

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

FORM 10-Q

(Mark One)

☒ Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended February 29, 2024

or

☐ Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from _____ to _____

Commission File No. 000-05131

ART'S-WAY MANUFACTURING CO., INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

42-0920725
(I.R.S. Employer Identification No.)

5556 Highway 9
Armstrong, Iowa 50514
(Address of principal executive offices) (Zip Code)

(712) 208-8467
(Registrant's telephone number, including area code)

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	ARTW	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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large accelerated filer ☐
Non-accelerated filer ☒

Accelerated filer ☐
Smaller reporting company ☒
Emerging growth company ☐

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

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

Number of common shares outstanding as of April 8, 2024 : 5,068,208

Art's-Way Manufacturing Co., Inc.
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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

ART'S-WAY MANUFACTURING CO., INC. Condensed Consolidated Balance Sheets

	(Unaudited) February 29, 2024	November 30, 2023
Assets		
Current assets:		
Cash	\$ 2,485	\$ 4,014
Accounts receivable, net	3,046,389	3,432,216
Inventories, net	10,983,337	11,031,362
Cost and profit in excess of billings	125,889	289,282
Other current assets	529,505	296,662
Current assets of discontinued operations	23,090	31,958
Total current assets	14,710,695	15,085,494
Property, plant, and equipment, net	5,158,408	5,060,595
Assets held for lease, net	166,369	145,494
Deferred income taxes, net	2,628,076	2,503,213
Other assets	574,190	583,752
Other assets of discontinued operations	1,016,257	1,023,566
Total assets	\$ 24,253,995	\$ 24,402,114
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 1,147,300	\$ 2,256,502
Customer deposits	1,087,036	416,044
Billings in excess of cost and profit	1,046,408	351,289
Income taxes payable	5,000	5,000
Accrued expenses	1,023,596	1,399,232
Line of credit	4,880,437	4,413,520
Current portion of finance lease liabilities	255,677	257,454
Current portion of long-term debt	110,986	109,193
Current liabilities of discontinued operations	178,703	186,789
Total current liabilities	9,735,143	9,395,023
Long-term portion of operating lease liabilities	11,546	13,774
Long-term portion of finance lease liabilities	701,208	722,200
Long-term debt, excluding current portion	2,601,580	2,629,862
Total liabilities	13,049,477	12,760,859
Commitments and Contingencies (Notes 9, 11, and 12)		
Stockholders' equity:		
Undesignated preferred stock - \$0.01 par value. Authorized 500,000 shares on February 29, 2024 and November 30, 2023; issued and outstanding 0 shares on February 29, 2024 and November 30, 2023.	-	-
Common stock – \$0.01 par value. Authorized 9,500,000 shares on February 29, 2024 and November 30, 2023; 5,180,922 issued on February 29, 2024 and 5,106,922 on November 30, 2023	51,809	51,069
Additional paid-in capital	4,903,642	4,838,425
Retained earnings	6,556,213	7,021,253
Treasury stock, at cost (112,714 shares on February 29, 2024 and 94,256 shares on November 30, 2023)	(307,146)	(269,492)
Total stockholders' equity	11,204,518	11,641,255
Total liabilities and stockholders' equity	\$ 24,253,995	\$ 24,402,114

See accompanying notes to condensed consolidated financial statements.

ART'S-WAY MANUFACTURING CO., INC.
Condensed Consolidated Statements of Operations
(Unaudited)

	Three Months Ended	
	February 29, 2024	February 28, 2023
Sales	\$ 5,723,394	\$ 7,086,864
Cost of goods sold	4,249,870	4,899,990
Gross profit	1,473,524	2,186,874
Expenses		
Engineering	160,353	128,295
Selling	462,759	531,461
General and administrative	1,230,494	983,672
Total expenses	1,853,606	1,643,428
Income from operations	(380,082)	543,446
Other income (expense):		
Interest expense	(165,639)	(111,813)
Other	8,685	11,993
Total other expense	(156,954)	(99,820)
Income (loss) from continuing operations before income taxes	(537,036)	443,626
Income tax expense (benefit)	(112,777)	93,331
Income (loss) from continuing operations	(424,259)	350,295
Discontinued Operations (Note 3)		
Loss from discontinued operations before income taxes	(49,902)	(10,234)
Income tax benefit	(9,121)	(2,149)
Loss on discontinued operations	(40,781)	(8,085)
Net Income (loss)	\$ (465,040)	\$ 342,210

See accompanying notes to condensed consolidated financial statements.

ART'S-WAY MANUFACTURING CO., INC.
Condensed Consolidated Statements of Stockholders' Equity
Three Months Ended February 29, 2024 and February 28, 2023
(Unaudited)

	Common Stock		Additional paid-in capital	Retained earnings	Treasury Stock		Total
	Number of shares	Par value			Number of shares	Amount	
Balance, November 30, 2022	5,013,671	\$ 50,137	\$ 4,547,172	\$ 6,754,284	64,574	\$ (200,956)	\$ 11,150,637
Stock based compensation	87,250	872	68,016	-	8,125	(20,334)	48,554
Net Income	-	-	-	342,210	-	-	342,210
Balance, February 28, 2023	5,100,921	\$ 51,009	\$ 4,615,188	\$ 7,096,494	72,699	\$ (221,290)	\$ 11,541,401
	Common Stock		Additional paid-in capital	Retained earnings	Treasury Stock		Total
	Number of shares	Par value			Number of shares	Amount	
Balance, November 30, 2023	5,106,922	\$ 51,069	\$ 4,838,425	\$ 7,021,253	94,256	\$ (269,492)	\$ 11,641,255
Stock based compensation	74,000	740	65,217	-	18,458	(37,654)	28,303
Net income	-	-	-	(465,040)	-	-	(465,040)
Balance, February 29, 2024	5,180,922	\$ 51,809	\$ 4,903,642	\$ 6,556,213	112,714	\$ (307,146)	\$ 11,204,518

See accompanying notes to condensed consolidated financial statements.

