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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED June 30, 2019.**

Commission file number: 0-23336

AROTECH CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	**95-4302784**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1229 Oak Valley Drive, Ann Arbor, Michigan	**48108**
(Address of principal executive offices)	(Zip Code)

800 281-0356
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.01 par value	ARTX	The Nasdaq Stock Market LLC

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See 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: ☐ (Do not check if a smaller reporting company)	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 ☒

The number of shares outstanding of the issuer's common stock as of August 6, 2019 was 26,665,240.

SEC 1296 (05-19)

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PART I

ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)

AROTECH CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(U.S. Dollars)

	June 30, 2019	December 31, 2018
	(Unaudited)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 3,732,159	$ 4,222,246
Restricted collateral deposits	154,058	222,712
Trade receivables, net	15,572,079	16,259,809
Contract assets	25,442,771	17,867,896
Other accounts receivable and prepaid expenses	3,628,432	5,989,263
Inventories, net	9,236,969	9,912,748
Total current assets	57,766,468	54,474,674
LONG TERM ASSETS:		
Contractual and Israeli statutory severance pay fund	3,727,353	3,427,705
Other long term receivables	539,073	543,205
Property and equipment, net	9,398,550	8,914,247
Right of use asset	5,879,845	—
Other intangible assets, net	4,857,478	4,465,778
Goodwill	46,138,036	46,138,036
Total long term assets	70,540,335	63,488,971
Total assets	$ 128,306,803	$ 117,963,645
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Trade payables	$ 7,303,070	$ 6,442,919
Other accounts payable and accrued expenses	5,115,437	6,498,045
Current portion of lease obligations	634,005	—
Current portion of long term debt	2,397,206	2,204,653
Short term bank credit	12,052,008	5,500,416
Contract liabilities	6,430,106	7,054,779
Total current liabilities	33,931,832	27,700,812
LONG TERM LIABILITIES:		
Contractual and accrued Israeli statutory severance pay	4,509,731	4,125,675
Long term portion of lease obligations	5,551,511	—
Long term portion of debt	5,273,595	6,360,569
Deferred income tax liability	3,078,859	2,863,098
Other long term liabilities	43,817	137,774
Total long-term liabilities	18,457,513	13,487,116
Total liabilities	52,389,345	41,187,928
STOCKHOLDERS' EQUITY:		
Share capital –		
Common stock – $0.01 par value each; Authorized: 50,000,000 shares as of June 30, 2019 and December 31, 2018; Issued and outstanding: 26,665,240 shares and 26,486,152 shares as of June 30, 2019 and December 31, 2018, respectively	266,653	264,862
Preferred shares – $0.01 par value each; Authorized: 1,000,000 shares as of June 30, 2019 and December 31, 2018; No shares issued or outstanding as of June 30, 2019 and December 31, 2018	—	—
Additional paid-in capital	251,638,418	251,551,001
Accumulated deficit	(177,512,794)	(176,498,057)
Notes receivable from stockholders	(908,054)	(908,054)
Accumulated other comprehensive income	2,433,235	2,365,965
Total stockholders' equity	75,917,458	76,775,717
Total liabilities and stockholders' equity	$ 128,306,803	$ 117,963,645

The accompanying notes are an integral part of the Interim Condensed Consolidated Financial Statements.

AROTECH CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
(UNAUDITED)
(U.S. Dollars, except share data)

	Six months ended June 30,		Three months ended June 30,	
	2019	2018	2019	2018
Revenues	$ 44,045,203	$ 49,123,118	$ 23,266,564	$ 21,874,609
Cost of revenues	30,587,522	34,812,163	15,628,411	15,275,082
Research and development expenses	2,095,922	1,764,995	1,021,858	728,293
Selling and marketing expenses	4,343,461	3,809,461	2,190,904	1,931,388
General and administrative expenses	6,385,960	6,211,813	3,215,569	2,985,879
Amortization of intangible assets	650,865	906,742	280,662	391,831
Total operating costs and expenses	$ 44,063,730	$ 47,505,174	$ 22,337,404	$ 21,312,473
Operating income (loss)	(18,527)	1,617,944	929,160	562,136
Other income (expense), net	(9,091)	7,399	(9,077)	7,396
Financial expense, net	(669,857)	(522,887)	(371,426)	(309,779)
Total other expense	(678,948)	(515,488)	(380,503)	(302,383)
Income (loss) before income tax expense	(697,475)	1,102,456	548,657	259,753
Income tax expense	317,262	423,385	156,381	176,271
Net income (loss)	(1,014,737)	679,071	392,276	83,482
Other comprehensive income (loss), net of income tax:				
Foreign currency translation adjustment	67,270	(79,262)	24,378	(55,002)
Comprehensive income (loss)	$ (947,467)	$ 599,809	$ 416,654	$ 28,480
Income (loss) per share of common stock:				
Basic net income (loss) per share	$ (0.04)	$ 0.03	$ 0.01	$ 0.00
Diluted net income (loss) per share	$ (0.04)	$ 0.03	$ 0.01	$ 0.00
Weighted average number of shares used in computing basic net income (loss) per share	26,522,553	26,457,133	26,551,466	26,432,094
Weighted average number of shares used in computing diluted net income (loss) per share	26,522,553	26,457,133	26,551,466	26,432,094

The accompanying notes are an integral part of the Interim Condensed Consolidated Financial Statements.

AROTECH CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
(U.S. Dollars)

	Six months ended June 30, 2019	Six months ended June 30, 2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ (1,014,737)	$ 679,071
Adjustments required to reconcile net income (loss) to net cash (used in) provided by operating activities:		
Depreciation	1,011,904	960,557
Amortization of intangible assets	650,865	906,742
Stock based compensation	202,129	190,269
Deferred tax provision	215,761	361,834
Changes in operating assets and liabilities:		
Trade receivables	687,730	4,840,684
Contract assets	(7,574,875)	(384,226)
Other accounts receivable and prepaid expenses	2,670,634	(250,515)
Inventories	676,863	(1,157,602)
Severance pay, net	110,288	(26,425)
Trade payables	860,165	(719,743)
Other accounts payable and accrued expenses	(1,466,402)	(2,022,522)
Contract liabilities	(624,673)	270,362
Net cash (used in) provided by operating activities	$ (3,594,348)	$ 3,648,486
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	$ (1,496,207)	$ (652,156)
Additions to capitalized software	(1,042,565)	(244,324)
Net cash used in investing activities	$ (2,538,772)	$ (896,480)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from long term debt	220,264	—
Repayment of long term debt	(1,114,685)	(1,129,505)
Other financing activities	(118,649)	(54,155)
Change in short term bank credit	6,551,592	478,936
Net cash provided by (used in) financing activities	$ 5,538,522	$ (704,724)
(DECREASE) INCREASE IN CASH, RESTRICTED CASH, AND CASH EQUIVALENTS	$ (594,598)	$ 2,047,282
CASH DIFFERENCES DUE TO EXCHANGE RATE DIFFERENCES	$ 35,857	$ 132,419
CASH, RESTRICTED CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	$ 4,444,958	$ 5,488,754
CASH, RESTRICTED CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	$ 3,886,217	$ 7,668,455

The accompanying notes are an integral part of the Interim Condensed Consolidated Financial Statements.

AROTECH CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (UNAUDITED)
(U.S. Dollars)

	Common stock		Additional paid-in capital	Accumulated deficit	Notes receivable from stockholders	Accumulated other comprehensive income	Total stockholders' equity
	Shares	Amount					
Balance as of January 1, 2019	26,486,152	$ 264,862	$ 251,551,001	$ (176,498,057)	$ (908,054)	$ 2,365,965	$ 76,775,717
Stock based compensation	—	—	202,129	—	—	—	202,129
Restricted stock issued	71,780	718	(718)	—	—	—	—
Restricted stock units vested, net of taxes	112,775	1,128	(114,049)	—	—	—	(112,921)
Restricted stock forfeitures	(5,467)	(55)	55	—	—	—	—
Foreign currency translation adjustment	—	—	—	—	—	67,270	67,270
Net Loss	—	—	—	(1,014,737)	—	—	(1,014,737)
Balance as of June 30, 2019	26,665,240	$ 266,653	$ 251,638,418	$ (177,512,794)	$ (908,054)	$ 2,433,235	$ 75,917,458
Balance as of April 1, 2019	26,617,460	$ 266,175	$ 251,572,736	$ (177,905,070)	$ (908,054)	$ 2,408,857	$ 75,434,644
Stock based compensation	—	—	66,160	—	—	—	66,160
Restricted stock issued	47,780	478	(478)	—	—	—	—
Restricted stock units vested, net of taxes	—	—	—	—	—	—	—
Restricted stock forfeitures	—	—	—	—	—	—	—
Foreign currency translation adjustment	—	—	—	—	—	24,378	24,378
Net Income	—	—	—	392,276	—	—	392,276
Balance as of June 30, 2019	26,665,240	$ 266,653	$ 251,638,418	$ (177,512,794)	$ (908,054)	$ 2,433,235	$ 75,917,458
Balance as of January 1, 2018	26,395,048	$ 263,951	$ 250,826,873	$ (181,568,757)	$ (908,054)	$ 2,479,205	$ 71,093,218
Stock based compensation			190,269				190,269
Restricted stock issued	86,900	869	(869)				—
Restricted stock units vested, net of taxes	50,247	502	(54,657)				(54,155)
Restricted stock forfeitures	(46,043)	(460)	460				—
Foreign currency translation adjustment						(79,262)	(79,262)
Net Income				679,071			679,071
Balance as of June 30, 2018	26,486,152	$ 264,862	$ 250,962,076	$ (180,889,686)	$ (908,054)	$ 2,399,943	$ 71,829,141
Balance as of April 1, 2018	26,452,462	$ 264,525	$ 250,880,639	$ (180,973,168)	$ (908,054)	$ 2,454,945	$ 71,718,887
Stock based compensation			81,774				81,774
Restricted stock issued	45,900	459	(459)				—
Restricted stock units vested, net of taxes	500	5	(5)				—
Restricted stock forfeitures	(12,710)	(127)	127				—
Foreign currency translation adjustment						(55,002)	(55,002)
Net Income				83,482			83,482
Balance as of June 30, 2018	26,486,152	$ 264,862	$ 250,962,076	$ (180,889,686)	$ (908,054)	$ 2,399,943	$ 71,829,141

The accompanying notes are an integral part of the consolidated financial statements.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 1: BASIS OF PRESENTATION

a. Company:

Arotech Corporation ("Arotech") and its wholly-owned subsidiaries (the "Company") provide defense and security products for the military, law enforcement, emergency services and homeland security markets, including multimedia interactive simulators/trainers, and lithium batteries and chargers. The Company operates primarily through its wholly-owned subsidiaries FAAC Incorporated, a Michigan corporation located in Ann Arbor, Michigan (Training and Simulation Division) with a location in Orlando, Florida; Epsilor-Electric Fuel Ltd. ("Epsilor-EFL"), an Israeli corporation located in Beit Shemesh, Israel (between Jerusalem and Tel-Aviv) and in Dimona, Israel (in Israel's Negev desert area) (Power Systems Division); UEC Electronics, LLC ("UEC"), a South Carolina limited liability company located in Hanahan, South Carolina (Power Systems Division).

b. Basis of Presentation:

The Company prepared the accompanying unaudited condensed consolidated financial statements of Arotech Corporation and all wholly-owned, majority owned or otherwise controlled subsidiaries on the same basis as its annual audited financial statements. The Company condensed or omitted certain information and footnote disclosures normally included in its annual audited financial statements, which it prepared in accordance with U.S. Generally Accepted Accounting Principles (GAAP), with the instructions to Form 10-Q and with Article 10 of Regulation S-X, and include the accounts of Arotech Corporation and its subsidiaries. The Company's quarterly financial statements should be read in conjunction with its Annual Report on Form 10-K for the year ended December 31, 2018. In the opinion of the Company, the unaudited financial statements reflect all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of its financial position at June 30, 2019, its operating results for the three and six months ended June 30, 2019 and 2018, its cash flows for the six months ended June 30, 2019 and 2018, and its statement of stockholders' equity for the three and six months ended June 30, 2019 and 2018.

