnings in the first half of 2021.

Restructuring and Other Charges. For the six months ended June 30, 2021, we recorded $252,000 in restructuring and other charges related to retirement of our former CFO and the consolidation of our EMS manufacturing operations. During the same period in 2020, we recorded $46,000 in restructuring and other charges related to headcount reductions in our Corporate staff and our Thermal segment.

Income Tax Expense (Benefit). For the six months ended June 30, 2021, we recorded income tax expense of $813,000 compared to an income tax benefit of $237,000 for the same period in 2020. Our effective tax rate was 14% for the six months ended June 30, 2021 compared to 20% for the same period in 2020. 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. The lower effective tax rate in the six months ended June 30, 2021 primarily reflects both an increase in the deduction for foreign-derived intangible income and an increase in the level of our tax deductions related to stock-based compensation. To a lesser extent, we also recorded increased levels of expected tax credits driven by both research and development activities and foreign operations.

Liquidity and Capital Resources

As discussed more fully in the Overview, 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, especially in light of COVID-19.

Our primary historical source of liquidity and capital resources has been cash flow generated by our operations, and we manage our businesses to maximize operating cash flows as our primary source of liquidity. We use cash to fund growth in our operating assets, for new product research and development and for acquisitions.

Liquidity

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

	June 30, 2021	December 31, 2020
Cash and cash equivalents	$ 14,625	$ 10,277
Working capital	$ 24,970	$ 18,108

As of June 30, 2021, $3.3 million, or 22%, 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 availability under our revolving credit facility to be sufficient to support our short-term working capital requirements and other corporate requirements. Our revolving credit facility is discussed in Note 9 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 and purchase commitments for materials that we use in the products we sell. We estimate that our minimum short-term working capital requirements currently range between $5.0 million and $7.0 million. We also anticipate making investments in our business in the next twelve months including hiring of additional staff, updates to our website and other systems and investments related to our geographic and market expansion efforts. We expect our current cash and cash equivalents, in combination with the borrowing capacity available under our revolving credit 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. However, should the impact of COVID-19 or variants of the virus on our operations, including the disruption to our business that would be caused by any unanticipated facility closures or significantly reduced demand from our customers, be more significant than we currently expect, we may need additional financial resources, including additional debt or equity financings in the long-term. There can be no assurance that any such debt or equity financings would be available on favorable terms or rates or at all.

Our current growth strategy includes pursuing acquisition opportunities for complementary businesses, technologies or products. We currently anticipate that any long-term cash requirements related to our acquisition strategy would be funded all or in part through obtaining additional third-party debt or issuing equity. If we were to obtain additional third-party debt, we do not currently know at what rates or on what terms any such debt would be available.

Cash Flows

Operating Activities. For the six months ended June 30, 2021, we recorded net earnings of $4.8 million. Net cash provided by operations during this period was $3.9 million. During the six months ended June 30, 2021, we had non-cash charges of $1.5 million for depreciation and amortization which included $529,000 of amortization related to our ROU assets. Our operating lease liabilities declined $641,000 during this same period. During the six months ended June 30, 2021, we also recorded $723,000 for amortization of deferred compensation expense related to stock-based awards. Accounts receivable increased $4.4 million during the six months ended June 30, 2021, reflecting the significant increase in net revenues in the first half of 2021, while inventories, accounts payable and accrued sales commissions increased $1.3 million, $1.1 million and $399,000, respectively, also reflecting the increase in business levels. Accrued wages and benefits increased $663,000 during the first six months of 2021 reflecting higher levels of profit-based bonuses accruals as a result of our level of profit in the first six months of 2021. Customer deposits increased $499,000 during the six months ended June 30, 2021, primarily in our Thermal segment.

Investing Activities. During the six months ended June 30, 2021, purchases of property and equipment were $463,000, primarily reflecting leasehold improvements to our facility in Mt. Laurel, New Jersey which were funded using our working capital. We have no significant commitments for capital expenditures for the balance of 2021; 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 six months ended June 30, 2021, we received $1.0 million as a result of the exercise of options to acquire 145,575 shares of our stock. These options were issued to certain current and former employees under our stock-based compensation plans which are discussed in Note 10 to our consolidated financial statements in this Report.

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 GAAP requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, 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 June 30, 2021, there have been no significant changes to the accounting estimates that we have deemed critical other than the change in accounting estimate that is discussed in Note 15 to our consolidated financial statements in this Report. Our critical accounting estimates are more fully described in our 2020 Form 10-K.

Off -Balance Sheet Arrangements

There were no off-balance sheet arrangements during the six months ended June 30, 2021 that have or are reasonably likely to have, a current or future effect on our financial condition, changes in financial condition, revenues 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. 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 Chief Executive Officer ("CEO") and Chief Financial Officer ("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, including the impact of COVID-19. 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 effective at the reasonable assurance level.

Changes in Internal Control Over Financial Reporting

During the period covered by this Report, 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. We will continue monitoring and assessing any impacts from COVID-19 on our internal controls.

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 2020 Form 10-K filed with the Securities and Exchange Commission on March 23, 2021. There have been no material changes from the risk factors set forth in our 2020 Form 10-K.