ART'S-WAY MANUFACTURING CO., INC.
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Three Months Ended	
	February 29, 2024	February 28, 2023
Cash flows from operations:		
Net income (loss) from continuing operations	\$ (424,259)	\$ 350,295
Net loss from discontinued operations	(40,781)	(8,085)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Stock based compensation	65,957	68,888
Decrease in obsolete inventory reserves	(6,098)	(27,086)
Gain on disposal of property, plant, and equipment	-	(2,900)
Depreciation and amortization expense	208,116	201,903
Amortization of cloud computing implementation costs	30,455	-
Increase in allowance for expected credit losses - accounts receivable	391	1,260
Deferred income taxes	(124,863)	91,136
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	385,436	(934,410)
Inventories	54,123	(1,061,421)
Other assets	(301,491)	(91,007)
Increase (decrease) in:		
Accounts payable	(1,109,202)	(129,129)
Contracts in progress, net	858,512	701,406
Customer deposits	670,992	1,969,871
Accrued expenses	(375,739)	26,437
Net cash provided by (used in) operating activities - continuing operations	(67,670)	1,165,243
Net cash provided by (used in) operating activities - discontinued operations	(31,604)	103,354
Net cash provided by (used in) operating activities	(99,274)	1,268,597
Cash flows from investing activities:		
Purchases of property, plant, and equipment	(281,174)	(296,114)
Net proceeds from sale of assets	-	2,900
Net cash used in investing activities - continuing operations	(281,174)	(293,214)
Net cash used in investing activities - discontinued operations	-	(17,543)
Net cash used in investing activities	(281,174)	(310,757)
Cash flows from financing activities:		
Net change in line of credit	466,917	(868,941)
Principal payments on finance lease obligations	(22,769)	(35,155)
Repayment of term debt	(26,489)	(26,870)
Repurchases of common stock	(37,654)	(20,334)
Net cash provided by (used in) financing activities - continuing operations	380,005	(951,300)
Net cash used in financing activities - discontinued operations	(1,086)	(7,583)
Net cash provided by (used in) financing activities	378,919	(958,883)
Net decrease in cash	(1,529)	(1,043)
Cash at beginning of period	4,014	5,055
Cash at end of period	<u>\$ 2,485</u>	<u>\$ 4,012</u>
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	\$ 161,033	\$ 122,315
Income taxes	-	46
Supplemental disclosures of non-cash operating activities:		
Right-of-use (ROU) assets acquired (included in other assets)	\$ 38,192	\$ -
Amortization of operating lease ROU assets (included in other assets)	\$ 2,383	\$ 3,319

See accompanying notes to condensed consolidated financial statements.

Notes to Unaudited Condensed Consolidated Financial Statements

1) Description of the Company

Unless otherwise specified, as used in this Quarterly Report on Form 10-Q, the terms “we,” “us,” “our,” “Art’s-Way,” and the “Company” refer to Art’s-Way Manufacturing Co., Inc., a Delaware corporation headquartered in Armstrong, Iowa, and its wholly owned subsidiaries.

The Company began operations as a farm equipment manufacturer in 1956. Since that time, it has become a major worldwide manufacturer of agricultural equipment. Its principal manufacturing plant is located in Armstrong, Iowa.

The Company has organized its business into two operating segments. Management separately evaluates the financial results of each segment because each is a strategic business unit offering different products and requiring different technology and marketing strategies. The Agricultural Products segment manufactures and sells farm equipment and related replacement parts under the Art’s-Way Manufacturing label and private labels. The Modular Buildings segment manufactures and installs modular buildings for animal containment and various laboratory uses.

During the third quarter of fiscal 2023, the Company ceased operations of its Tools business, which in previous periods, was reported in consolidated numbers as the Company’s third operating segment. The Tools segment has been modified retrospectively to be reported in discontinued operations for the three months ended February 28, 2023. For more information on discontinued operations, see Note 3 “Discontinued Operations.”

2) Summary of Significant Accounting Policies

Statement Presentation

The foregoing condensed consolidated financial statements of the Company are unaudited and reflect all adjustments (consisting only of normal recurring adjustments) that are, in the opinion of management, necessary for a fair presentation of the Company’s financial position and operating results for the interim periods. The financial statements should be read in conjunction with the financial statements and notes thereto contained in the Company’s Annual Report on Form 10-K for the fiscal year ended November 30, 2023. The results of operations for the three months ended February 29, 2024 are not necessarily indicative of the results to be expected for the fiscal year ending November 30, 2024.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities and the reported amounts of revenue and expenses during the three months ended February 29, 2024. Actual results could differ from those estimates.

Allowance for Credit Losses

The Company uses aging categories to estimate expected credit losses on trade receivables. The Company considers in its analysis: historical loss experience, forward-looking macroeconomic factors, company credit risk including previous delinquencies, disputed amounts, and the intent and ability to pay. The Company’s typical credit terms are Net 30, however, it does offer terms up to 180 days on floor plan units. The Company would consider trade receivables greater than 30 days past due, but is not required to disclose past due receivables with an original term less than one year. The Company performs additional analysis on amounts over 90 days monthly to determine collectability. The Company has assigned expected credit loss percentages based on where the asset falls in the aging schedule. The Company’s actual credit losses have been low compared to historical allowance estimates. The Company had to consider the current interest rate environment and the recent decline in the agricultural commodity market and believes its method of estimating a higher than historical loss percentage to be an adequate estimate. The Company foresees increased credit risk over the next year or so until inventory on dealer lots starts to decline, interest rates drop and farm income strengthens.