The results of operations for the three and six months ended June 30, 2019 are not necessarily indicative of results that may be expected for any other interim period or for the full fiscal year ending December 31, 2019.

The condensed consolidated balance sheet at December 31, 2018 has been derived from the audited financial statements at that date but does not include all the information and footnotes required by generally accepted accounting principles for complete financial statements. These condensed consolidated financial statements should be read in conjunction with the audited financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2018.

c. Reclassification:

From time to time the Company may reclassify amounts from prior periods to conform to the current year's presentation.

d. Commitments and contingencies:

The Company is involved in litigation from time to time in the regular course of its business. There are no material legal proceedings pending or known by the Company to be contemplated to which the Company is a party or to which any of its property is subject. In addition, the Company believes that adequate provisions for resolution of all contingencies have been made for probable losses that are reasonably estimable. These contingencies are subject to uncertainties, and, as a result, the Company is unable to estimate the amount or range of loss, if any, in excess of amounts accrued. The Company does not believe that these contingencies will have a material adverse effect on the Company's balance sheets, statements of operations and comprehensive income or statements of cash flows for the three and six months ended June 30, 2019.

e. Goodwill and other long-lived assets:

Goodwill and indefinite-lived intangible assets are tested for impairment at least annually and between annual tests in certain circumstances, and written down when impaired. Goodwill is tested for impairment by comparing the fair value of the Company's reporting units with the carrying value. The Training and Simulation and the Power Systems reporting units have goodwill.

As of its last annual impairment test at October 1, 2018, the Company determined that the goodwill for both reporting units was not impaired.

Consistent with previous interim reporting periods, the Company monitors qualitative and quantitative factors, including internal projections, periodic forecasts, and actual results of the reporting unit. Based upon this interim review, the Company does not believe that goodwill or its indefinite-lived intangible assets related to either reporting unit is impaired.

f. Government Termination for Convenience:

On October 3, 2018, the Company's U.S. Power Systems Division subsidiary was informed by its customer, SAIC, that the United States Marine Corps ("USMC") had discontinued its efforts to upgrade the Assault Amphibious Vehicle ("AAV") fleet that was undergoing survivability and electrical upgrades under a prime contract with Science Applications International Corporation ("SAIC"). As a result of this termination for the USMC's convenience, the Company presented its costs related to this program for reimbursement by SAIC and the USMC in December 2018. The amounts of and time frame for resolution have not yet been determined.

In July 2019, we received a $2.0 million partial payment towards the AAV program costs.

g. New accounting pronouncements:

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The new standard, effective January 1, 2019, requires virtually all leases to be recognized on the Consolidated Balance Sheets. Effective January 1, 2019, the Company adopted the standard using the modified retrospective method, under which it elected the package of practical expedients and transition provisions allowing it to bring its existing operating leases onto the Condensed Consolidated Balance Sheet without adjusting comparative periods.

The Company has operating leases for facilities and equipment, which are recorded as assets and liabilities for those leases with terms greater than 12 months. Lease-related assets, or right-of-use assets ("ROU"), are recognized at the lease commencement date at amounts equal to the respective lease liabilities, adjusted for prepaid lease payments, initial direct costs, and lease incentives received. Lease-related liabilities are recognized at the present value of the remaining contractual fixed lease payments, discounted using our incremental borrowing rate. Operating lease expense is recognized on a straight-line basis over the lease term, while variable lease payments are expensed as incurred.

Upon adoption of the standard, the Company recorded approximately $6.3 million of ROU assets and $6.5 million of current and long term lease obligations in its Condensed Consolidated Balance Sheet. Refer to Note 2 "Significant Accounting Policy Update" for additional information.

In January 2017, the FASB issued ASU No. 2017-04, *Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment* The new standard simplifies the subsequent measurement of goodwill and eliminates Step 2 from the goodwill impairment test and requires businesses to perform its annual goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount and recognizing an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value. The amendments are effective for annual periods beginning after December 15, 2019 with early adoption permitted for goodwill impairment tests performed on testing dates after January 1, 2017. The Company early adopted this standard and it did not have an impact on its consolidated financial statements.

In February 2018, the FASB issued ASU No. 2018-02, *Income Statement-Reporting Comprehensive Income (Topic 220), Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income ("AOCI")* The accounting standard allows for the optional reclassification of stranded tax effects within accumulated other comprehensive income to retained earnings that arise due to the enactment of the Tax Cuts and Jobs Act of 2017 (the "Tax Act"). The amount of the reclassification would reflect the effect of the change in the U.S. federal corporate income tax rate on the gross deferred tax amounts and related valuation allowances, if any, at the date of enactment of the Tax Act and other income tax effects of the Tax Act on items remaining in accumulated other comprehensive income. The Company adopted the requirements of the new standard in the first quarter of 2019, as required by the new standard. The adoption of this ASU did not have a material impact on the consolidated financial statements.

In August 2018, the SEC issued Release No. 33-10532 that amends and clarifies certain financial reporting requirements. The principal change to the Company's financial reporting is the inclusion of the annual disclosure requirement of changes in stockholders' equity in Rule 3-04 of Regulation S-X to interim periods.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES UPDATE

The Company's significant accounting policies are detailed in "Note 2: Significant Accounting Policies" of its Form 10-K for the year ended December 31, 2018. Significant changes to the Company's accounting policies as a result of adopting Accounting Standards Codification ("ASC") 842 are discussed below:

Leases:

The Company determines if an arrangement is a lease at inception. Leases with an initial term of 12 months or less are not recorded in the Condensed Consolidated Balance Sheets and the Company recognizes lease expense for these leases on a straight line basis over the lease term. Operating leases are included in operating lease ROU asset, current portion of lease obligations and long term portion of lease obligations on its Condensed Consolidated Balance Sheet. Finance leases are included in property and equipment, other current liabilities, and other long-term liabilities on its Condensed Consolidated Balance Sheet. As of June 30, 2019, the Company does not have any non-cancelable operating lease commitments that have not yet commenced.

Operating lease ROU assets and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. If a lease does not implicitly state a rate, the Company uses its incremental borrowing rate based on the information available at commencement date in determining the present value of future payments. The operating lease ROU asset also includes any lease payments made in advance, any initial direct costs incurred and excludes any lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably assured that the Company will exercise that option. Lease expense for minimum lease payments are recognized on a straight-line basis over the lease term.

The Company has lease agreements with lease and non-lease components, which are generally accounted for separately.

The Company has operating leases for its production and office facilities and certain office equipment. These leases have remaining lease terms of 2 years to 15 years, some of which include options to extend for up to5 years. These options have been included in the Company's calculation of the ROU asset and lease liability based upon the Company's assessment of whether the option will be exercised.

The Company's lease agreements do not contain any residual value guarantees or material restrictive covenants.

The Company rents or subleases certain real estate to third parties. The Company's sublease portfolio consists of an operating lease within one of its facilities, resulting in approximately $25,000 and $52,000 of sublease income for the three and six months ended June 30, 2019.

The components of lease expense were as follows:

	Six months ended June 30,		Three months ended June 30,	
	2019		2019	
Operating lease cost	$	560,492	$	280,246
Finance lease cost:				
Amortization of right-of-use assets	$	6,332	$	3,166
Interest on lease liabilities		1,604		876
Total finance lease costs	$	7,936	$	4,042
Right-of-use assets obtained in exchange for lease obligations:				
Operating leases	$	2,785,444	$	—
Finance leases		31,386		—

Supplemental balance sheet information related to leases was as follows:

		June 30, 2019
Operating Leases:		
Right of use asset	$	5,879,845
Current portion of lease obligations		634,005
Long term portion of lease obligations		5,551,511
Total operating lease obligations		6,185,516
Financing Leases:		
Property and Equipment, at cost		56,933
Accumulated depreciation		(6,332)
Property and Equipment, net		50,601
Other accounts payable and accrued expenses		11,638
Other long term liabilities		37,546
Total financing lease liabilities	$	49,184
Weighted Average Remaining Lease Term		
Operating leases		11 years
Finance leases		4 years
Weighted Average Discount Rate		
Operating leases		7.47 %
Finance leases		6.86 %

Supplemental Cash Flows information related to leases was as follows:

	Six months ended June 30, 2019
Supplemental Cash Flows Information	
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	$ 378,086
Operating cash flows from finance leases	1,604
Financing cash flows from finance leases	5,728

The undiscounted annual future minimum lease payments are summarized by year in the table below:

Year Ending December 31,	Operating Leases	Finance Leases
2019 (excluding the six months ended June 30, 2019)	$ 551,123	$ 7,332
2020	1,106,961	14,664
2021	891,447	14,664
2022	805,503	12,276
2023	697,277	7,500
Thereafter	5,555,115	—
Total future minimum lease payments	9,607,426	56,436
Less imputed interest	(3,421,910)	(7,252)
Total:	$ 6,185,516	$ 49,184

NOTE 3: REVENUES

Revenue recognition:

The Company recognized revenues from (i) the sale and customization of interactive training systems (Training and Simulation Division); (ii) maintenance services in connection with such systems (Training and Simulation Division); (iii) the sale of batteries, chargers and adapters, and custom power solutions (Power Systems Division); and (iv) the sale of lifejacket lights (Power Systems Division).

The Company determines its revenue recognition through the following steps:

- Identification of the contract, or contracts, with a customer
- Identification of the performance obligations within the contract
- Determination of the transaction price
- Allocation of the transaction price to the performance obligations within the contract
- Recognition of revenue when, or as the performance obligation has been satisfied

Performance Obligations. A performance obligation is a promise in a contract to transfer a distinct good or service to the customer, and is the unit of account in Accounting Standards Codification ("ASC") Topic 606. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. In assessing the recognition of revenue, the Company evaluates whether two or more contracts should be combined and accounted for as one contract and if the combined or single contract should be accounted for as multiple performance obligations which could change the amount of revenue and profit (loss) recorded in a period. The majority of the Company's contracts with customers are accounted for as one performance obligation, as the majority of tasks and services is part of a single project or capability. As these contracts are typically a customized customer-specific solution, the Company uses the expected cost plus margin approach to estimate the standalone selling price of each performance obligation. For contracts with multiple performance obligations, the Company allocates the contract's transaction price to each performance obligation using its best estimate of the standalone selling price of each distinct good or service in the contract.