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

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

10.1	inTEST Corporation Employee Stock Purchase Plan. (*)
10.2	Amendment 2021-1 to the inTEST Corporation Third Amended and Restated 2014 Stock Plan. (*)
10.3	Second Amendment to Lease Agreement, dated April 7, 2021, by and between inTEST Corporation and Exeter 804 East Gate 2018, LLC (1)
10.4	Second Amendment to Loan and Security Agreement, dated April 10, 2021, by inTEST Corporation, Ambrell Corporation, inTEST Silicon Valley Corporation, inTEST EMS, LLC, Temptronic Corporation and M&T Bank. (2)
10.5	Amended and Restated Revolver Note, dated April 10, 2021. (2)
10.6	Separation and Consulting Agreement between the Company and Hugh T. Regan, Jr. dated June 11, 2021. (3)(*)
10.7	Letter Agreement between the Company and Duncan Gilmour dated June 10, 2021. (3)(*)
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).

(1) Previously filed by the Company as an exhibit to the Company’s Current Report on Form 8-K dated April 7, 2021, File No. 001-36117, filed April 13, 2021, and incorporated herein by reference.
(2) Previously filed by the Company as an exhibit to the Company’s Current Report on Form 8-K dated April 10, 2021, File No. 001-36117, filed April 14, 2021, and incorporated herein by reference.
(3) Previously filed by the Company as an exhibit to the Company’s Current Report on Form 8-K dated June 10, 2021, File No. 001-36117, filed June 14, 2021, and incorporated herein by reference.
* 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:	August 12, 2021	/s/ Richard N. Grant, Jr. Richard N. Grant, Jr. *President and Chief Executive Officer*
Date:	August 12, 2021	/s/ Duncan Gilmour Duncan Gilmour *Chief Financial Officer, Treasurer and Secretary*

Exhibit 10.1

inTEST CORPORATION

EMPLOYEE STOCK PURCHASE PLAN
(Effective as of October 1, 2021)

1. Establishment of Plan.

1.1 inTEST Corporation (the "***Company***") proposes to grant options for purchase of the Company's Common Stock (as defined below) as determined by the Committee (as defined below) to eligible Employees (as defined below) of the Company and its Participating Affiliates (as defined below) pursuant to this inTEST Corporation Employee Stock Purchase Plan (this "***Plan***").

1.2 The purpose of this Plan is to provide eligible Employees of the Company and Participating Affiliates with a convenient means of acquiring an equity interest in the Company through payroll deductions, to align the interests of such Employees with those of the Company's stockholders, and to provide an incentive for continued employment.

1.3 This Plan is an omnibus document which includes a Section 423 Plan Component (as defined below) designed to qualify as an "employee stock purchase plan" under Section 423 of the Internal Revenue Code of 1986, as amended (the "***Code***"), although the Company makes no undertaking or representation to maintain such qualification. In addition, the Plan authorizes the grant of options under a Non-423 Plan Component pursuant to rules, procedures or sub-plans adopted by the Board of Directors of the Company (the "***Board***") (or its designate). To the extent that the Company grants options to Employees of its Participating Affiliates under this Plan, such grants shall be made only under the Non-423 Plan Component.

1.4 The Section 423 Plan Component shall be a separate and independent plan from the Non-423 Plan Component, provided, however, that the total number of Shares (as defined below) authorized to be issued under the Plan applies in the aggregate to both the Section 423 Plan Component and the Non-423 Plan Component. Offerings under the Non-423 Plan Component may be made to achieve desired tax or other objectives in particular locations outside the United States of America or to comply with local laws applicable to offerings in such foreign jurisdictions. In the event of a conflict between the terms of the Non-423 Plan Component and the terms of this Plan, then with the exception of Sections 3, 11.2, 16 and 26 with respect to the total number of Shares available to be offered under the Plan for all sub-plans, the terms of the Non-423 Plan Component will control. Except to the extent expressly set forth herein or where the context suggests otherwise, any reference herein to "Plan" shall be construed to include a reference to both the Section 423 Plan Component and the Non-423 Plan Component.

1.5 All eligible Employees shall have equal rights and privileges with respect to this Plan so that the Section 423 Plan Component qualifies as an "employee stock purchase plan" within the meaning of Section 423 of the Code, except for differences that may be mandated by local law and that are consistent with Code Section 423(b)(5). Participants participating in the Non-423 Plan Component by means of rules, procedures or sub-plans adopted pursuant to Section 21 need not have the same rights and privileges as participants participating in the Section 423 Plan Component.

2. Definitions.

2.1 Any term not expressly defined in this Plan but defined for purposes of Section 423 of the Code shall have the same definition herein. In addition, this Plan uses the following defined terms:

2.2" ***Affiliate***" means any "parent corporation" or "subsidiary corporation" of the Company whether now or subsequently established, as those terms are defined in Section 424(e) and (f), respectively, of the Code. With respect to the Non-423 Plan Component, a non-subsidiary can be deemed to be an Affiliate and may be designated by the Committee for participation in the Non-423 Plan Component.

2.3" ***Board***" means the Board of Directors of the Company.

2.4" ***Code***" means the Internal Revenue Code of 1986, as amended.

2.5" ***Committee***" means the Compensation Committee of the Board or one or more subcommittees appointed by the Committee to administer the Plan.

2.6" ***Common Stock***" means the common stock of the Company, par value $0.01 per share.