The Company carries contract assets related to its Modular Buildings segment in the form of costs and profit in excess of billings. These contract assets are typically converted to trade receivables in 30 to 90 days, depending on contract terms, and due 30 days or less from the billing date. Because these contract assets are typically converted to receivables and collected in less than a year, consideration for these contract assets have been included in the expected credit loss model for trade receivables.

3) Discontinued Operations

On June 7, 2023, the Company announced that it would be discontinuing the operations of its Tools segment in order to focus its efforts and resources on the business segments that have historically been more successful and that are expected to present greater opportunities for meaningful long-term stockholder returns. A large portion of this segment's assets were disposed of in the 3rd quarter of fiscal 2023. The primary asset of this business, the real estate, is listed for sale as of February 29, 2024.

The cessation of operations and liquidation of the Tools segment represented a strategic shift as a unique business unit of the Company. In accordance with Accounting Standard Code Topic 360, the Company has reclassified Tools as discontinued operations for all periods presented.

The components of discontinued operations in the accompanying Condensed Consolidated Balance Sheets are as follows:

	February 29, 2024	November 30, 2023
Inventory	\$ 18,013	\$ 18,013
Other current assets	5,077	13,945
Current assets of discontinued operations	<u>\$ 23,090</u>	<u>\$ 31,958</u>

	February 29, 2024	November 30, 2023
Property, plant, and equipment, net	\$ 1,016,257	\$ 1,023,566
Other assets of discontinued operations	<u>\$ 1,016,257</u>	<u>\$ 1,023,566</u>

	February 29, 2024	November 30, 2023
Accounts payable	\$ 2,112	\$ 3,539
Current portion of long-term debt	159,512	160,599
Other current liabilities	17,079	22,651
Current liabilities of discontinued operations	<u>\$ 178,703</u>	<u>\$ 186,789</u>

Segment information as of February 29, 2024 and February 28, 2023 for discontinued operations is as follows:

	Tools Three Months Ended	
	February 29, 2024	February 28, 2023
Revenue from external customers	\$ -	\$ 808,000
Gross Profit (loss)	\$ (27,000)	\$ 162,000
Operating Expense	\$ 10,000	\$ 157,000
Income (loss) from operations	\$ (37,000)	\$ 5,000
Income (loss) before tax	\$ (50,000)	\$ (10,000)
Capital expenditures	\$ -	\$ 18,000
Depreciation & Amortization	\$ 7,000	\$ 37,000

Recently Issued Accounting Pronouncements

Recently Adopted Pronouncement

Measurement of Credit Losses on Financial Instruments

In June 2016, the FASB issued ASU 2016-13, "Measurement of Credit Losses on Financial Instruments." ASU 2016-13 adds a current expected credit loss ("CECL") impairment model to U.S. GAAP that is based on expected losses rather than incurred losses. Modified retrospective adoption is required with any cumulative-effect adjustment recorded to retained earnings as of the beginning of the period of adoption. ASU 2016-13 is effective for smaller reporting entities for fiscal years beginning after December 15, 2022, including interim periods within the year of adoption. Early adoption is permitted for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Company adopted ASU 2016-13 in the period presented. The Company has not made a cumulative-effect adjustment to retained earnings.

Accounting Pronouncements Not Yet Adopted

Segment Reporting - Improvements to Reportable Segment Disclosures

In November 2023, the FASB issued ASU 2023-07, "Segment Reporting - Improvements to Reportable Segment Disclosures." ASU 2023-07 adds enhanced disclosures about significant segment expenses, clarifies circumstances in which an entity can disclose multiple segment measures of profit and loss and provides new segment disclosure requirements for entities with a single reportable segment. ASU 2023-07 is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. An entity will be required to recast any changes to segment information for prior periods presented. The Company will adopt ASU 2023-07 in fiscal 2025. The Company does not expect the application ASU 2023-07 to have a significant impact on segment disclosures.

4) Disaggregation of Revenue

The following table displays revenue by reportable segment from external customers, disaggregated by major source. The Company believes disaggregating by these categories depicts how the nature, amount, timing, and uncertainty of revenue and cash flows are affected by economic factors.

Three Months Ended February 29, 2024				
	Agricultural	Modular Buildings		Total
Farm equipment	\$ 3,528,000	\$ -	\$	3,528,000
Farm equipment service parts	642,000	-		642,000
Modular buildings	-	1,392,000		1,392,000
Modular building lease income	-	36,000		36,000
Other	66,000	59,000		125,000
	\$ 4,236,000	\$ 1,487,000	\$	5,723,000

Three Months Ended February 28, 2023				
	Agricultural	Modular Buildings		Total
Farm equipment	\$ 4,732,000	\$ -	\$	4,732,000
Farm equipment service parts	630,000	-		630,000
Modular buildings	-	1,601,000		1,601,000
Modular building lease income	-	32,000		32,000
Other	83,000	9,000		92,000
	\$ 5,445,000	\$ 1,642,000	\$	7,087,000

The Company offered floorplan terms in its Agricultural Products segment during its Fall of 2022 and 2023 early order program to incentivize customers to stock farm equipment on their lots for fiscal 2023 and fiscal 2024. Floorplan terms allow customers to pay the Company at the earliest of retail date or 180 days. This program has an effect on the timing of the Company's cash flows compared with historical cash flows.