The Company also offers maintenance and support agreements ("warranties") for many of its products. The specific terms and conditions of those warranties vary depending upon the product sold and country in which the product was sold. The warranty revenue is recognized on a straight-line basis over the term of the maintenance and support services. The standalone selling price is determined based on the price charged when sold separately or upon renewal.

The Company's performance obligations are satisfied over time as work progresses or at a point in time. Revenue from products and services transferred to customers over time accounted for 91% and 93% of its revenue for the six months ended June 30, 2019 and 2018, respectively. Revenue from products and services transferred to customers over time accounted for 91% and 92% of its revenue for the three months ended June 30, 2019 and 2018, respectively. Substantially all of the Company's revenue in the Training and Simulation Division and the U.S. Power Systems Division is recognized over time. Typically, revenue is recognized over time using an input measure (*e.g.*, costs incurred to date relative to total estimated costs at completion) to measure progress. Contract costs include labor, material, and overhead.

As of June 30, 2019, the Company had $70.3 million of expected future revenue relating to performance obligations that that are currently under contract, which it also refers to as total backlog. The Company expects to recognize approximately 58.4% of its backlog as revenue in 2019, and the remaining 41.6% thereafter.

Contract Estimates. Accounting for long-term contracts and programs involves the use of various techniques to estimate total contract revenue and costs. For long-term contracts, the Company estimates the profit on a contract as the difference between the total estimated revenue and expected costs to complete a contract and recognizes that profit over the life of the contract.

Contract estimates are based on various assumptions to project the outcome of future events that can exceed a year. These assumptions include labor productivity and availability; the complexity of the work to be performed; the cost and availability of materials; the performance of subcontractors; and the availability and timing of funding from the customer.

As a significant change in one or more of these estimates could affect the profitability of its contracts, the Company reviews and updates its contract-related estimates quarterly. The Company recognizes adjustments in estimated profit on contracts under the cumulative catch-up method. Under this method, the impact of the adjustment on profit recorded to date is recognized in the period the adjustment is identified. Revenue and profit in future periods of contract performance is recognized using the adjusted estimate. If at any time the estimate of contract profitability indicates an anticipated loss on the contract, the Company recognizes the total loss in the quarter in which it is identified.

The aggregate impact of adjustments in contract estimates to net income (loss) is presented below:

	Six months ended June 30,			
	2019		2018	
	Training and Simulation Division	Power Systems Division	Training and Simulation Division	Power Systems Division
Net income (loss)	$ 690,376	$ 233,950	$ 588,596	$ (242,866)

	Three months ended June 30,			
	2019		2018	
	Training and Simulation Division	Power Systems Division	Training and Simulation Division	Power Systems Division
Net income (loss)	$ 544,098	$ 264,369	$ 517,156	$ (123,088)

Revenue by Category. As of June 30, 2019 and 2018 the Company's portfolio of products and services consisted of 495 and 498 active contracts, respectively.

Revenue by major product line was as follows:

	Six months ended June 30,		Three months ended June 30,	
	2019	2018	2019	2018
Product Revenue				
Air Warfare Simulation	$ 7,106,471	$ 9,657,370	$ 3,607,269	$ 4,624,711
Vehicle Simulation	14,847,871	10,999,632	7,766,930	5,535,633
Use-of-Force	5,397,384	6,545,553	2,940,207	3,285,505
Service Revenue				
Warranty	2,007,064	1,707,695	1,054,769	906,537
Total Training and Simulation Division	$ 29,358,790	$ 28,910,250	$ 15,369,175	$ 14,352,386
Contract Manufacturing	$ 6,844,198	$ 7,030,011	$ 3,626,206	$ 2,865,685
Power Distribution and Generation	330,785	4,281,921	80,085	1,006,541
Batteries	4,533,738	6,649,514	2,151,263	2,503,403
Engineering Services and Other	2,977,692	2,251,422	2,039,835	1,146,594
Total Power Division	$ 14,686,413	$ 20,212,868	$ 7,897,389	$ 7,522,223

The table below details the percentage of total recognized revenue by type of arrangement for the six and three months ended June 30, 2019 and 2018:

	Six months ended June 30,		Three months ended June 30,	
Type of Revenue	2019	2018	2019	2018
Sale of products	92.3%	95.3%	92.5%	92.2%
Maintenance and support agreements	4.6%	3.4%	4.5%	4.1%
Long term research and development contracts	3.1%	1.3%	3.0%	3.7%
Total	100%	100%	100%	100%

Revenue by contract type was as follows:

	Training and Simulation Division		Power Systems Division	
Six months ended June 30, 2019				
Fixed Price	$	23,554,301	$	13,890,756
Cost Reimbursement (Cost Plus)		2,777,113		433,581
Time and Materials		3,027,376		362,076
Total	$	29,358,790	$	14,686,413
Six months ended June 30, 2018				
Fixed Price	$	24,026,993	$	18,434,482
Cost Reimbursement (Cost Plus)		2,609,275		1,254,891
Time and Materials		2,273,982		523,495
Total	$	28,910,250	$	20,212,868
Three months ended June 30, 2019				
Fixed Price	$	12,583,199	$	7,721,099
Cost Reimbursement (Cost Plus)		1,427,768		2,531
Time and Materials		1,358,208		173,759
Total	$	15,369,175	$	7,897,389
Three months ended June 30, 2018				
Fixed Price	$	11,817,023	$	6,362,314
Cost Reimbursement (Cost Plus)		1,270,325		866,142
Time and Materials		1,265,038		293,767
Total	$	14,352,386	$	7,522,223

Each of these contract types presents advantages and disadvantages. Typically, the Company assumes more risk with fixed-price contracts. However, these types of contracts offer additional profits when the Company completes the work for less than originally estimated. Cost-reimbursement contracts generally subject the Company to lower risk. Accordingly, the associated base fees are usually lower than fees earned on fixed-price contracts. Under time and materials contracts, the Company's profit may fluctuate if actual labor-hour costs vary significantly from the negotiated rates.

Revenue by customer was as follows:

		Training and Simulation Division		Power Systems Division
Six months ended June 30, 2019				
U.S. Government				
Department of Defense (DoD)	$	9,614,371	$	479,994
Non-DoD		6,388,309		—
Foreign Military Sales (FMS)		1,580,495		—
Total U.S. Government	$	17,583,175	$	479,994
U.S. Commercial	$	10,008,874	$	6,982,356
Non-U.S. Government		467,988		457,974
Non-U.S. Commercial		1,298,753		6,766,089
Total Revenue	$	29,358,790	$	14,686,413
Six months ended June 30, 2018				
U.S. Government				
Department of Defense (DoD)	$	7,646,854	$	1,342,356
Non-DoD		4,382,879		—
Foreign Military Sales (FMS)		1,713,399		—
Total U.S. Government		13,743,132		1,342,356
U.S. Commercial	$	11,802,062	$	11,489,572
Non-U.S. Government		1,392,449		1,823,167
Non-U.S. Commercial		1,972,607		5,557,773
Total Revenue	$	28,910,250	$	20,212,868
Three months ended June 30, 2019				
U.S. Government				
Department of Defense (DoD)	$	4,720,568	$	38,961
Non-DoD		3,783,823		—
Foreign Military Sales (FMS)		938,226		—
Total U.S. Government	$	9,442,617	$	38,961
U.S. Commercial	$	5,237,832	$	3,815,135
Non-U.S. Government		226,435		166,009
Non-U.S. Commercial		462,291		3,877,284
Total Revenue	$	15,369,175	$	7,897,389
Three months ended June 30, 2018				
U.S. Government				
Department of Defense (DoD)	$	4,214,661	$	830,144
Non-DoD		1,644,072		—
Foreign Military Sales (FMS)		1,128,618		—
Total U.S. Government	$	6,987,351	$	830,144
U.S. Commercial	$	5,773,064	$	3,771,608
Non-U.S. Government		466,285		305,348
Non-U.S. Commercial		1,125,686		2,615,123
Total Revenue	$	14,352,386	$	7,522,223

Contract Balances. The timing of revenue recognition, billings and cash collections results in billed accounts receivable, unbilled receivables (contract assets), and customer advances and deposits (contract liabilities) on the Consolidated Balance Sheet. The majority of the Company's contract amounts is billed as work progresses in accordance with agreed-upon contractual terms, either at periodic intervals (*e.g.*, biweekly or monthly) or upon achievement of contractual milestones. Billing sometimes occurs subsequent to revenue recognition, resulting in contract assets. However, the Company sometimes receives advances or deposits from its customers, particularly on its international contracts, before revenue is recognized, resulting in contract liabilities. These contract liabilities also include deferred warranty revenues from our Training and Simulation Division. These assets and liabilities are reported on the Consolidated Balance Sheet on a contract-by-contract basis at the end of each reporting period.

	June 30, 2019			December 31, 2018		
	Training and Simulation Division	Power Systems Division	Total	Training and Simulation Division	Power Systems Division	Total
Contract Assets - Current	$ 16,472,090	$ 8,970,681	$ 25,442,771	$ 10,358,679	$ 7,509,217	$ 17,867,896
Contract Liabilities - Current	(6,188,910)	(241,196)	(6,430,106)	(6,697,522)	(357,257)	(7,054,779)
Net Contract Assets and Liabilities:	$ 10,283,180	$ 8,729,485	$ 19,012,665	$ 3,661,157	$ 7,151,960	$ 10,813,117

The $8.2 million increase in the Company’s net contract assets (liabilities) from December 31, 2018 to June 30, 2019 was due to the timing of milestone payments on certain U.S. Government and commercial contracts.

During the six months ended June 30, 2019 and 2018, the Company recognized$3.9 million and $3.8 million, respectively, in revenue related to the Company’s contract liabilities.

The Company did not record any provisions for impairment of its contract assets during the six months ended June 30, 2019 and 2018.

Trade Receivables

Trade receivables include amounts billed and currently due from customers. The amounts are recorded at net estimated realizable value. The value of the Company’s trade receivables when appropriate includes an allowance for estimated uncollectible amounts. The Company calculates an allowance based on its history of write-offs, the assessment of customer creditworthiness, and the age of the outstanding receivables.

As of June 30, 2019 and December 31, 2018, the Company’s trade receivables recorded in the consolidated balance sheets were$15.6 million and $16.3 million, respectively. The Company had an immaterial provision for doubtful accounts atJune 30, 2019 and December 31, 2018. The Company believes its exposure to concentrations of credit risk is limited due to the nature of its operations, where a significant number of its contracts are typically a customized customer specific solution.

NOTE 4: INVENTORIES

Inventories are stated at the lower of cost or net realizable value. The Company periodically evaluates the quantities on hand relative to current and historical selling prices and historical and projected sales volume and based on these evaluations, provisions are made in each period to write down inventory to its net realizable value. For the six months ended June 30, 2019 and 2018 the Company wrote off approximately $67,363 and $218,000, respectively, of obsolete inventory, which has been included in the cost of revenues.