2.7" ***Company***" means inTEST Corporation, a Delaware corporation.

2.8" ***Compensation***" means the definition of Compensation established by the Committee, which definition shall comply with Treasury Regulation Section 1.423-2(f).

2.9" ***Director***" means a member of the Board.

2.10" ***Employee***" means any person, including an Officer or Director, who is employed by purposes of Section 424(b)(4) of the Code by the Company or a Participating Affiliate. However, service solely as a Director, or payment of a fee for such services, shall not cause a Director to be considered an "Employee" for purposes of the Plan. For a Non-423 Plan Component, Employee shall mean an employee of the Company or its deemed Affiliate on any other basis as determined by the Company (if required under applicable local law).

2.11" ***Fair Market Value***" means the value of a Share as determined as follows. If the Shares are listed on any established stock exchange or quoted on a national market system, including, without limitation, the New York Stock Exchange or the Nasdaq Stock Market, the Fair Market Value shall be the closing price of a Share as quoted on such exchange or system on the day for which the value is being determined (or if no sales were reported, the closing price on the trading date immediately preceding such date), as reported by The Wall Street Journal or such other source as the Committee deems reliable. In the absence of an established market for the Shares, the Fair Market Value shall be determined in good faith by the Committee and such determination shall be final, conclusive and binding on all persons.

2.12“ ***Insider Trading Policy***” means the Company’s Statement of Policy Regarding Purchases and Sales of Securities by Directors, Officers and Employees, as such policy may be amended from time to time.

2.13“ ***Maximum Share Amount***” means a maximum number of Shares which may be purchased by any Employee at any single Purchase Date.

2.14“ ***Non-423 Plan Component***” means a component of this Plan which does not qualify under Section 423 of the Code.

2.15“ ***Notice Period***” means the period within two (2) years from the Offering Date relating to the applicable Shares or one (1) year from the Purchase Date on which the applicable Shares were purchased.

2.16“ ***Offering Date***” means the first business day of each Offering Period.

2.17“ ***Offering Period***” means a period commencing and ending on those dates determined by the Committee. The Offering Periods of this Plan may be up to twenty-seven (27) months in duration and may consist of up to eight (8) Purchase Periods during which payroll deductions of the participants are accumulated under this Plan. However, unless and until determined otherwise by the Committee, each Offering Period shall have a duration of three months and shall commence on October 1, January 1, April 1, or July 1 and each Offering Period shall have only one Purchase Period which shall run simultaneously with the Offering Period. The duration and timing of Offering Periods may be changed pursuant to Section 6, Section 16 and Section 26 of this Plan, provided that no Offering Period shall exceed a period of twenty-seven (27) months.

2.18“ ***Officer***” means a person who is an officer of the Company as defined in Rule 16a-1 under the Securities Exchange Act of 1934, as amended.

2.19“ ***Participating Affiliates***” means inTEST EMS LLC, Temptronic Corporation, Ambrell Corporation, inTEST Pte. Ltd., inTEST Thermal GmbH, Ambrell BV, Ambrell Ltd. and any such Affiliates that the Committee designates from time to time as corporations that shall participate in this Plan.

2.20“ ***Plan***” means this inTEST Corporation Employee Stock Purchase Plan.

2.21“ ***Purchase Date***” means the last business day of each Purchase Period.

2.22“ ***Purchase Period***” means a period commencing and ending on those dates determined by the Committee. However, unless and until determined otherwise by the Committee, each Purchase Period shall have a duration of three (3) months and shall be coincident with an Offering Period. The duration and timing of Purchase Periods may be changed pursuant to Section 6, Section 16 and Section 26 of this Plan, provided that no Purchase Period shall exceed a period of six (6) months, other than the first purchase period commencing after adoption of this Plan.

2.23“ ***Purchase Right***” means an option to purchase Shares granted pursuant to the Plan.

2.24“ ***Reserves***” means the number of Shares covered by each option under this Plan which has not yet been exercised and the number of Shares which have been authorized for issuance under this Plan, but have not yet been placed under option.

2.25“ ***Section 423 Plan Component***” means the component of the Plan designed to qualify as an “employee stock purchase plan” under Section 423 of the Code.

2.26“ ***Share***” means a share of Common Stock.

3. Number of Shares.

3.1 The maximum number of Shares that will be offered under the Plan is 250,000 Shares, subject to adjustment as permitted under Section 16. For avoidance of doubt, the limitation set forth in this Section 3.1 may be used to satisfy purchases of Shares under either the Section 423 Plan Component or the Non-423 Plan Component.

3.2 If any Purchase Right granted under the Plan shall for any reason terminate without having been exercised, the Shares not purchased under such Purchase Right shall again become available for issuance under the Plan.

3.3 The Shares purchasable under the Plan shall be shares of authorized but unissued or reacquired Shares, including shares repurchased by the Company on the open market.