On February 29, 2024, the Company had approximately \$ 1,011,000 in receivables on the floorplan program with a due date greater than 30 days compared to \$ 950,000 on February 28, 2023.

5) Accounts receivable

Accounts receivable are shown net of allowances for expected credit losses. Expected losses are recorded in administrative expense at the time of receivable recognition.

The activity related to expected credit losses for the three months ended February 29, 2024 ended is as follows:

	Three Months Ended (Continuing operations) February 29, 2024
Balance, beginning	\$ 32,137
Provision charged to expense	391
Less amounts charged-off	-
Balance, ending	<u>\$ 32,528</u>

The activity of allowance for doubtful accounts for activity for the three months ended February 28, 2023 under legacy US GAAP is as follows:

	Three Months Ended (Continuing operations) February 28, 2023
Balance, beginning	\$ 33,288
Provision charged to expense	1,260
Less amounts charged-off	-
Balance, ending	<u>\$ 34,548</u>

6) Contract Receivables, Contract Assets and Contract Liabilities

The following table provides information about contract receivables, contract assets, and contract liabilities from contracts with customers included on the Condensed Consolidated Balance Sheets.

	February 29, 2024	November 30, 2023
Receivables	\$ 3,046,000	\$ 3,432,000
Assets	126,000	289,000
Liabilities	2,133,000	767,000

The amount of revenue recognized in the first three months of fiscal 2024 that was included in a contract liability on November 30, 2023 was approximately \$ 560,000 compared to \$ 1,153,000 in the same period of fiscal 2023. The beginning contract receivables, assets and liabilities on December 1, 2022 were approximately \$2,466,000; \$ 451,000 and \$1,153,000, respectively.

7) Net Income (Loss) Per Share of Common Stock

Basic net income (loss) per share of common stock has been computed on the basis of the weighted average number of common shares outstanding. Diluted net income (loss) per share has been computed on the basis of the weighted average number of common shares outstanding plus equivalent shares assuming exercise of stock options. Potential shares of common stock that have an anti-dilutive effect (i.e., those that increase income per share or decrease loss per share) are excluded from the calculation of diluted net income (loss) per share.

Basic and diluted net income (loss) per share have been computed based on the following as of February 29, 2024 and February 28, 2023:

	For the Three Months Ended	
	February 29, 2024	February 28, 2023
Numerator for basic and diluted net income (loss) per share:		
Net income (loss) from continuing operations	\$ (424,259)	\$ 350,295
Net loss from discontinued operations	(40,781)	(8,085)
Net income (loss)	(465,040)	342,210
Denominator:		
For basic net income (loss) per share - weighted average common shares outstanding	5,022,680	4,976,955
Effect of dilutive stock options	-	-
For diluted net income (loss) per share - weighted average common shares outstanding	5,022,680	4,976,955
Net Income (loss) per share - Basic:		
Continuing Operations	\$ (0.08)	\$ 0.07
Discontinued Operations	(0.01)	(0.00)
Net income (loss) per share	(0.09)	0.07
Net Income (loss) per share - Diluted:		
Continuing Operations	\$ (0.08)	\$ 0.07
Discontinued Operations	(0.01)	(0.00)
Net income (loss) per share	(0.09)	0.07

8) Inventory

Major classes of inventory are:

	February 29, 2024	November 30, 2023
Raw materials	\$ 8,482,602	\$ 8,860,296
Work in process	481,016	281,760
Finished goods	3,580,888	3,472,354
Total Gross Inventory	\$ 12,544,506	\$ 12,614,410
Less: Reserves	(1,561,169)	(1,583,048)
Net Inventory	<u>\$ 10,983,337</u>	<u>\$ 11,031,362</u>

9) Accrued Expenses

Major components of accrued expenses are:

	February 29, 2024	November 30, 2023
Salaries, wages, and commissions	\$ 535,134	\$ 805,908
Accrued warranty expense	211,120	295,113
Other	277,342	298,211
Total accrued expenses	<u>\$ 1,023,596</u>	<u>\$ 1,399,232</u>

10) Assets Held for Lease

Major components of assets held for lease are:

	February 29, 2024	November 30, 2023
Modular Buildings	\$ 166,369	\$ 145,494
Total assets held for lease	\$ 166,369	\$ 145,494

There were approximately \$ 36,000 rents recognized from assets held for lease included in sales on the Condensed Consolidated Statements of Operations during the three months ended February 29, 2024, respectively, compared to \$ 32,000 for the same periods ending February 28, 2023.

The future minimum lease receipts for the years ended November 30, 2024 are as follows:

Year	Amount
2024	\$ 111,680
2025	70,931
	\$ 182,611

11) Product Warranty

The Company offers warranties of various lengths to its customers depending on the specific product and terms of the customer purchase agreement. The average length of the warranty period is one year from the date of purchase. The Company's warranties require it to repair or replace defective products during the warranty period at no cost to the customer. Product warranty is included in the price of the product and provides assurance that the product will function in accordance with agreed-upon specifications. It does not represent a separate performance obligation under ASC 606. The Company records a liability for estimated costs that may be incurred under its warranties. The costs are estimated based on historical experience and any specific warranty issues that have been identified. Although historical warranty costs have been within expectations, there can be no assurance that future warranty costs will not exceed historical amounts. The Company periodically assesses the adequacy of its recorded warranty liability and adjusts the balance as necessary. The accrued warranty balance is included in accrued expenses as shown in Note 9 "Accrued Expenses." Changes in the Company's product warranty liability for the three months ended February 29, 2024 and February 28, 2023 are as follows:

	Three Months Ended (Continuing operations)	
	February 29, 2024	February 28, 2023
Balance, beginning	\$ 295,113	\$ 192,301
Provision charged to expense	83,735	115,596
Less amounts charged-off	(167,728)	(114,433)
Balance, ending	\$ 211,120	\$ 193,464

12) Loan and Credit Agreements

Bank Midwest Revolving Lines of Credit and Term Loans

The Company maintains a \$ 5,500,000 revolving line of credit (the "Line of Credit") with Bank Midwest. On February 29, 2024, the balance of the Line of Credit was \$ 4,880,437 with \$ 619,563 remaining available, as may be limited by the borrowing base calculation. The Line of Credit borrowing base is an amount equal to 75 % of accounts receivable balances (discounted for aged receivables), plus 50 % of net inventory, less any outstanding loan balance on the Line of Credit. On February 29, 2024, the Line of Credit was not limited by the borrowing base calculation. Any unpaid principal amount borrowed on the Line of Credit accrues interest at a floating rate per annum equal to 0.75 % above the Wall Street Journal rate published in the money rates section of the Wall Street Journal. The interest rate floor is set at 6.00 % per annum and the current interest rate is 9.25 % per annum. The Line of Credit was most recently renewed on March 4, 2024 with a maturity date of March 30, 2025 and requires monthly interest-only payments. The most recent renewal of the Line of Credit combined the previous Line of Credit and a Reserve Line of Credit and decreased the floating rate by 0.50 %.

The Company carries a \$ 2,600,000 term loan with Bank Midwest due October 1, 2037 (the "Term Loan"), and a \$ 350,000 term loan (the "Roof Term Loan") due on May 15, 2027. The Term Loan interest rate accrues at a fixed rate of 7 % based on prime plus 0.75 %. The interest rate floor is set at 4.15 % per annum and the interest rate may only be adjusted by Bank Midwest once every five years. Monthly payments of \$ 19,648 in principal and interest are required. The Term Loan is also guaranteed by the United States Department of Agriculture ("USDA"), which required an upfront guarantee fee of \$ 62,400 and requires an annual fee of 0.5 % of the unpaid balance. As part of the USDA guarantee requirements, stockholders owning more than 20% are required to personally guarantee a portion of the Term Loan, in an amount equal to their stock ownership percentage. The J. Ward McConnell Jr. Living Trust, the estate of the former Vice Chairman of the Board of Directors and a stockholder owning more than 20 % of the Company's outstanding stock, is guaranteeing approximately 38 % of the Term Loan, for an annual fee of 2 % of the personally guaranteed amount. The initial guarantee fee will be amortized over the life of the Term Loan, and the annual fees and personally guaranteed amounts are expensed monthly. The Term Loan is governed by the terms of a Promissory Note, dated September 28, 2017, entered into between the Company and Bank Midwest.

In connection with the Line of Credit, the Company, Art's-Way Scientific Inc. and Ohio Metal Working Products/Art's-Way Inc. each entered into a Commercial Security Agreement with Bank Midwest, dated September 28, 2017, pursuant to which each granted to Bank Midwest a first priority security interest in certain inventory, equipment, accounts, chattel paper, instruments, letters of credit and other assets to secure the obligations of the Company under the Line of Credit. Each of Art's-Way Scientific Inc. and Ohio Metal Working Products/Art's-Way Inc. also agreed to guarantee the obligations of the Company pursuant to the Line of Credit, as set forth in Commercial Guaranties, each dated September 28, 2017.

The Company also entered into the Roof Term Loan of \$ 350,000 with Bank Midwest on May 17, 2022. The Roof Term Loan's proceeds were used to fix sections of the Armstrong facility's roof. The Roof Term Loan requires 59 regular payments of \$ 2,972 and an estimated balloon payment of \$ 269,517 on the maturity date of May 15, 2027. Any unpaid principal amount borrowed on the Roof Term Loan accrues interest at a rate of 7.0 % per annum. The Roof Term Loan is governed by the terms of a Promissory Note, dated May 17, 2022, entered into between the Company and Bank Midwest and by a Change of Terms Agreement dated March 30, 2023 which fixed the interest rate terms of the original Promissory Note.

To further secure the Line of Credit, the Company granted Bank Midwest a mortgage on its Canton, Ohio property held by Ohio Metal Working Products/Art's-Way Inc. The Term Loan is secured by a mortgage on the Company's Armstrong, Iowa and Monona, Iowa properties. Each mortgage is governed by the terms of a separate Mortgage, dated September 28, 2017, and each property is also subject to a separate Assignment of Rents, dated September 28, 2017.

If the Company or its subsidiaries (as guarantors pursuant to the Commercial Guaranties) commits an event of default with respect to the promissory notes and fails or is unable to cure that default, Bank Midwest may immediately terminate its obligation, if any, to make additional loans to the Company and may accelerate the Company's obligations under the promissory notes. Bank Midwest shall also have all other rights and remedies for default provided by the Uniform Commercial Code, as well as any other applicable law and the various loan agreements. In addition, in an event of default, Bank Midwest may foreclose on the mortgaged property.