Inventories by component are as follows:

	June 30, 2019	December 31, 2018
Raw and packaging materials	$ 7,654,479	$ 7,912,883
Work in progress	1,163,272	1,626,960
Finished products	419,218	372,905
Total:	$ 9,236,969	$ 9,912,748

NOTE 5: SEGMENT INFORMATION

The Company and its subsidiaries operate intwo business segments. The two segments are also treated by the Company as reporting units for goodwill impairment evaluation purposes. The goodwill amounts associated with the Training and Simulation Division and the Power Systems Division were determined and valued when the specific businesses were purchased. The Company and its subsidiaries operate in two continuing business segments and follow the requirements of ASC 280-10.

The Company’s reportable segments have been determined in accordance with the Company’s internal management structure, which is organized based on operating activities. The accounting policies of the reportable segments are the same as those used by the Company in the preparation of its annual financial statements. The Company evaluates performance based on two primary factors, one of which is the segment’s operating income and the other of which is the segment’s contribution to the Company’s future strategic growth.

The following is information about reported segment revenues, income (losses) from operations, and total assets as of June 30, 2019 and 2018:

	Training and Simulation Division	Power Systems Division	Corporate Expenses	Total Company
Six months ended June 30, 2019				
Revenues from outside customers	$ 29,358,790	$ 14,686,413	$ —	$ 44,045,203
Depreciation and amortization(1)	(382,464)	(1,280,305)	—	(1,662,769)
Direct expenses(2)	(23,897,563)	(16,552,108)	(1,951,290)	(42,400,961)
Segment operating income (loss)	$ 5,078,763	$ (3,146,000)	$ (1,951,290)	$ (18,527)
Total other expense	(119,373)	(131,237)	(428,338)	(678,948)
Income tax expense	(94,600)	—	(222,662)	(317,262)
Net income (loss)	$ 4,864,790	$ (3,277,237)	$ (2,602,290)	$ (1,014,737)
Segment assets(3)(4)	$ 60,569,922	$ 63,956,333	$ 3,780,548	$ 128,306,803
Additions to long-lived assets	$ 918,890	$ 1,293,125	$ 326,757	$ 2,538,772
Six months ended June 30, 2018				
Revenues from outside customers	$ 28,910,250	$ 20,212,868	$ —	$ 49,123,118
Depreciation and amortization(1)	(397,140)	(1,470,159)	—	(1,867,299)
Direct expenses(2)	(22,844,511)	(20,928,851)	(1,864,513)	(45,637,875)
Segment operating income (loss)	$ 5,668,599	$ (2,186,142)	$ (1,864,513)	$ 1,617,944
Total other expense	(132,145)	(2,826)	(380,517)	(515,488)
Income tax expense	(61,551)	—	(361,834)	(423,385)
Net income (loss)	$ 5,474,903	$ (2,188,968)	$ (2,606,864)	$ 679,071
Segment assets(3)	$ 52,169,769	$ 58,798,604	$ 3,404,904	$ 114,373,277
Additions to long-lived assets	$ 469,436	$ 427,044	$ —	$ 896,480
Three months ended June 30, 2019				
Revenues from outside customers	$ 15,369,175	$ 7,897,389	$ —	$ 23,266,564
Depreciation and amortization(1)	(194,634)	(604,815)	—	(799,449)
Direct expenses(2)	(12,202,504)	(8,290,181)	(1,045,270)	(21,537,955)
Segment operating income (loss)	2,972,037	(997,607)	(1,045,270)	929,160
Total other expense	(76,366)	(66,322)	(237,815)	(380,503)
Income tax expense	(44,600)	—	(111,781)	(156,381)
Net income (loss)	$ 2,851,071	$ (1,063,929)	$ (1,394,866)	$ 392,276
Three months ended June 30, 2018				
Revenues from outside customers	$ 14,352,386	$ 7,522,223	$ —	$ 21,874,609
Depreciation, amortization and impairment expenses(1)	(196,780)	(674,117)	—	(870,897)
Direct expenses(2)	(10,966,284)	(8,661,132)	(814,160)	(20,441,576)
Segment operating income (loss)	$ 3,189,322	$ (1,813,026)	$ (814,160)	$ 562,136
Total other expense	(93,522)	(12,298)	(196,563)	(302,383)
Income tax expense	(41,750)	—	(134,521)	(176,271)
Net income (loss)	$ 3,054,050	$ (1,825,324)	$ (1,145,244)	$ 83,482

(1) Includes depreciation of property and equipment and amortization expenses of intangible assets.

(2) Including, *inter alia*, sales and marketing, general and administrative.

(3) Out of those amounts, goodwill in the Company's Training and Simulation Division and Power Systems Division totaled $24,435,641 and $21,702,395, respectively, as of June 30, 2019 and 2018.

(4) Out of those amounts, right-of-use assets for the Company's Training and Simulation Division and Power Systems Division totaled $456,373 and $5,423,472, respectively, as of June 30, 2019.

NOTE 6: FAIR VALUE MEASUREMENT

The carrying values of short term assets and liabilities in the accompanying Condensed Consolidated Balance Sheets for cash and cash equivalents, restricted collateral deposits, trade receivables, contract assets, inventories, prepaid and other assets, trade payables, accrued expenses, deferred revenues and other liabilities as of June 30, 2019 and December 31, 2018, approximate fair value because of the short maturity of these instruments. The carrying amounts of long term debt approximate the estimated fair values at June 30, 2019, based upon the Company's ability to acquire similar debt at similar maturities.

NOTE 7: BANK FINANCING

The Company maintains credit facilities with JPMorgan Chase Bank, N.A. ("Chase"), whereby Chase provides (i) a $15,000,000 revolving credit facility ("Revolver"), (ii) a $6,000,000 revolving credit facility ("Revolver B"), (iii) a $10,000,000 Term Loan ("Term Loan A"), (iv) a $1,730,895 Mortgage Loan ("Term Loan B"), (v) a $1,358,000 Mortgage Loan ("Term Loan C"); collectively referred to as the "Credit Facilities."

On July 24, 2019, we entered into a new amendment to the Credit Agreement (the "Ninth Amendment"), effective June 30, 2019. Pursuant to the terms of the Ninth Amendment, the parties have incorporated, among other changes, amended definitions of eligible unbilled accounts associated with certain long term contracts and borrowing base.

On April 22, 2019, the Company entered into a new amendment to the Credit Agreement (the "Eighth Amendment"), effective March 31, 2019. Pursuant to the terms of the Eighth Amendment, the parties have incorporated, among other changes, amended definitions of fixed charge coverage ratios and leverage ratios for specific quarters in 2019, and the Company has been given a second revolving line ("Revolver B") in the amount of $6,000,000, reducing to $3,000,000 at the end of 2019 and due to be paid in full by February 28, 2020.

The Credit Facilities maintain certain reporting requirements, conditions precedent, affirmative covenants and financial covenants. The Company is required to maintain certain financial covenants. The Eighth Amendment to the credit facilities adjusted the financial covenant ratios for the Company's reporting periods during fiscal year 2019. The amended Maximum Debt to EBITDA ratio of 3.75 to 1.00 for the period ended March 31, 2019, 5.50 to 1.00 for the period ended June 30, 2019, 6.25 to 1.00 for the period ended September 30, 2019, 4.00 to 1.00 for the period ended December 31, 2019 and 3.00 to 1.00 for periods ending after December 31, 2019. The amended Minimum Fixed Charge Coverage Ratio is 1.20 to 1.00 for the period ended March 31, 2019, 1.00 to 1.00 for the periods ended June 30, 2019 and September 30, 2019, and 1.20 to 1.00 for the periods ending after September 30, 2019. The Company was in compliance with its covenants at June 30, 2019.

The Credit Facilities are secured by the Company's assets and the assets of the Company's domestic subsidiaries.

A summary of our debt, including our debt under the Credit Agreement, is as follows:

			June 30, 2019	
	Maturity	**Effective Interest Rate**	**Current**	**Long Term**
Debt:				
Revolver	March 11, 2021	6.25%	$ 9,052,008	$ —
Revolver B	February 28, 2020	6.00%	3,000,000	—
Term Loan A	March 11, 2021	6.50%	2,166,667	2,489,625
Term Loan B & C	June 1, 2024	6.50%	154,464	2,612,631
Other Debt (1)			76,075	171,339
Total Debt			$ 14,449,214	$ 5,273,595

(1) Other Debt includes various debt instruments that have maturities that range from July 22, 2019 to March 20, 2024 with varying interest rates between 2.75% and 3.6%.

			December 31, 2018	
	Maturity	**Effective Interest Rate**	**Current**	**Long Term**
Debt:				
Revolver	March 11, 2021	5.50%	$ 5,500,416	$ —
Term Loan A	March 11, 2021	5.75%	2,000,000	3,656,291
Term Loan B & C	June 1, 2024	5.75%	154,464	2,689,863
Other Debt (1)			50,189	14,415
Total Debt			$ 7,705,069	$ 6,360,569

(1) Other Debt includes various debt instruments that have maturities that range from February 3, 2019 to June 28, 2020 with an interest rate of 3.6%.

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

This report contains forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These statements involve inherent risks and uncertainties. When used in this discussion, the words "believes," "anticipated," "expects," "estimates" and similar expressions are intended to identify such forward-looking statements. Such statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those projected. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. We undertake no obligation to publicly release the result of any revisions to these forward-looking statements that may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors including, but not limited to, those set forth elsewhere in this report. Please see "Risk Factors" in our Annual Report on Form 10-K and in our other filings with the Securities and Exchange Commission.

The following discussion and analysis should be read in conjunction with the interim financial statements and notes thereto appearing elsewhere in this Quarterly Report. We have rounded amounts reported here to the nearest thousand, unless such amounts are more than $1.0 million, in which event we have rounded such amounts to the nearest hundred thousand.

Executive Summary

We are a defense and security company engaged in two business areas: interactive simulation, and batteries and charging systems.

- We develop, manufacture and market advanced high-tech multimedia and interactive digital solutions for engineering, use-of-force training and operator training of military, law enforcement, security, emergency services and other personnel through our ***Training and Simulation Division***.
- We provide advanced battery solutions, innovative energy management and power distribution technologies and world-class product design and manufacturing services for the aerospace, defense, law enforcement and homeland security markets, and we manufacture and sell primary rechargeable batteries, for defense and security products and medical and industrial applications through our ***Power Systems Division***.

Overview of Operating Performance and Backlog

Overall, our pre-tax loss for the six months ended June 30, 2019 was $(697,000) on revenues of $44.0 million compared to pre-tax profit of $1.1 million on revenues of $49.1 million during the six months ended June 30, 2018. Our overall backlog at the end of the second quarter of 2019 totaled $70.3 million, compared to $64.8 million at the end of the second quarter of 2018.

In our Training and Simulation Division, revenues for the six months ended June 30, 2019 were $29.4 million compared to $28.9 million during the six months ended June 30, 2018. As of June 30, 2019, our backlog for our Training and Simulation Division totaled $49.2 million, compared to $47.3 million as of December 31, 2018.

In our Power Systems Division, revenues for the six months ended June 30, 2019 were $14.7 million compared to $20.2 million during the six months ended June 30, 2018. As of June 30, 2019, our backlog for our Power Systems Division totaled $21.2 million, compared to $17.6 million at the end of as of December 31, 2018.