4. Administration.

4.1 This Plan shall be administered by the Committee, including (a) prescribing, amending and rescinding rules and regulations relating to the Plan; (b) prescribing forms for carrying out the provisions and purposes of the Plan; (c) construing and interpreting the Plan; (d) settling all controversies regarding the Plan; (e) suspending or terminating the Plan at any time as provided in Section 26.2; (f) amending the Plan at any time as provided in Section 26.1; (g) making all other determinations deemed necessary or advisable for the administration of the Plan, including factual determinations; and (h) exercising such powers and performing such acts as it deems necessary or expedient to promote the best interests of the Company and its Affiliates and to carry out the intent of the Plan. The Committee, in the exercise of this power, may correct any defect, omission, or inconsistency in the Plan, in a manner and to the extent it shall deem necessary or expedient to make the Plan fully effective. Subject to the provisions of this Plan, the Committee shall have all authority to (i) determine and change the percentage discount pursuant to Section 9, (ii) determine and change the Offering Periods and Offering Dates pursuant to Section 6, (iii) determine and change the purchase price for Shares pursuant to Section 9, (iv) prescribe minimum holding periods for the Shares issued under this Plan, and (v) prescribe, amend and rescind rules and regulations relating to this Plan. All decisions of the Committee shall be final, binding, and conclusive upon all parties. Members of the Committee shall receive no compensation for their services in connection with the administration of this Plan, other than standard fees as established from time to time by the Board for services rendered by Board members serving on Board committees. All expenses incurred in connection with the administration of this Plan shall be paid by the Company.

4.2 In its rules and procedures for the administration of the Plan (including, without limitation, procedures covering any directions, elections, or other actions by Employees, and the delivery of statements and other disclosure materials to such individuals), the Committee may provide for the use of electronic communications and other media in a manner consistent with any applicable laws.

4.3 All determinations, interpretations and constructions made by the Committee in good faith shall not be subject to review by any person and shall be final, binding, and conclusive on all persons.

5. Eligibility.

5.1 Any Employee of the Company or the Participating Affiliates is eligible to participate in an Offering Period under this Plan except the following:

(a) Employees with less than six (6) months of service with the Company or a Participating Affiliate prior to the beginning of such Offering Period or prior to such other time period as specified by the Committee;

(b) Employees who, as a result of being granted an option under this Plan with respect to such Offering Period, would, together with any other person whose stock would be attributed to such Employee pursuant to Section 424(d) of the Code, own stock or hold options to purchase stock possessing five percent (5%) or more of the total combined voting power or value of all classes of stock of the Company or any Affiliate;

(c) individuals who provide services to the Company or any of its Participating Affiliates as independent contractors who are reclassified as common law employees for any reason, provided that this exclusion will not apply if such individuals are considered employees for purposes of Section 423 of the Code;

(d) Employees who reside in countries for whom such Employees' participation in the Plan would result in a violation under any corporate or securities laws of such country of residence;

(e) Employees whose customary employment is five (5) months per calendar year or less; and

(f) Employees whose customary employment is twenty (20) hours or less per week.

5.2 Individuals who are not Employees of the Company or a Participating Affiliates shall not be eligible to participate in an Offering Period.

6. Offering Dates.

6.1 The Committee shall have the power to change the Offering Dates, the Purchase Dates and the duration of Offering Periods or Purchase Periods without stockholder approval if such change is announced prior to the relevant Offering Period or prior to such other time period as specified by the Committee.

7. Participation in this Plan.

7.1 Eligible Employees may become participants in an Offering Period under this Plan on the Offering Date, after satisfying the eligibility requirements, by delivering a subscription agreement to the Company prior to such Offering Date, or such other time period as specified by the Committee. An eligible Employee who does not deliver a subscription agreement to the Company after becoming eligible to participate in an Offering Period shall not participate in that Offering Period or any subsequent Offering Period unless such Employee enrolls in this Plan by delivering a subscription agreement to the Company prior to such Offering Period, or such other time period as specified by the Committee. Once an Employee becomes a participant in an Offering Period by filing a subscription agreement, such Employee shall automatically participate in the Offering Period commencing immediately following the last day of the prior Offering Period unless the Employee withdraws or is deemed to withdraw from this Plan or terminates further participation in the Offering Period as set forth in Section 12 below. Such participant is not required to file any additional subscription agreement in order to continue participation in this Plan.

8. Grant of Option on Enrollment.

8.1 Enrollment by an eligible Employee in this Plan with respect to an Offering Period shall constitute the grant (as of the Offering Date) by the Company to such Employee of an option to purchase on the Purchase Date up to that number of Shares determined by a fraction, the numerator of which is the amount accumulated in such Employee's payroll deduction account during such Purchase Period and the denominator of which is the purchase price per Share determined under Section 9, provided, however, that the number of Shares subject to any option granted pursuant to this Plan shall not exceed the maximum number of Shares set by the Committee pursuant to Section 11.2 below with respect to the applicable Purchase Date. Notwithstanding the foregoing, in the event of a change in generally accepted accounting principles which would adversely affect the accounting treatment applicable to any current Offering Period, the Committee may make such changes to the number of Shares purchased at the end of the Purchase Period or the purchase price paid as are allowable under generally accepted accounting principles and as it deems necessary in the sole discretion of the Committee to avoid or minimize adverse accounting consequences.

9. Purchase Price.

9.1 The purchase price per Share at which a Share shall be sold in any Offering Period shall be as determined by the Committee but no less than eighty-five percent (85%) of the Fair Market Value of the Shares on the Purchase Date.