Compliance with Bank Midwest covenants is measured annually on November 30. The terms of the Bank Midwest loan agreements require the Company to maintain a minimum of \$ 4,000,000 of monthly working capital. Additionally, a maximum debt to worth ratio of 1 to 1 must be maintained, with a minimum of 40 % tangible balance sheet equity, with variations subject to mutual agreement. The Company is also required to maintain a minimum debt service coverage ratio of 1.25 , with a 0.10 tolerance. The Company also must receive bank approval for purchases or sales of equipment over \$ 100,000 annually and maintain reasonable salaries and owner compensation. The Company was out of compliance with its debt to worth ratio by fifteen percentage points on the Bank Midwest loans as of November 30, 2023. Bank Midwest issued a waiver forgiving the noncompliance, and in turn waived the event of default. In the March 2024 renewal Bank Midwest dropped the debt to worth ratio requirement going forward. The next measurement date is November 30, 2024 for all covenants except the monthly working capital requirement.

SBA Economic Injury Disaster Loans

In June of 2020, the Company executed the standard loan documents required for securing loans offered by the U.S. Small Business Administration under its Economic Injury Disaster Loan ("EIDL") assistance program in light of the impact of the COVID-19 pandemic on the Company's business. Two loans were executed on June 18, 2020 with principal amounts of \$ 150,000 each, with a third loan being executed on June 24, 2020 with a principal amount of \$150,000. Proceeds from these EIDLs are being used for working capital purposes. Interest accrues at the rate of 3.75 % per annum and will accrue from the date of inception. Installment payments, including principal and interest, were due monthly beginning December 18, 2022 (thirty months from the date of the EIDLs) and December 24, 2022 in the amount of \$ 731 per EIDL. The balance of principal and interest is payable 30 years from the date of the EIDL. The EIDLs are secured by a security interest on all of the Company's assets subordinate to Bank Midwest's security interest. Each EIDL is governed by the terms of a separate Promissory Note, dated either June 18, 2020 or June 24, 2020, as applicable, entered into by the Company or the applicable subsidiary.

The Company will be required to pay the balance of the EIDL loan associated with the Tools segment upon liquidation of real estate and dissolution of the business. The principal balance of this loan was \$ 159,512 at February 29, 2024. The Company will also be required to pay off the balance of the Bank Midwest Roof Loan in the event the real estate is sold for the Tools segment. The principal balance of this loan at February 29, 2024 is \$ 333,951 .

A summary of the Company's term debt is as follows:

	February 29, 2024	November 30, 2023
Bank Midwest loan payable in monthly installments of \$ 19,648 including interest at 7.00%, due October 1, 2037	2,058,862	2,080,718
Bank Midwest loan payable in monthly installments of \$ 2,972 including interest at 7.00%, due May 15, 2027	333,951	336,858
U.S. Small Business Administration loan payable in monthly installments of \$ 731 including interest at 3.75% beginning December 18, 2022, due June 18, 2050	159,530	160,583
U.S. Small Business Administration loan payable in monthly installments of \$ 731 including interest at 3.75% beginning December 18, 2022, due June 18, 2050	159,512	160,599
U.S. Small Business Administration loan payable in monthly installments of \$ 731 including interest at 3.75% beginning December 24, 2022, due June 24, 2050	160,223	160,896
Total term debt	\$ 2,872,078	\$ 2,899,654
Less term debt of discontinued operations	\$ 159,512	160,599
Term debt, continuing operations	2,712,566	2,739,055
Less current portion of term debt	110,986	109,193
Term debt, excluding current portion	\$ 2,601,580	\$ 2,629,862

A summary of the minimum maturities of term debt follows for twelve month periods ending February 28, are as follows:

Year	Amount
2025	\$ 110,986
2026	119,408
2027	127,909
2028	415,898
2029	130,027
2030 and thereafter	1,808,338
	<u>\$ 2,712,566</u>

13) Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating losses.

The Company has net operating losses and tax credits that are expected to offset any 2024 fiscal year tax liability and does not expect to have significant cash tax cost in the near future.

14) Related Party Transactions

During the three months ended February 29, 2024, and February 28, 2023, the Company did not recognize any revenues from transactions with a related party, and no amounts in accounts receivable balances were due from a related party. From time to time, the Company purchases various supplies from related parties, which are companies in which Marc McConnell, the Chairman of the Company's Board of Directors, has an ownership interest and also serves as President. J. Ward McConnell Jr.'s estate, the J. Ward McConnell, Jr. Living Trust, is paid a monthly fee to guarantee a portion of the Company's term debt in accordance with the USDA guarantee obtained on the Company's term debt. In the three months ended February 29, 2024, the Company recognized \$ 3,931 of expense for transactions with related parties, respectively, compared to \$ 4,170 for the three months ended February 28, 2023. As of February 29, 2024, accrued expenses contained a balance of \$ 1,329 owed to a related party compared to \$ 1,385 on February 28, 2023.

15) Leases

The components of operating leases on the Condensed Consolidated Balance Sheets on February 29, 2024 and November 30, 2023 were as follows:

	February 29, 2024	November 30, 2023
Operating lease right-of-use assets (in other assets)	\$ 20,302	\$ 22,427
Current portion of operating lease liabilities (in accrued expenses)	\$ 8,756	\$ 8,653
Long-term portion of operating lease liabilities	11,546	13,774
Total operating lease liabilities	\$ 20,302	\$ 22,427

The components of finance leases on the Condensed Consolidated Balance Sheets on February 29, 2024 and November 30, 2023 were as follows:

	February 29, 2024	November 30, 2023
Finance lease right-of-use assets (net of amortization in other assets)	\$ 505,259	\$ 511,367
Current portion of finance lease liabilities	\$ 255,677	\$ 257,454
Long-term portion of finance lease liabilities	701,208	722,200
Total finance lease liabilities	\$ 956,885	\$ 979,654