The table below details the percentage of total recognized revenue by type of arrangement for the six and three months ended June 30, 2019 and 2018:

Type of Revenue	Six months ended June 30, 2019	Six months ended June 30, 2018	Three months ended June 30, 2019	Three months ended June 30, 2018
Sale of products	92.3%	95.3%	92.5%	92.2%
Maintenance and support agreements	4.6%	3.4%	4.5%	4.1%
Long term research and development contracts	3.1%	1.3%	3.0%	3.7%
Total	100%	100%	100%	100%

Critical Accounting Policies

Please refer to our Form 10-K for the year ended December 31, 2018, for a discussion on our critical accounting policies and to Note 2 "Basis of Presentation" for an update to our critical accounting policies as of June 30, 2019.

Results of Operations

Three months ended June 30, 2019 compared to the three months ended June 30, 2018

Revenues. Revenues for the three months ended June 30, 2019 totaled $23.3 million compared to $21.9 million in the comparable period in 2018, an increase of $1.4 million or 6.4%, due to higher revenues in our Training and Simulation Division and our Power Systems Division. In the second quarter of 2019, revenues were $15.4 million for the Training and Simulation Division as compared to

$14.4 million in the second quarter of 2018, an increase of $1.0 million, or 7.1% driven by its larger military contracts. Revenues for the second quarter of 2019 in the Power Systems Division increased by $375,000, or 5.0%, from $7.5 million in the second quarter of 2018 to $7.9 million in the second quarter of 2019, due primarily to increased revenue in our Israeli operations related to increased battery and charger sales offset by lower revenue in our U.S. subsidiary due to the termination of our Amphibious Assault Vehicle program ("AAV") by our customer Science Applications International Corporation ("SAIC") as a result of the United States Marine Corps ("Marines") termination for convenience with SAIC on October 3, 2018.

Cost of revenues. Cost of revenues totaled $15.6 million during the second quarter of 2019 as compared to $15.3 million in the second quarter of 2018, an increase of $300,000, or 2.2%, consistent with our increased sales. Cost of revenues for the second quarter of 2019 was $8.9 million for the Training and Simulation Division as compared to $8.0 million in the second quarter of 2018, an increase of $900,000, or 11.4% primarily due to the increase in revenue; and $6.7 million for the Power Systems Division in the second quarter of 2019 as compared to $7.3 million in the second quarter of 2018, a decrease of $600,000, or 7.7%, primarily due to lower revenues in the second quarter of 2019 related to the termination of the AAV contract in the fourth quarter of 2018, partially offset by an increase in the manufacturing of certain batteries in our Israeli operations.

Research and development expenses. Research and development expenses totaled $1.0 million during the second quarter of 2019 as compared to $728,000 for the second quarter of 2018, an increase of $294,000, or 40.3%, relating to the timing of research and development projects.

Selling and marketing expenses. Selling and marketing expenses for the second quarter of 2019 were $2.2 million, compared to $1.9 million in the second quarter of 2018, an increase of $260,000, or 13.4%, due primarily to increased marketing efforts in our Power Systems Division.

General and administrative expenses. General and administrative expenses for the second quarter of 2019 were $3.2 million, compared to $3.0 million for the second quarter of 2018, an increase of $230,000, or 7.7%, due to costs associated with a new enterprise resource planning system ("ERP") undergoing implementation.

Amortization of intangible assets. Amortization of intangible assets totaled $281,000 in the second quarter of 2019, compared to $392,000 in the second quarter of 2018, a decrease of $111,000, or 28.4%, due primarily to the higher amortization expense recognized in 2018 pertaining to shorter-lived intangible assets.

Other income (expense), net. Other expense in the second quarter of 2019 was $(9,000) compared to income of $7,000 for the second quarter of 2018, an increase of $16,000 in expense.

Financial expense, net. Financial expense totaled $371,000 in the second quarter of 2019, compared to financial expense of $310,000 in the second quarter of 2018, an increase of $62,000, or 19.9%, due primarily to higher draws on our lines of credit.

Income taxes. We recorded $156,000 in tax expense in the second quarter of 2019, compared to $176,000 of tax expense in the second quarter of 2018, a decrease of $20,000, or 11.3%. This expense includes "naked" credits ("naked" credits occur when deferred tax liabilities that are created by indefinite-lived assets such as goodwill cannot be used as a source of taxable income to support the realization of deferred tax assets). This amount includes the required adjustment of taxes due to the deduction of goodwill "naked" credits for U.S. federal taxes, which totaled $108,000 and $135,000 in non-cash expenses in the second quarter of 2019 and 2018, respectively.

Net income. Due to the factors cited above, we went from income of $83,000 in the second quarter of 2018 to income of $392,000 in the second quarter of 2019, an increase of $309,000.

Six months ended June 30, 2019 compared to the six months ended June 30, 2018

Revenues. Revenues for the six months ended June 30, 2019 totaled $44.0 million as compared to $49.1 million in the comparable period in 2018, a decrease of $5.1 million or 10.3%. In the first six months of 2019, revenues were $29.4 million for the Training and Simulation Division as compared to $28.9 million in the first six months of 2018, an increase of $449,000, or 1.6%, primarily due to increased sales. Revenues for the first six months of 2019 in the Power Systems Division decreased by $5.5 million, or 27.3%, from $20.2 million in the first six months of 2018 to $14.7 million in the first six months of 2019, due primarily to the termination of our AAV program by our customer SAIC as a result of the Marines termination for convenience with SAIC on October 3, 2018 and the decline in battery orders from the Israel Defense Forces.

Cost of revenues. Cost of revenues totaled $30.6 million during the first six months of 2019 as compared to $34.8 million in the first six months 2018, a decrease of $4.2 million, or 12.1%, consistent with lower sales in our Power Systems Division. Cost of revenues for the first six months of 2019 were $17.5 million for the Training and Simulation Division as compared to $16.8 million in the first six months of 2018, an increase of $725,000, or 4.3% , primarily due to the increase in revenue; and $13.0 million for the Power Systems Division in the first six months of 2019 as compared to $18.0 million in the first six months of 2018, a decrease of $5.0 million, or 27.5%, due to lower sales primarily related to the termination of the AAV contract in the fourth quarter of 2018.

Research and development expenses. Research and development expenses totaled $2.1 million during the first six months of 2019 as compared to $1.8 million for the first six months of 2018, an increase of $331.000, or 18.7%, due to the timing of research and development projects.

Selling and marketing expenses. Selling and marketing expenses for the first six months of 2019 were $4.3 million, compared to $3.8 million in the first six months of 2018, an increase of $534,000, or 14.0%, due primarily to increased marketing efforts in our Power Systems Division.

General and administrative expenses. General and administrative expenses were $6.4 million for the first six months of 2019, compared to $6.2 million for the first six months of 2018, an increase of $174,000, primarily due to costs associated with a new ERP system undergoing implementation.

Amortization of intangible assets. Amortization of intangible assets totaled $651,000 in the first six months of 2019, compared to $907,000 in the first six months of 2018, a decrease of $256,000, or 28.2%, due primarily to the higher amortization expense recognized in 2018 pertaining to shorter-lived intangible assets.

Other income (expense), net. Other expense totaled $(9,000) the first six months 2019, compared to income of $7,000 the first six months of 2018, an increase of expense of $16,000.

Financial expense, net. Financial expense totaled $670,000 in the second quarter of 2019, compared to financial expense of $523,000 in the first six months of 2018, an increase of $147,000, or 28.1%, primarily due to higher utilization of the lines of credit in 2019.

Income taxes. We recorded $317,000 in tax expense in the first six months 2019, compared to $423,000 of tax expense in the first six months 2019, a decrease of $106,000, or 25.1%. This expense includes "naked" credits ("naked" credits occur when deferred tax liabilities that are created by indefinite-lived assets such as goodwill cannot be used as a source of taxable income to support the realization of deferred tax assets). This amount includes the required adjustment of taxes due to the deduction of goodwill "naked" credits for U.S. federal taxes, which totaled $216,000 and $362,000 in non-cash expenses in the first six months of 2019 and 2018, respectively.

Net income (loss). Due to the factors cited above, we went from income of $679,000 in the first six months of 2018 to a net loss of $(1.0) million in the first six months 2019, a decrease of $1.7 million.

Liquidity and Capital Resources

On July 24, 2019, we entered into a new amendment to the Credit Agreement (the "Ninth Amendment"), effective June 30, 2019. Pursuant to the terms of the Ninth Amendment, the parties have incorporated, among other changes, amended definitions of eligible unbilled accounts associated with certain long term contracts and borrowing base.

On April 22, 2019, we entered into a new amendment to the Credit Agreement (the "Eighth Amendment"), effective March 31, 2019. Pursuant to the terms of the Eighth Amendment, the parties have incorporated, among other changes, amended definitions of fixed charge coverage ratios and leverage ratios for specific quarters in 2019, and we have been given a second revolving line ("Revolver B") in the amount of $6,000,000, reducing to $3,000,000 at the end of 2019 and due to be paid in full by February 28, 2020.

We maintain credit facilities with JPMorgan Chase Bank, N.A. ("Chase"), whereby Chase provides (i) a $15,000,000 revolving line ("Revolver") and a second revolving line ("Revolver B") in the amount of $6,000,000, reducing to $3,000,000 at the end of 2019 and due to be paid in full by February 28, 2020, (ii) a $10,000,000 Term Loan ("Term Loan A"), (iii) a $1,730,895 Mortgage Loan ("Term Loan B"), and (iv) a $1,358,000 Mortgage Loan ("Term Loan C"); collectively referred to as the "Credit Facilities."

As of June 30, 2019, we had $3.7 million in cash and $154,000 in restricted collateral deposits, as compared to December 31, 2018, when we had $4.2 million in cash and $223,000 in restricted collateral deposits. We also had $5.9 million in available, unused bank lines of credit with our main bank as of June 30, 2019, under a $15.0 million credit facility. In addition, we had $3.0 million in available, unused bank credit as of June 30, 2019 under a $6.0 million line of credit under Revolver B.

The maturity of the Revolver is March 11, 2021. The Revolver maintains an interest rate on a scale ranging from LIBOR plus 1.75% up to LIBOR plus 3.00%. The effective interest rate for the Revolver at June 30, 2019 was 6.25%.

The maturity of the Revolver B is February 28, 2020. The Revolver B maintains an interest rate on a scale ranging from LIBOR plus 1.75% up to LIBOR plus 3.50%. The effective interest rate for the Revolver B at June 30, 2019 was 6.00%.

The maturity of Term Loan A is March 11, 2021. This Term Loan maintains an interest rate on a scale ranging from LIBOR plus 2.0% up to LIBOR plus 3.25%. The repayment of this Term Loan consists of 60 consecutive monthly payments of principal plus accrued interest based on annual principal reductions of 10% during the first year, 20% during the second through fourth years, and 30% during the fifth year. The effective interest rate for this Term Loan at June 30, 2019 was 6.50%.

We have two Mortgage Loans (Term Loans B and C). The maturities of the Mortgage Loans are June 1, 2024 and maintain an interest rate on a scale identical to the Term Loan. The monthly payments on the Mortgage Loans are $12,872 in principal plus accrued interest, with balloon payments due at the maturity date. The effective interest rate for the Mortgage Loans at June 30, 2019 was 6.50%.