10. Payment of Purchase Price; Changes in Payroll Deductions; Issuance of Shares.

10.1 The purchase price of the Shares is accumulated by regular payroll deductions made during each Offering Period. The deductions are made as a percentage of the participant's Compensation in one percent (1%) increments, not less than one percent (1%), nor greater than twenty-five percent (25%), or such lower limit set by the Committee. Payroll deductions shall commence on the first payday of the Offering Period and shall continue to the end of the Offering Period unless sooner altered or terminated as provided in this Plan. If payroll deductions are not permitted in a jurisdiction, participants in that jurisdiction may contribute via check or pursuant to another method approved by the Committee.

10.2 A participant may increase or decrease the rate of payroll deductions at any time, with such change to be effective commencing as of the next Offering Period. Any such increase or decrease in participation level shall be made by filing with the Company a new subscription agreement changing his or her payroll deductions. Any such change must be submitted to the Company prior to the fifteen (15) day period (or such shorter period of time as determined by the Company) immediately preceding the next Offering Period for which it is to be effective.

10.3 All payroll deductions made for a participant are credited to his or her account under this Plan and are deposited with the general funds of the Company. No interest accrues on the payroll deductions, unless required by local law. All payroll deductions received or held by the Company may be used by the Company for any corporate purpose, and the Company shall not be obligated to segregate such payroll deductions, unless required by local law.

10.4 On each Purchase Date, for so long as this Plan remains in effect, and provided that the participant has not submitted a signed and completed a withdrawal form pursuant to Section 12 before that date, which notifies the Company that the participant wishes to withdraw from that Offering Period under this Plan and have all payroll deductions accumulated in the account maintained on behalf of the participant, as of that date returned to the participant, the Company shall apply the funds then in the participant's account to the purchase of whole and fractional Shares reserved under the option granted to such participant with respect to the Offering Period to the extent that such option is exercisable on the Purchase Date. The purchase price per Share shall be as specified in Section 9 of this Plan. In the event that this Plan has been oversubscribed, all funds not used to purchase Shares on the Purchase Date shall be returned to the participant, without interest. No Share shall be purchased on a Purchase Date on behalf of any Employee whose participation in this Plan has terminated prior to such Purchase Date.

10.5 As soon as practicable after the Purchase Date, the Company shall issue Shares for the participant's benefit representing the Shares purchased upon exercise of his or her option.

10.6 During a participant's lifetime, his or her option to purchase Shares hereunder is exercisable only by him or her. The participant shall have no interest or voting rights in Shares covered by his or her option until such option has been exercised and Shares have been issued to the participant.

10.7 Notwithstanding the foregoing or any other provision of the Plan to the contrary, the Purchase Rights relating to participation in the Plan shall not be given effect until such time as a registration statement covering the shares reserved under the Plan that are subject to the Purchase Rights has been filed by the Company and has become effective.

10.8 As promptly as practicable after the Purchase Date of each Purchase Period, the number of shares of Common Stock purchased by each participant shall be issued by the Company and deposited into a brokerage account established in the participant's name with the Plan's broker, for and on behalf of the participant, in accordance with procedures established from time to time by the Committee. The terms of such Plan broker account shall be as provided herein and at the sole discretion of the Committee; and a participant's participation in the Plan is expressly conditioned on his or her acceptance of such terms.

10.9 Any Plan broker account established to hold a participant's Shares shall be titled solely in the name of the participant, unless the participant is notified by the Committee (or its delegate) that the account may be titled or re-titled jointly with another person, consistent with the policies of the Plan broker and applicable law. The participant may dispose of the Shares in his or her Plan broker account, whether by sale, exchange, gift or other transfer of title, in which case applicable transaction fees may be charged.

10.10 Dividends paid in the form of cash, Shares or other non-cash consideration with respect to the Common Stock in a participant's Plan account established under this Section 10 shall be credited to such Plan broker account. However, if a participant holding Shares in any Plan broker account is subject to United States withholding taxes on any dividends payable with respect to the Shares, all cash dividends payable on those Shares shall be paid by the Company net of the applicable United States withholding taxes on such dividends, which taxes shall be withheld by the Company and paid to the appropriate United States tax authorities.

11. Limitations on Shares to be Purchased.

11.1 No participant shall be entitled to purchase stock under this Plan at a rate which, when aggregated with his or her rights to purchase stock under all other employee stock purchase plans of the Company or any Affiliate, exceeds $25,000 in Fair Market Value, determined as of the Offering Date (or such other limit as may be imposed by the Code) for each calendar year in which the Employee participates in this Plan. The Company shall have the authority to take all necessary action, including but not limited to, suspending the payroll deductions of any participant, in order to ensure compliance with this Section.

11.2 No participant shall be entitled to purchase more than the Maximum Share Amount on any single Purchase Date. Prior to the commencement of any Offering Period or prior to such time period as specified by the Committee, the Committee may, in its sole discretion, set a Maximum Share Amount. If the Committee does not set a Maximum Share Amount, the Maximum Share Amount shall be 4,000 Shares. If a new Maximum Share Amount is set, then all participants must be notified of such Maximum Share Amount prior to the commencement of the next Offering Period. The Maximum Share Amount shall continue to apply with respect to all succeeding Purchase Dates and Offering Periods unless revised by the Committee as set forth above.