16) Equity Incentive Plan and Stock Based Compensation

On February 25, 2020, the Board of Directors of the Company (the "Board") authorized and approved the Art's-Way Manufacturing Co., Inc. 2020 Equity Incentive Plan (the "2020 Plan"). The 2020 Plan was approved by the stockholders on April 30, 2020. The 2020 Plan replaced the Art's-Way Manufacturing Co., Inc. 2011 Equity Incentive Plan (the "2011 Plan") and prior plans. The 2020 Plan added an additional 500,000 shares to the number of shares reserved for issuance pursuant to equity awards. No further awards will be made under the 2011 Plan or other prior plans. Awards to directors and executive officers under the 2020 Plan are governed by the forms of agreement approved by the Board of Directors. Stock options or other awards granted prior to February 25, 2020 are governed by the applicable prior plan and the forms of agreement adopted thereunder.

The 2020 Plan permits the plan administrator to award nonqualified stock options, incentive stock options, restricted stock awards, restricted stock units, performance awards, and stock appreciation rights to employees (including officers), directors, and consultants. The Board has approved a director compensation policy pursuant to which non-employee directors are automatically granted restricted stock awards of 1,000 shares of fully vested common stock annually or initially upon their election to the Board and another 1,000 shares of fully vested common stock on the last business day of each fiscal quarter.

Shares issued under the 2020 Plan for the three months ended February 29, 2024 and February 28, 2023 are as follows:

	For the Three Months Ended	
	February 29, 2024	February 28, 2023
Shares issued to directors (immediate vesting)	5,000	5,000
Shares issued to directors, employees, and consultants (three year vesting)	69,000	82,250
Total shares issued	74,000	87,250

17) Disclosures About the Fair Value of Financial Instruments

The fair value of a financial instrument is defined as the amount at which the instrument could be exchanged in a current transaction between willing parties. On February 29, 2024 and November 30, 2023, the carrying amount approximated fair value for cash, accounts receivable, accounts payable, notes payable to bank, finance lease liabilities and other current and long-term liabilities. The carrying amounts of current assets and liabilities approximate fair value because of the short maturity of these instruments. The fair value of the finance lease liabilities also approximate recorded value as that is based on discounting future cash flows at rates implicit in the lease. The rates implicit in the lease do not materially differ from current market rates. The fair value of the Company's term loans payable also approximates recorded value because the interest rates charged under the loan terms are not substantially different from current interest rates.

18) Segment Information

As of February 29, 2024, the Company has two reportable segments: Agricultural Products and Modular Buildings. The Agricultural Products segment manufactures and sells farm equipment and related replacement parts under the Art's-Way Manufacturing label. The Modular Buildings segment manufactures and installs modular buildings for various uses, commonly animal containment and research laboratories.

The accounting policies applied to determine the segment information are the same as those described in the summary of significant accounting policies. Management evaluates the performance of each segment based on profit or loss from operations before income taxes, exclusive of nonrecurring gains and losses.

Approximate financial information with respect to the reportable segments is as follows.

Three Months Ended February 29, 2024			
	Agricultural Products	Modular Buildings	Consolidated (Continuing Operations)
Revenue from external customers	\$ 4,236,000	\$ 1,487,000	\$ 5,723,000
Gross profit	\$ 1,141,000	\$ 332,000	\$ 1,473,000
Operating Expense	\$ 1,568,000	\$ 286,000	\$ 1,854,000
Income (loss) from operations	\$ (426,000)	\$ 46,000	\$ (380,000)
Income (loss) before tax	\$ (574,000)	\$ 37,000	\$ (537,000)
Total Assets	\$ 20,470,000	\$ 2,746,000	\$ 23,216,000
Capital expenditures	\$ 184,000	\$ 97,000	\$ 281,000
Depreciation & Amortization	\$ 148,000	\$ 60,000	\$ 208,000

Three Months Ended February 28, 2023			
	Agricultural Products	Modular Buildings	Consolidated (Continuing Operations)
Revenue from external customers	\$ 5,445,000	\$ 1,642,000	\$ 7,087,000
Gross profit	\$ 1,864,000	\$ 323,000	\$ 2,187,000
Operating Expense	\$ 1,362,000	\$ 282,000	\$ 1,644,000
Income (loss) from operations	\$ 502,000	\$ 41,000	\$ 543,000
Income (loss) before tax	\$ 407,000	\$ 37,000	\$ 444,000
Total Assets	\$ 19,761,000	\$ 3,291,000	\$ 23,052,000
Capital expenditures	\$ 252,000	\$ 44,000	\$ 296,000
Depreciation & Amortization	\$ 125,000	\$ 77,000	\$ 202,000

*The consolidated total in the tables is a sum of segment figures and may not tie to actual figures in the condensed consolidated financial statements due to rounding.