The Credit Facilities maintain certain reporting requirements, conditions precedent, affirmative covenants and financial covenants. We are required to maintain certain financial covenants. The Eighth Amendment to the credit facilities adjusted the financial covenant ratios for the Company's reporting periods during fiscal year 2019. The amended Maximum Debt to EBITDA ratio of 3.75 to 1.00 for the period ended March 31, 2019, 5.50 to 1.00 for the period ended June 30, 2019, 6.25 to 1.00 for the period ended September 30, 2019, 4.00 to 1.00 for the period ended December 31, 2019 and 3.00 to 1.00 for periods ending after December 31, 2019. The amended

Minimum Fixed Charge Coverage Ratio is 1.20 to 1.00 for the period ended March 31, 2019, 1.00 to 1.00 for the periods ended June 30, 2019 and September 30, 2019, and 1.20 to 1.00 for the periods ending after September 30, 2019. We were in compliance with our covenants at June 30, 2019.

The Credit Facilities are secured by our assets and the assets of our domestic subsidiaries.

We used available funds in the six months ended June 30, 2019 primarily for working capital needs and investment in fixed assets. Our net fixed assets amounted to $9.4 million at quarter end.

Net cash used in operating activities for the six months ended June 30, 2019 was $3.6 million. Net cash provided by operating activities for the six months ended June 30, 2018 was $3.6 million, representing a net change year over year of $7.2 million. The decrease in cash provided by operations is primarily attributable to the $7.2 million higher contract asset balance related to long term contracts that do not allow for milestone payments and a change from net income of $679,000 to a net loss of $(1.0) million primarily related to lower revenues associated with the termination of the AAV program on October 2, 2018.

Net cash used in investing activities for the six months ended June 30, 2019 was $2.5 million. Net cash used in investing activities for the six months ended June 30, 2018 was $896,000, representing a year over year change of $1.6 million.

Net cash provided by financing activities for the six months ended June 30, 2019 was $5.5 million. Net cash used in financing activities for the six months ended June 30, 2018 was $705,000, representing an increase of $6.2 million. In 2019, we made payments on our term loans of $1.1 million and increased our short-term borrowing on our line of credit by $6.6 million.

As of June 30, 2019, we had approximately $12.1 million in short-term bank debt under our Revolver and Revolver B as well as $7.7 million in long-term loans outstanding. This is in comparison to December 31, 2018, when we had $5.5 million in short-term bank debt under our credit facility and $8.6 million in long-term debt outstanding.

Subject to all of the reservations regarding “forward-looking statements” set forth above, we believe that our present cash position, anticipated cash flows from operations and availability under our lines of credit should be sufficient to satisfy our current estimated cash requirements through the next twelve months. In this connection, we note that from time to time our working capital needs are partially dependent on our and/or our subsidiaries’ lines of credit.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

There have been no material changes to our exposures to market risk sinceDecember 31, 2018.

ITEM 4. CONTROLS AND PROCEDURES.

As of the end of the period covered by this report, an evaluation was carried out by the Company's management, with the participation of our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934). Based upon that evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that these disclosure controls and procedures were effective as of the end of the period covered by this report. In addition, no change in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934) occurred during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II

ITEM 6. EXHIBITS.

The following documents are filed as exhibits to or furnished with this report:

Exhibit Number	Description	
10.1	Eighth Amendment dated April 22, 2019 to Credit Agreement between JPMorgan Chase Bank, N.A. and Arotech Corporation and certain of Arotech Corporation's subsidiaries dated March 11, 2016	Incorporated by Reference
10.1.1	Fifth amendment dated September 30, 2017 to Credit Agreement between JPMorgan Chase Bank, N.A. and Arotech Corporation and certain of Arotech Corporation's subsidiaries dated March 11, 2016	Filed Herewith
10.1.2	Sixth amendment dated July 16, 2018 to Credit Agreement between JPMorgan Chase Bank, N.A. and Arotech Corporation and certain of Arotech Corporation's subsidiaries dated March 11, 2016	Filed Herewith
10.1.3	Seventh amendment dated July 19, 2018 to Credit Agreement between JPMorgan Chase Bank, N.A. and Arotech Corporation and certain of Arotech Corporation's subsidiaries dated March 11, 2016	Filed Herewith
10.1.4	Ninth amendment dated July 24, 2019 to Credit Agreement between JPMorgan Chase Bank, N.A. and Arotech Corporation and certain of Arotech Corporation's subsidiaries dated March 11, 2016	Filed Herewith
10.2	Amended and Restated Employment Agreement between the Registrant and Corporation and Dean M. Krutty effective as of April 23, 2019	Incorporated by Reference
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed Herewith
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed Herewith
32.1	Certifications required by Rule 13a-14(b) or Rule 15d-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. Section 1350), executed by Dean M. Krutty, President and Chief Executive Officer of Arotech Corporation	Furnished with this Report
32.2	Certifications required by Rule 13a-14(b) or Rule 15d-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. Section 1350), executed by Kelli L. Kellar, Vice President – Finance and Chief Financial Officer of Arotech Corporation	Furnished with this Report
101.INS	XBRL Instance Document	Filed Herewith
101.SCH	XBRL Taxonomy Extension Schema Document	Filed Herewith
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document	Filed Herewith
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document	Filed Herewith
101.LAB	XBRL Taxonomy Extension Label Linkbase Document	Filed Herewith
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document	Filed Herewith

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.

Dated: August 8, 2019

AROTECH CORPORATION

By:	/s/ Dean M. Krutty	
	Name:	Dean M. Krutty
	Title:	President and Chief Executive Officer
		(Principal Executive Officer)
By:	/s/ Kelli L. Kellar	
	Name:	Kelli L. Kellar
	Title:	Vice President – Finance and CFO
		(Principal Financial Officer)

FIFTH AMENDMENT TO CREDIT AGREEMENT

THIS FIFTH AMENDMENT TO CREDIT AGREEMENT, effective as of September 30, 2017 (this "Amendment"), is among **AROTECH CORPORATION** (collectively, the "Borrower"), the other Loan Parties party to the Credit Agreement described below and **JPMORGAN CHASE BANK, N.A.** (the "Lender").

RECITAL

The Borrower, the other Loan Parties and the Lender are parties to a Credit Agreement dated as of March 11, 2016, as amended by a certain First Amendment to Credit Agreement dated as of, as further amended by a certain Second Amendment to Credit Agreement dated as of June 25, 2016, as further amended by a certain Third Amendment to Credit Agreement dated as of June 1, 2017, and as further amended by a certain Fourth Amendment to Credit Agreement dated as of June 20, 2017 (as may be further amended or modified from time to time, the "Credit Agreement"), and desire to amend the Credit Agreement on the terms and conditions of this Amendment.

TERMS

In consideration of the premises and of the mutual agreements herein contained, the parties hereby agree as follows:

ARTICLE IAMENDMENTS. Upon fulfillment of the conditions set forth in Article III hereof, the Credit Agreement shall be amended as follows:

1.1 The following definition is added to Section 1.01 of the Credit Agreement:

"Unrestricted Cash" means, at any date, the sum of (a) 100% of the unrestricted cash owned by the Borrower and its Domestic Subsidiaries in which the Lender has a first priority, perfected security interest pursuant to the Collateral Documents, and (b) 100% of the unrestricted cash in the Borrower's Foreign Subsidiaries that is not subject to any Liens (other than in favor of the Lender and any customary liens of depositary banks) or restrictions on repatriation to the U.S. Without limiting the other exclusions in this definition, "Unrestricted Cash" shall not include any cash held by the Company or any of its Subsidiaries in escrow, trust or other fiduciary capacity for or on behalf of any Person or subject to any other restriction.

1.2 The following definition is amended and restated in Section 1.01 of the Credit Agreement:

"Leverage Ratio" means, on any date, the ratio of (a) the aggregate principal amount of all Indebtedness determined for the Borrower and its Subsidiaries on a consolidated basis at such date; provided, however, that solely with respect to the calculation of the Leverage Ratio for the fiscal quarter ending September 30, 2017 under Section 6.12(a) (and not for purposes of calculating the Leverage Ratio in the definition of "Applicable Rate"), the Leverage Ratio shall be calculated by subtracting Unrestricted Cash from Indebtedness; to (b) EBITDA for the period of four consecutive fiscal quarters ended on or most recently prior to such date.

ARTICLE II **REPRESENTATIONS**. Each Loan Party represents and warrants to the Lender that:

2.1 The execution, delivery and performance of this Amendment are within its powers, have been duly authorized and are not in contravention with any law, or the terms of its articles of incorporation or organization (as applicable), by-laws or operating agreement (as applicable), or any undertaking to which it is a party or by which it is bound.

2.2 The Amendment is the valid and binding obligation of each Loan Party, enforceable against such Borrower in accordance with its terms.

2.3 After giving effect to the amendments and waivers herein contained, the representations and warranties contained in the Credit Agreement and the other Loan Documents are true on and as of the date hereof with the same force and effect as if made on and as of the date hereof and no Default has occurred and is continuing.

ARTICLE III **CONDITIONS OF EFFECTIVENESS**. This Amendment shall be effective as of the date hereof when each of the following is satisfied:

3.1 Each Loan Party and the Lender shall have executed this Amendment.

ARTICLE IV **MISCELLANEOUS**.

4.1 References in the Loan Documents to the Credit Agreement shall be deemed to be references to the Credit Agreement as amended hereby and as further amended from time to time. This Amendment is a Loan Document. Terms used but not defined herein shall have the respective meanings ascribed thereto in the Credit Agreement. Without limiting the foregoing, each of the Loan Parties acknowledges and agrees that all references to Secured Obligations in any of the Collateral Documents shall be deemed references to Secured Obligations as such term is amended hereby and as further amended or modified from time to time in accordance with the Loan Documents.

4.2 Except as expressly amended hereby, each Loan Party agrees that the Loan Documents are ratified and confirmed and shall remain in full force and effect and that it has no set off, counterclaim, defense or other claim or dispute with respect to any of the foregoing.

4.3 This Amendment may be signed upon any number of counterparts with the same effect as if the signatures thereto and hereto were upon the same instrument and signatures sent by facsimile or other electronic imaging shall be enforceable as originals.

[*Remainder of Page Intentionally Left Blank – Signature Page Follows*]

IN WITNESS WHEREOF, the parties have caused this Amendment to be executed and delivered as of the day and year first above written.

AROTECH CORPORATION

By: /s/ Kelli L. Kellar

Name: Kelli L. Kellar

Title: VP Finance & CFO

FAAC INCORPORATED

By: /s/ Kelli L. Kellar

Name: Kelli L. Kellar

Title: Treasurer

ELECTRIC FUEL BATTERY CORP.

By: /s/ Kelli L. Kellar

Name: Kelli L. Kellar

Title: Treasurer

UEC ELECTRONICS, LLC

By: /s/ Kelli L. Kellar

Name: Kelli L. Kellar

Title: Treasurer

JPMORGAN CHASE BANK, N.A.

By: /s/ Michelle L. Montague

Name: Michelle L. Montague

Title: Vice President

SIXTH AMENDMENT TO CREDIT AGREEMENT

THIS SIXTH AMENDMENT TO CREDIT AGREEMENT, dated as of July 16, 2018 (this " Amendment"), is among **AROTECH CORPORATION** (collectively, the "Borrower"), the other Loan Parties party to the Credit Agreement described below and **JPMORGAN CHASE BANK, N.A.** (the "Lender").