11.3 If the number of Shares to be purchased on a Purchase Date by all Employees participating in this Plan exceeds the number of Shares then available for issuance under this Plan, then the Company shall make a pro rata allocation of the remaining Shares in as uniform a manner as shall be reasonably practicable and as the Committee shall determine to be equitable. In such event, the Company shall give written notice of such reduction of the number of Shares to be purchased under a participant's option to each participant affected.

11.4 Any payroll deductions accumulated in a participant's account which are not used to purchase stock due to the limitations in this Section 11 shall be returned to the participant as soon as practicable after the end of the applicable Purchase Period, without interest unless required by local law.

12. Withdrawal.

12.1 A participant may cancel all (but not less than all) of his or her payroll deductions under the Plan and terminate his or her participation in an Offering Period by delivering a written notice to the Company to that effect on a form provided for such purpose. Such withdrawal may be elected at any time prior to the end of an Offering Period, or such other time period as specified by the Committee.

12.2 In the Committee's discretion, based on uniform rules and procedures established from time to time by the Committee, a participant who withdraws from an Offering Period under Section 12.1 may withdraw all (but not less than all) of the payroll deferrals deducted from his or her pay and not yet used to purchase Shares at any time by making an election on a form provided for such purpose. In such case, all cash credited to the participant's Plan account shall be paid to the participant as soon as is administratively reasonable, without interest, and his or her interest in this Plan shall terminate.

12.3 In the event a participant voluntarily elects to withdraw from this Plan through a cancellation under Section 12.1, he or she may not resume his or her participation in this Plan during the same Offering Period, but he or she may participate in any Offering Period under this Plan which commences on a date subsequent to such withdrawal by filing a new authorization for payroll deductions in the same manner as set forth in Section 7 above for initial participation in this Plan.

13. Beneficiary.

13.1 In the event of the death of a participant, the Company shall deliver such Shares and/or cash to the executor or administrator of the estate of the participant, or if no such executor or administrator has been appointed (to the knowledge of the Company), the Company, in its sole discretion, may deliver such Shares and/or cash to the spouse or to any one or more dependents or relatives of the participant, or if no spouse, to the participant's estate.

14. Termination of Employment.

14.1 Termination of a participant's employment for any reason, including retirement, death or the failure of a participant to remain an eligible Employee of the Company or of a Participating Affiliate, shall immediately terminate his or her participation in this Plan. In such event, the payroll deductions credited to the participant's account shall be returned to him or her or, in the case of his or her death, to his or her beneficiary determined under Section 13. For purposes of this Section 14, an Employee shall not be deemed to have terminated employment or failed to remain in the continuous employ of the Company or of a Participating Affiliate in the case of sick leave, military leave, or any other leave of absence approved by the Board or Committee, provided, however that such leave is for a period of not more than ninety (90) days or reemployment upon the expiration of such leave is guaranteed by contract or statute. Whether and when employment is deemed terminated for purposes of this Plan shall be determined by the Committee in its sole discretion and may be determined without regard to statutory notice periods or other periods following termination of active employment.

15. Return of Payroll Deductions.

15.1 In the event a participant's interest in this Plan is terminated by withdrawal, termination of employment or otherwise prior to the withdrawal deadline established by the Committee, or in the event this Plan is terminated by the Board, the Company shall deliver to the participant all payroll deductions credited to such participant's account. No interest shall accrue on the payroll deductions of a participant in this Plan, unless required by local law. In the event a participant dies with payroll deductions having been accumulated to purchase Shares at the next Purchase Date, and the Committee receives notice of such death prior to the withdrawal deadline established by the Committee, the Company shall deliver to the participant's beneficiary determined under Section 13 all payroll deductions credited to such participant's account.

16. Capital Changes.

16.1 Subject to any required action by the stockholders of the Company, the Reserves, as well as the price per Share covered by each option under this Plan which has not yet been exercised, and limits on the number of Shares that may be purchased by an Employee, shall be proportionately adjusted for any increase or decrease in the number of issued and outstanding Shares resulting from a stock split or the payment of a stock dividend (but only on the Shares), any other increase or decrease in the number of issued and outstanding Shares effected without receipt of any consideration by the Company or other change in the corporate structure or capitalization affecting the Company's present Shares, provided, however, that conversion of any convertible securities of the Company shall not be deemed to have been "effected without receipt of consideration." Such adjustment shall be made by the Committee, whose determination shall be final, binding and conclusive. Except as expressly provided herein, no issue by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of Shares subject to an option.

16.2 In the event of the proposed dissolution or liquidation of the Company, the Offering Period shall terminate immediately prior to the consummation of such proposed action, unless otherwise provided by the Committee. The Committee may, in the exercise of its sole discretion in such instances, declare that this Plan shall terminate as of a date fixed by the Committee and give each participant the right to purchase Shares under this Plan prior to such termination. In the event of (i) a merger or consolidation in which the Company is not the surviving corporation (other than a merger or consolidation with a wholly-owned subsidiary, a reincorporation of the Company in a different jurisdiction, or other transaction in which there is no substantial change in the stockholders of the Company or their relative stock holdings and the options under this Plan are assumed, converted or replaced by the successor corporation, which assumption shall be binding on all participants), (ii) a merger in which the Company is the surviving corporation but after which the stockholders of the Company immediately prior to such merger (other than any stockholder that merges, or which owns or controls another corporation that merges, with the Company in such merger) cease to own their shares or other equity interest in the Company, (iii) the sale of all or substantially all of the assets of the Company, or (iv) the acquisition, sale, or transfer of more than fifty percent (50%) of the outstanding shares of the Company by tender offer or similar transaction, the Plan shall continue with regard to Offering Periods that commenced prior to the closing of the proposed transaction and Shares shall be purchased based on the Fair Market Value of the surviving corporation's stock on each Purchase Date, unless otherwise provided by the Committee.

16.3 The Committee may, if it so determines in the exercise of its sole discretion, also make provision for adjusting the Reserves, as well as the price per Share covered by each outstanding option, and limits on the number of Shares that may be purchased by an Employee, in the event that the Company effects one or more reorganizations, recapitalizations, rights offerings or other increases or reductions of its outstanding Shares, or in the event of the Company being consolidated with or merged into any other corporation.

17. Nonassignability.

17.1 Neither payroll deductions credited to a participant's account nor any rights with regard to the exercise of an option or to receive Shares under this Plan may be assigned, transferred, pledged or otherwise disposed of in any way (other than by will, the laws of descent and distribution) by the participant. Any such attempt at assignment, transfer, pledge or other disposition shall be void and without effect.

18. Reports.

18.1 Individual accounts shall be maintained for each participant in this Plan. Each participant shall receive, as soon as practicable after the end of each Purchase Period, a report in written or electronic form of his or her account setting forth the total payroll deductions accumulated, the number of Shares purchased, and the per Share price thereof.

19. Notice of Disposition.

19.1 Each participant shall notify the Company in writing if the participant disposes of any of the Shares purchased in any Offering Period pursuant to this Plan if such disposition occurs within the Notice Period. The Company may, at any time during the Notice Period, place a legend or legends on any certificate representing Shares acquired pursuant to this Plan requesting the Company's transfer agent to notify the Company of any transfer of the Shares. The obligation of the participant to provide such notice shall continue notwithstanding the placement of any such legend on the certificates.

20. No Rights to Continued Employment.

20.1 An Employee's employment with the Company or an Affiliate is not for any specified term and may be terminated by such Employee or by the Company or an Affiliate at any time, for any reason, with or without cause and with or without notice. Nothing in this Plan or any covenant of good faith and fair dealing that may be found implicit in this Plan shall (i) confer upon any Employee any right to continue in the employ of, or affiliation with, the Company or an Affiliate; (ii) constitute any promise or commitment by the Company or an Affiliate regarding the fact or nature of future positions, future work assignments, future compensation or any other term or condition of employment or affiliation; (iii) confer any right or benefit under this Plan unless such right or benefit has specifically accrued under the terms of this Plan; or (iv) deprive the Company of the right to terminate the Employee at will.

20.2 The right to continue participation in this Plan is conditioned on a participant's continuing as an Employee at the will of the Company or an Affiliate and the Company has the right to reorganize, sell, spin-out or otherwise restructure one or more of its businesses at any time or from time to time, as it deems appropriate (a "reorganization"). Such a reorganization could result in the termination of a participant's relationship as an Employee or the termination of the participant's employer's status as a Participating Affiliate and the loss of benefits available to the participant under this Plan.

21. Committee Rules for Foreign Jurisdictions and the Non-423 Plan Component.

21.1 The Committee may adopt rules or procedures relating to the operation and administration of the Plan to accommodate the specific requirements of local laws and procedures. Without limiting the generality of the foregoing, the Committee is specifically authorized to adopt rules and procedures regarding handling of contributions, payment of interest, conversion of local currency, payroll tax, withholding procedures and handling of stock certificates which vary with local legal requirements.

21.2 The Committee may also adopt rules, procedures or sub-plans applicable to particular Affiliates or locations, which rules, procedures or sub-plans may be designed to be outside the scope of Code Section 423. The terms of such rules, procedures or sub-plans may take precedence over other provisions of this Plan, but unless otherwise expressly superseded by the terms of such rule, procedure or sub-plan, the provisions of this Plan shall govern the operation of the Plan. To the extent inconsistent with the requirements of Code Section 423, such rules, procedures or sub-plans shall be considered part of the Non-423 Plan Component, and the options granted thereunder shall not be considered to comply with Code Section 423.

21.3 Employees participating in the Non-423 Plan Component by means of rules, procedures or sub-plans adopted pursuant to Section 15 need not have the same rights and privileges as Employees participating in the Section 423 Plan Component.

22. Notices.

22.1 All notices or other communications by a participant to the Company under or in connection with this Plan shall be deemed to have been duly given when received in the form specified by the Company at the location, or by the person, designated by the Company for the receipt thereof. To the extent permitted by applicable law and in the discretion of the Committee, a participant may submit any form or notice as set forth herein by means of an electronic form approved by the Committee.

23. Term; Stockholder Approval.

23.1 This Plan shall be approved by the stockholders of the Company, in any manner permitted by applicable corporate law, within twelve (12) months before or after the date this Plan is adopted by the Board. No purchase of Shares pursuant to this Plan shall occur prior to such stockholder approval. This Plan shall continue until the earlier to occur of (a) termination of this Plan by the Committee (which termination may be effected at any time), (b) issuance of all of the Shares available for issuance under this Plan, or (c) ten (10) years from the approval of this Plan by the stockholders.