RECITAL

The Borrower, the other Loan Parties and the Lender are parties to a Credit Agreement dated as of March 11, 2016, as amended by a certain First Amendment to Credit Agreement dated as of, as further amended by a certain Second Amendment to Credit Agreement dated as of June 25, 2016, as further amended by a certain Third Amendment to Credit Agreement dated as of June 1, 2017, as further amended by a certain Fourth Amendment to Credit Agreement dated as of June 20, 2017, and as further amended by a certain Fifth Amendment to Credit Agreement dated as of September 30, 2017 (as may be further amended or modified from time to time, the "Credit Agreement"), and desire to amend the Credit Agreement on the terms and conditions of this Amendment.

TERMS

In consideration of the premises and of the mutual agreements herein contained, the parties hereby agree as follows:

ARTICLE IAMENDMENTS. Upon fulfillment of the conditions set forth in Article III hereof, the Credit Agreement shall be amended as follows:

1.1 The following definitions are added to Section 1.01 of the Credit Agreement:

"Sixth Amendment" means the Sixth Amendment to this Agreement among the parties hereto.

"Sixth Amendment Effective Date" means the date the Sixth Amendment is Effective.

"Sixth Amendment Letter of Credit" means a certain Letter of Credit issued to the Borrower on the Sixth Amendment Effective Date, in an aggregate amount of up to $93,420.00.

1.2 Section 2.04(c) of the Credit Agreement is restated as follows:

(c) Expiration Date. Each Letter of Credit shall expire (or be subject to termination or non-renewal by notice from the Lender to the beneficiary thereof) at or prior to the close of business on the earlier of (i) the date one year after the date of the issuance of such Letter of Credit (or, in the case of any renewal or extension thereof, including, without limitation, any automatic renewal provisions, one year after such renewal or extension) and (ii) the date that is five Business Days prior to the Revolving Credit Maturity Date. Notwithstanding the foregoing, the Sixth Amendment Letter of Credit shall expire at or prior to the close of business on March 30, 2021, *provided however*, that if the Borrower does not terminate and fully reimburse its obligations under the Sixth Amendment Letter of Credit prior to the Revolving Credit Maturity Date, then the cash collateralization provisions of Section 2.04(h) herein shall apply until the expiration of the Sixth Amendment Letter of Credit and the payment in full of all reimbursement and other obligations under the Sixth Amendment Letter of Credit.

1.3 Section 2.04(h) is amended by adding the following to the end of the first sentence thereof: "and, notwithstanding anything herein to the contrary, the Borrower shall deposit such cash collateral on the Revolving Credit Maturity Date, without demand or other notice of any kind, with respect to the Sixth Amendment Letter of Credit or any other Sixth Amendment Letter of Credit outstanding on the Revolving Credit Maturity Date."

ARTICLE II **REPRESENTATIONS**. Each Loan Party represents and warrants to the Lender that:

2.1 The execution, delivery and performance of this Amendment are within its powers, have been duly authorized and are not in contravention with any law, or the terms of its articles of incorporation or organization (as applicable), by-laws or operating agreement (as applicable), or any undertaking to which it is a party or by which it is bound.

2.2 The Amendment is the valid and binding obligation of each Loan Party, enforceable against such Borrower in accordance with its terms.

2.3 After giving effect to the amendments and waivers herein contained, the representations and warranties contained in the Credit Agreement and the other Loan Documents are true on and as of the date hereof with the same force and effect as if made on and as of the date hereof and no Default has occurred and is continuing.

ARTICLE III **CONDITIONS OF EFFECTIVENESS**. This Amendment shall be effective as of the date hereof when each of the following is satisfied:

3.1 Each Loan Party and the Lender shall have executed this Amendment.

3.2 The Lender shall have received (i) a certificate of each Loan Party, dated the Sixth Amendment Effective Date and executed by its Secretary or Assistant Secretary, which shall (A) certify the resolutions of its Board of Directors, members or other body authorizing the execution, delivery and performance of the Loan Documents to which it is a party, and (B) identify by name and title and bear the signatures of the officers of such Loan Party authorized to sign the Loan Documents to which it is a party.

ARTICLE IV **MISCELLANEOUS**.

4.1 References in the Loan Documents to the Credit Agreement shall be deemed to be references to the Credit Agreement as amended hereby and as further amended from time to time. This Amendment is a Loan Document. Terms used but not defined herein shall have the respective meanings ascribed thereto in the Credit Agreement. Without limiting the foregoing, each of the

Loan Parties acknowledges and agrees that all references to Secured Obligations in any of the Collateral Documents shall be deemed references to Secured Obligations as such term is amended hereby and as further amended or modified from time to time in accordance with the Loan Documents.

4.2 Except as expressly amended hereby, each Loan Party agrees that the Loan Documents are ratified and confirmed and shall remain in full force and effect and that it has no set off, counterclaim, defense or other claim or dispute with respect to any of the foregoing.

4.3 This Amendment may be signed upon any number of counterparts with the same effect as if the signatures thereto and hereto were upon the same instrument and signatures sent by facsimile or other electronic imaging shall be enforceable as originals.

[*Remainder of Page Intentionally Left Blank – Signature Page Follows*]

IN WITNESS WHEREOF, the parties have caused this Amendment to be executed and delivered as of the day and year first above written.

AROTECH CORPORATION

By: /s/ Kelli L. Kellar

Name: Kelli L. Kellar

Title: VP Finance & CFO

FAAC INCORPORATED

By: /s/ Kelli L. Kellar

Name: Kelli L. Kellar

Title: Treasurer

ELECTRIC FUEL BATTERY CORP.

By: /s/ Kelli L. Kellar

Name: Kelli L. Kellar

Title: Treasurer

UEC ELECTRONICS, LLC

By: /s/ Kelli L. Kellar

Name: Kelli L. Kellar

Title: Treasurer

JPMORGAN CHASE BANK, N.A.

By: /s/ Michelle L. Montague

Name: Michelle L. Montague

Title: Vice President

SEVENTH AMENDMENT TO CREDIT AGREEMENT

THIS SEVENTH AMENDMENT TO CREDIT AGREEMENT, dated as of July 19, 2018 (this " Amendment"), is among **AROTECH CORPORATION** (collectively, the "Borrower"), the other Loan Parties party to the Credit Agreement described below and **JPMORGAN CHASE BANK, N.A.** (the "Lender").

RECITAL

The Borrower, the other Loan Parties and the Lender are parties to a Credit Agreement dated as of March 11, 2016, as amended by a certain First Amendment to Credit Agreement dated as of, as further amended by a certain Second Amendment to Credit Agreement dated as of June 25, 2016, as further amended by a certain Third Amendment to Credit Agreement dated as of June 1, 2017, as further amended by a certain Fourth Amendment to Credit Agreement dated as of June 20, 2017, as further amended by a certain Fifth Amendment to Credit Agreement dated as of September 30, 2017; and as further amended by a certain Sixth Amendment to Credit Agreement dated as of July 16, 2018 (as may be further amended or modified from time to time, the "Credit Agreement"), and desire to amend the Credit Agreement on the terms and conditions of this Amendment.

TERMS

In consideration of the premises and of the mutual agreements herein contained, the parties hereby agree as follows:

ARTICLE IAMENDMENTS. Upon fulfillment of the conditions set forth in Article III hereof, the Credit Agreement shall be amended as follows:

1.1 The following definitions are added to Section 1.01 of the Credit Agreement:

"Seventh Amendment" means the Seventh Amendment to this Agreement among the parties hereto.

"Seventh Amendment Effective Date" means the date the Seventh Amendment is Effective.

1.2 The defined term "Sixth Amendment Letter of Credit" in Section 1.01 of the Credit Agreement is hereby deleted in its entirety.

1.3 Section 2.04(c) of the Credit Agreement is restated as follows:

(c) Expiration Date. Each Letter of Credit shall expire (or be subject to termination or non-renewal by notice from the Lender to the beneficiary thereof) at or prior to the close of business on the earlier of (i) the date one year after the date of the issuance of such Letter of Credit (or, in the case of any renewal or extension thereof, including, without limitation, any automatic renewal provisions, one year after such renewal or extension) and (ii) the date that is one year following the Revolving Credit maturity Date, *provided that*, the issuance of any Letter of Credit with an expiry date after the Revolving Credit Maturity Date shall be issued in the sole and uncontrolled discretion of the Lender, and the Lender has no obligation to issue any such Letter of Credit. If the Borrower does not terminate and fully reimburse its obligations under any outstanding Letter of Credit prior to the Revolving Credit Maturity Date, then the cash collateralization provisions of Section 2.04(h) herein shall apply until the expiration of any outstanding Letter of Credit and the payment in full of all reimbursement and other obligations under any outstanding Letter of Credit.

1.4 Section 2.04(h) of the Credit Agreement is restated as follows:

(h) Cash Collateralization. If any Event of Default shall occur and be continuing, on the Business Day that the Borrower receives notice from the Lender demanding the deposit of cash collateral pursuant to this paragraph, the Borrower shall deposit in an account with the Lender, in the name and for the benefit of the Lender (the "LC Collateral Account"), an amount in cash equal to 105% of the amount of the LC Exposure as of such date plus accrued and unpaid interest thereon; provided that the obligation to deposit such cash collateral shall become effective immediately, and such deposit shall become immediately due and payable, without demand or other notice of any kind, upon the occurrence of any Event of Default with respect to the Borrower described in clause (h) or (i) of Article VII and, notwithstanding anything herein to the contrary, the Borrower shall deposit such cash collateral on the Revolving Credit maturity Date, without demand or other notice of any kind, with respect to any Letter of Credit outstanding on the Revolving Credit Maturity Date. The Borrower also shall deposit cash collateral in accordance with this paragraph as and to the extent required by Section 2.09(b). Each such deposit shall be held by the Lender as collateral for the payment and performance of the Secured Obligations. The Lender shall have exclusive dominion and control, including the exclusive right of withdrawal, over the LC Collateral Account and the Borrower hereby grants the Lender a security interest in the LC Collateral Account and all moneys or other assets on deposit therein or credited thereto. Other than any interest earned on the investment of such deposits, which investments shall be made at the option and sole discretion of the Lender and at the Borrower's risk and expense, such deposits shall not bear interest. Interest or profits, if any, on such investments shall accumulate in such account. Moneys in such account shall be applied by the Lender for LC Disbursements for which it has not been reimbursed and, to the extent not so applied, shall be held for the satisfaction of the reimbursement obligations of the Borrower for the LC Exposure at such time or, if the maturity of the Loans has been accelerated, be applied to satisfy other Secured Obligations. If the Borrower is required to provide an amount of cash collateral hereunder as a result of the occurrence of an Event of Default, such amount (to the extent not applied as aforesaid) shall be returned to the Borrower within three (3) Business Days after all such Events of Default have been cured or waived as confirmed in writing by the Lender.

ARTICLE II REPRESENTATIONS. Each Loan Party represents and warrants to the Lender that:

2.1 The execution, delivery and performance of this Amendment are within its powers, have been duly authorized and are not in contravention with any law, or the terms of its articles of incorporation or organization (as applicable), by-laws or operating agreement (as applicable), or any undertaking to which it is a party or by which it is bound.

2.2 The Amendment is the valid and binding obligation of each Loan Party, enforceable against such Borrower in accordance with its terms.

2.3 After giving effect to the amendments and waivers herein contained, the representations and warranties contained in the Credit Agreement and the other Loan Documents are true on and as of the date hereof with the same force and effect as if made on and as of the date hereof and no Default has occurred and is continuing.

ARTICLE III **CONDITIONS OF EFFECTIVENESS**. This Amendment shall be effective as of the date hereof when each of the following is satisfied:

3.1 Each Loan Party and the Lender shall have executed this Amendment.

ARTICLE IV **MISCELLANEOUS**.

4.1 References in the Loan Documents to the Credit Agreement shall be deemed to be references to the Credit Agreement as amended hereby and as further amended from time to time. This Amendment is a Loan Document. Terms used but not defined herein shall have the respective meanings ascribed thereto in the Credit Agreement. Without limiting the foregoing, each of the Loan Parties acknowledges and agrees that all references to Secured Obligations in any of the Collateral Documents shall be deemed references to Secured Obligations as such term is amended hereby and as further amended or modified from time to time in accordance with the Loan Documents.

4.2 Except as expressly amended hereby, each Loan Party agrees that the Loan Documents are ratified and confirmed and shall remain in full force and effect and that it has no set off, counterclaim, defense or other claim or dispute with respect to any of the foregoing.

4.3 This Amendment may be signed upon any number of counterparts with the same effect as if the signatures thereto and hereto were upon the same instrument and signatures sent by facsimile or other electronic imaging shall be enforceable as originals.

[*Remainder of Page Intentionally Left Blank – Signature Page Follows*]

IN WITNESS WHEREOF, the parties have caused this Amendment to be executed and delivered as of the day and year first above written.

AROTECH CORPORATION

By: /s/ Kelli L. Kellar

Name: Kelli L. Kellar

Title: VP Finance & CFO

FAAC INCORPORATED

By: /s/ Kelli L. Kellar

Name: Kelli L. Kellar

Title: Treasurer

ELECTRIC FUEL BATTERY CORP.

By: /s/ Kelli L. Kellar

Name: Kelli L. Kellar

Title: Treasurer

UEC ELECTRONICS, LLC

By: /s/ Kelli L. Kellar

Name: Kelli L. Kellar

Title: Treasurer

JPMORGAN CHASE BANK, N.A.

By: /s/ Michelle L. Montague

Name: Michelle L. Montague

Title: Vice President

NINTH AMENDMENT TO CREDIT AGREEMENT

THIS NINTH AMENDMENT TO CREDIT AGREEMENT, dated as of July 24, 2019 (this " Amendment"), is among **AROTECH CORPORATION** (the "Borrower"), the other Loan Parties party to the Credit Agreement described below and **JPMORGAN CHASE BANK, N.A.** (the "Lender").

RECITAL

The Borrower, the other Loan Parties and the Lender are parties to a Credit Agreement dated as of March 11, 2016, as amended by a certain First Amendment to Credit Agreement dated as of June 3, 2016, as further amended by a certain Second Amendment to Credit Agreement dated as of June 25, 2016, as further amended by a certain Third Amendment to Credit Agreement dated as of June 1, 2017, as further amended by a certain Fourth Amendment to Credit Agreement dated as of June 20, 2017, as further amended by a certain Fifth Amendment to Credit Agreement dated as of September 30, 2017; as further amended by a certain Sixth Amendment to Credit Agreement dated as of July 16, 2018; as further amended by a certain Seventh Amendment to Credit Agreement dated as of July 19, 2018; and as further amended by a certain Eighth Amendment to Credit Agreement dated as of April 22, 2019 (as may be further amended or modified from time to time, the "Credit Agreement"), and desire to amend the Credit Agreement on the terms and conditions of this Amendment.

TERMS

In consideration of the premises and of the mutual agreements herein contained, the parties hereby agree as follows:

ARTICLE IAMENDMENTS. Upon fulfillment of the conditions set forth in Article III hereof, the Credit Agreement shall be amended as follows:

1.1 The following definitions are added to Section 1.01 of the Credit Agreement in appropriate alphabetical order:

"CCS Program" means the project by one or more of the Loan Parties to upgrade marine training suites for the combat convoy simulators.

"Eligible Unbilled CCS Program Accounts" means, at any time, those obligations owing to any Loan Party which would constitute an Eligible Account but for the fact that an invoice has not been sent by such Loan Party; provided that each of the following conditions is also satisfied for each such obligation: (a) such obligation is covered under a written work order or other agreement between such Loan Party and the Person owing such obligation, including price verification, which is binding and enforceable on such Person to pay such obligation if it was invoiced at such time, (b) such obligation is directly related to or arising under the CCS Program, and (c) such obligation is not excluded from Eligible Unbilled CCS Program Accounts at any time by the Lender in its Permitted Discretion.

1.2 The following definitions in Section 1.01 of the Credit Agreement are restated as follows:

"Borrowing Base" means, at any time, the sum of (a) 80% of Eligible Accounts at such time, *plus* (b) 50% of Eligible Unbilled Accounts at such time, *plus* (c) 75% of Eligible Unbilled CCS Program Accounts at such time, *plus* (d) 40% of Eligible Inventory, valued at the lower of cost or market value, determined on a first-in-first-out basis, *minus* (e) Reserves. The maximum amount of Eligible Unbilled Accounts which may be included as part of the Borrowing Base is $5,500,000, the maximum amount of Eligible Unbilled CCS Program Accounts which may be included as part of the Borrowing Base is $5,000,000, and the maximum amount of Eligible Inventory which may be included as part of the Borrowing Base is $2,500,000. The Lender may, in its Permitted Discretion, reduce the advance rates set forth above, adjust Reserves or reduce one or more of the other elements used in computing the Borrowing Base.

"Eligible Unbilled Accounts" means, at any time, those obligations owing to any Loan Party which would constitute an Eligible Account but for the fact that an invoice has not been sent by such Loan Party; provided that each of the following conditions is also satisfied for each such obligation: (a) such obligation is covered under a written work order or other agreement between such Loan Party and the Person owing such obligation, including price verification, which is binding and enforceable on such Person to pay such obligation if it was invoiced at such time, (b) such obligation has not been classified as an Eligible Unbilled Account for more than 60 days, (c) such obligation is not related to or arising under the CCS Program, and (d) such obligation is not excluded from Eligible Unbilled Accounts at any time by the Lender in its Permitted Discretion.

ARTICLE II REPRESENTATIONS. Each Loan Party represents and warrants to the Lender that:

2.1 The execution, delivery and performance of this Amendment are within its powers, have been duly authorized and are not in contravention with any law, or the terms of its articles of incorporation or organization (as applicable), by-laws or operating agreement (as applicable), or any undertaking to which it is a party or by which it is bound.

2.2 The Amendment is the valid and binding obligation of each Loan Party, enforceable against such Loan Party in accordance with its terms.

2.3 After giving effect to the amendments and waivers herein contained, the representations and warranties contained in the Credit Agreement and the other Loan Documents are true on and as of the date hereof with the same force and effect as if made on and as of the date hereof and no Default has occurred and is continuing.

ARTICLE III CONDITIONS OF EFFECTIVENESS. This Amendment shall be effective as of the date hereof when each of the following is satisfied:

3.1 Each Loan Party and the Lender shall have executed this Amendment.

3.2 The Lender shall have received, to the extent the Borrower qualifies as a “legal entity customer” under the Beneficial Ownership Regulation, a Beneficial Ownership Certification.

3.3 The Lender shall have received such other documents requested by the Lender, including without limitation resolutions approving this Amendment and officers’ certificates.

ARTICLE IV **MISCELLANEOUS**.

4.1 References in the Loan Documents to the Credit Agreement shall be deemed to be references to the Credit Agreement as amended hereby and as further amended from time to time. This Amendment is a Loan Document. Terms used but not defined herein shall have the respective meanings ascribed thereto in the Credit Agreement. Without limiting the foregoing, each of the Loan Parties acknowledges and agrees that all references to Secured Obligations in any of the Collateral Documents shall be deemed references to Secured Obligations as such term is amended hereby and as further amended or modified from time to time in accordance with the Loan Documents.

4.2 Except as expressly amended hereby, each Loan Party agrees that the Loan Documents are ratified and confirmed and shall remain in full force and effect and that it has no set off, counterclaim, defense or other claim or dispute with respect to any of the foregoing.

4.3 This Amendment may be signed upon any number of counterparts with the same effect as if the signatures thereto and hereto were upon the same instrument and signatures sent by facsimile or other electronic imaging shall be enforceable as originals.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties have caused this Amendment to be executed and delivered as of the day and year first above written.

AROTECH CORPORATION

By: /s/ Kelli L. Kellar

Name: Kelli L. Kellar

Title: VP Finance & CFO

FAAC INCORPORATED

By: /s/ Kelli L. Kellar

Name: Kelli L. Kellar

Title: Treasurer

ELECTRIC FUEL BATTERY CORP.

By: /s/ Kelli L. Kellar

Name: Kelli L. Kellar

Title: Treasurer

UEC ELECTRONICS, LLC

By: /s/ Kelli L. Kellar

Name: Kelli L. Kellar

Title: Treasurer

JPMORGAN CHASE BANK, N.A.

By: /s/ Michelle L. Montague

Name: Michelle L. Montague

Title: Vice President

Exhibit 31.1

CERTIFICATION

I, Dean M. Krutty, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Arotech Corporation;

2. Based on my knowledge, this quarterly 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 quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly 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 we 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 quarterly 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 quarterly report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this quarterly report based on such evaluation; and

(d) disclosed in this quarterly 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 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 registrant’s board of directors (or persons performing the equivalent function):

(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 controls over financial reporting.

Dated: August 8, 2019

/s/ Dean M. Krutty

Dean M. Krutty, President and Chief Executive Officer

(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION

I, Kelli L. Kellar, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Arotech Corporation;

2. Based on my knowledge, this quarterly 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 quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly 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 we 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 quarterly 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 quarterly report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this quarterly report based on such evaluation; and

(d) disclosed in this quarterly 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 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 registrant's board of directors (or persons performing the equivalent function):

(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 controls over financial reporting.

Dated: August 8, 2019

/s/ Kelli L. Kellar

Kelli L. Kellar, Vice President – Finance and CFO

(Principal Financial Officer)

Exhibit 32.1

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 Arotech Corporation (the "Company") on Form 10-Q for the quarterly period ended June 30, 2019 as filed with the Securities and Exchange Commission (the "Report"), I, Dean M. Krutty, 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, based on my knowledge:

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.

Dated: August 8, 2019

/s/ Dean M. Krutty

Dean M. Krutty, President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

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 Arotech Corporation (the "Company") on Form 10-Q for the quarterly period ended June 30, 2019 as filed with the Securities and Exchange Commission (the "Report"), I, Kelli L. Kellar, Vice President – Finance and Chief Financial 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, based on my knowledge:

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.

Dated: August 8, 2019

/s/ Kelli L. Kellar

Kelli L. Kellar, Vice President –
Finance and CFO
(Principal Financial Officer)