24. Conditions Upon Issuance of Shares; Limitation on Sale of Shares.

24.1 Shares shall not be issued with respect to an option unless the exercise of such option and the issuance and delivery of such Shares pursuant thereto shall comply with all applicable provisions of law, domestic or foreign, including, without limitation, the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, the rules and regulations promulgated thereunder, and the requirements of any stock exchange or automated quotation system upon which the Shares may then be listed, and shall be further subject to the approval of counsel for the Company with respect to such compliance.

25. Applicable Law.

25.1 The Plan shall be governed by the substantive laws (excluding the conflict of laws rules) of the State of Delaware.

26. Amendment or Termination.

26.1 The Committee may amend the Plan at any time in any respect the Committee deems necessary or advisable. However, except as provided in Section 16 relating to Capitalization Adjustments, stockholder approval shall be required for any amendment of the Plan for which stockholder approval is required by applicable law or listing requirements, including any amendment that either (i) materially increases the number of Shares available for issuance under the Plan, (ii) materially expands the class of individuals eligible to become participants and receive Purchase Rights under the Plan, (iii) materially increases the benefits accruing to participants under the Plan or materially reduces the price at which Shares may be purchased under the Plan, (iv) materially extends the term of the Plan, or (v) expands the types of awards available for issuance under the Plan.

26.2 The Committee may suspend or terminate the Plan at any time. No Purchase Rights may be granted under the Plan while the Plan is suspended or after it is terminated.

26.3 Any benefits, privileges, entitlements, and obligations under any outstanding Purchase Rights granted before an amendment, suspension, or termination of the Plan shall not be impaired by any such amendment, suspension, or termination except (i) with the consent of the person to whom such Purchase Rights were granted, (ii) as necessary to comply with any laws, listing requirements, or governmental regulations (including, without limitation, the provisions of Section 423 of the Code), or (iii) as necessary to obtain or maintain favorable tax, listing, or regulatory treatment.

26.4 In the event the Board or the Committee determines that the ongoing operation of the Plan may result in unfavorable financial accounting consequences, the Board or the Committee may, to the extent permitted under Section 423 of the Code with respect to Offerings under the Section 423 of the Code, in its discretion and, to the extent necessary or desirable, modify or amend the Plan to reduce or eliminate such accounting consequence including, but not limited to:

(a) subject to Section 9.1, altering the purchase price for any Offering including an Offering underway at the time of the change in purchase price;

(b) shortening any Offering Period so that the Offering Period ends on a new Offering Date, including an Offering Period underway at the time of the Board or Committee action; and

(c) reducing the maximum contribution a participant may elect to contribute under the Plan; and

(d) reducing the maximum number of Shares a participant may purchase during any Offering.

Unless otherwise required by Section 26.1, such modifications or amendments shall not require stockholder approval or the consent of any participant.

27. Tax Obligations.

27.1 To the extent any (i) grant of an option to purchase Shares, (ii) purchase of Shares, or (iii) disposition of Shares purchased under the Plan gives rise to any tax withholding obligation (including, without limitation, income and payroll withholding taxes imposed by any jurisdiction) the Committee may implement appropriate procedures to ensure that such tax withholding obligations are met. Those procedures may include, without limitation, increased withholding from an Employee's current compensation, cash payments to the Company or another Participating Affiliate by an Employee, or a sale of a portion of the stock purchased under the Plan, which sale may be required and initiated by the Company.

28. Insider Trading Restrictions/Market Abuse Laws

28.1 Each participant is subject to the Insider Trading Policy. Each participant may also be subject to insider trading restrictions and/or market abuse laws in applicable jurisdictions, including the United States and the participant's country, which may affect such participant's ability to directly or indirectly, for him or herself or for a third party, acquire or sell, or attempt to sell, Shares under the Plan during such times as such participant is considered to have "inside information" regarding the Company or (as defined by the laws in the applicable jurisdiction) or the trade in Shares. Any restrictions under these laws or regulations may be separate and in addition to any restrictions that are imposed by the Insider Trading Policy. It shall be each participant's responsibility to comply with any applicable restrictions, and each participant should speak with the Company or a personal advisor on this matter.

As approved by stockholders on June 23, 2021.

Exhibit 10.2

AMENDMENT 2021-1

TO THE

inTEST CORPORATION
THIRD AMENDED AND RESTATED
2014 STOCK PLAN

WHEREAS, inTEST Corporation ("inTEST") sponsors and maintains the inTEST Corporation Third Amended and Restated 2014 Stock Plan (the "Plan"), as amended and restated effective July 29, 2020;

NOW, THEREFORE, effective as of June 10, 2021, inTEST hereby amends the Plan as follows:

1. Section 5.3(e)(iii) of the Plan shall be amended and restated in its entirety to read as follows:

   "Expiration of one year (or such other period as the Committee may select and set forth in the option agreement) from the date the Optionee's employment or service with the Company terminates for any reason other than circumstances described by Subsection (e)(v), below;"

EXHIBIT 31.1

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: August 12, 2021

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

EXHIBIT 31.2

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: August 12, 2021

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

EXHIBIT 32.1

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 June 30, 2021 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: August 12, 2021

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

EXHIBIT 32.2

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 June 30, 2021 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: August 12, 2021

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