19) Subsequent Events

Management evaluated all other activity of the Company and concluded that no subsequent events have occurred that would require recognition in the condensed consolidated financial statements other than the renewal of the line of credit discussed in Note 12 Loan and Credit Agreements.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

The following discussion and analysis should be read in conjunction with the condensed consolidated financial statements and notes thereto included in Part I, Item 1 of this Quarterly Report on Form 10-Q (this "report") and the audited consolidated financial statements and related notes thereto included in Part II, Item 8, "Financial Statements and Supplementary Data," as well as Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," of our Annual Report on Form 10-K for the fiscal year ended November 30, 2023. Some of the statements in this report may be forward-looking statements that reflect our current view on future events, future business, industry and other conditions, our future performance, and our plans and expectations for future operations and actions. In some cases you can identify forward-looking statements by the use of words such as "may," "should," "anticipate," "believe," "expect," "plan," "future," "intend," "could," "estimate," "predict," "hope," "potential," "continue," or the negative of these terms or other similar expressions. Many of these forward-looking statements are located in this report under Part I, Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations," but they may appear in other sections as well. Forward-looking statements in this report generally relate to: (i) our expectations with respect to order backlog, future demand for products, expected product mix and resulting sales; (ii) our beliefs regarding the sufficiency of working capital and cash flows; (iii) our expectation that we will continue to be able to renew or obtain financing on reasonable terms when necessary as well as our continued positive relationship with our creditors and lenders; (iv) our beliefs regarding production capabilities; (v) our intentions and beliefs relating to our costs, business strategies, and future performance, including without limitation, the impact of cost cutting measures, process improvement measures and new product development; (vi) our beliefs regarding the impact and potential actions with respect to discontinuing our Tools segment, including without limitation, potential cash that may be generated by the sale of related real estate and other assets; (vii) our beliefs regarding our early order program providing a picture of future demand; (viii) our expected financial results, including without limitation, our expected results for the Modular and Agricultural Products segments; and (ix) our expectations regarding receiving Employer Retention Credit Refunds; and (x) our expectations concerning our primary capital and cash flow needs.

You should read this report thoroughly with the understanding that our actual results may differ materially from those set forth in the forward-looking statements for many reasons, including events beyond our control and assumptions that prove to be inaccurate or unfounded. We cannot provide any assurance with respect to our future performance or results. Our actual results or actions could and likely will differ materially from those anticipated in the forward-looking statements for many reasons, including but not limited to: (i) the impact of changing credit markets on our ability to continue to obtain financing on reasonable terms; (ii) our ability to repay current debt, continue to meet debt obligations and comply with financial covenants; (iii) the effect of inflation as well as general economic conditions, including consumer and governmental spending, on the demand for our products and the cost of our supplies and materials; (iv) impacts caused by fluctuating commodity prices and fluctuating farm income; (v) fluctuations in seasonal demand and our production cycle; (vi) the ability of our suppliers to meet our demands for raw materials and component parts; (vii) fluctuations in the price of raw materials, especially steel; (viii) our ability to predict and meet the demands of each market in which our segments operate; (ix) fluctuating demand for commercial real estate and the assets we are liquidating as part of closing our Tools segment; (x) other factors described from time to time in our Securities and Exchange Commission filings. We do not intend to update the forward-looking statements contained in this report other than as required by law. We caution you not to put undue reliance on any forward-looking statements, which speak only as of the date of this report. You should read this report and the documents that we reference in this report and have filed as exhibits completely and with the understanding that our actual future results may be materially different from what we currently expect. We qualify all of our forward-looking statements by these cautionary statements.

Critical Accounting Policies

Our critical accounting policies involving the more significant judgments and assumptions used in the preparation of our financial statements as of February 29, 2024 remain unchanged from November 30, 2023. Disclosure of these critical accounting policies is incorporated by reference from Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" of our Annual Report on Form 10-K for the fiscal year ended November 30, 2023.

Results of Operations

Net Sales and Cost of Sales

Our consolidated corporate sales from continuing operations for the three-month periods ended February 29, 2024 were \$ 5,723,000 compared to \$7,087,000 during the same respective period in fiscal 2023, a \$1,364,000, or 19.2%, decrease for the three months. Consolidated gross margin for the three-month period ended February 29, 2024 was 25.7% compared to 30.9% for the same period in fiscal 2023.

Our first quarter sales in our Agricultural Products segment were \$4,236,000 compared to \$5,445,000 during the same period of fiscal 2023, a decrease of \$1,209,000, or 22.2%. We experienced a decrease in demand on our fall 2023 early order program for the first time in three years. While cattle and sugar commodity prices remain strong through the first fiscal quarter of 2024, corn, soybean, hog and wheat prices are all down significantly from where they were a year ago. With the softening of the agriculture economy, we are expecting decreases in farm income levels from the past two fiscal years and expect that will continue to affect sales in our Agricultural Products segment. We are also seeing increased inventory on dealer lots compared to a year ago and in turn have seen a slowdown in orders. We have put cost cutting measures in place to partially mitigate the effect on cash flow from decreased sales. In our first fiscal quarter for 2024, we began right-sizing our staffing, including layoffs of non-production employees and offering early retirement incentives to employees at retirement age. We plan to continue to focus on investments that move our operational improvement strategy towards increased automation and production efficiency. From a sales standpoint, we are working with dealers to help move field inventory to generate more sales opportunities for our products. We are also focused on new dealer acquisitions to penetrate geographic markets that our competitors have a stronghold on. Our engineering team is developing new products for market including a sonar-leveling kit for our beet defoliator, a litter spreader kit for our manure spreaders and technological updates to our grinder mixers. Gross margin for our agricultural products segment for the three-month period ended February 29, 2024 was 26.9% compared to 34.2% for the same period in fiscal 2023. Our gross margin decreased primarily due to the decrease in sales, but was also burdened by inflationary price increases in supplies used in manufacturing and health and general insurance costs. We expect to be able to operate for fiscal 2024 on decreased sales as we build on the strides we've made as a company over the past five years.

Our first quarter sales in our Modular Buildings segment were \$1,487,000 compared to \$1,642,000 for the same period in fiscal 2023, a decrease of \$155,000, or 9.4%. Despite a larger backlog in the first fiscal quarter of 2024 compared to the prior year, we saw a decrease in sales for the fiscal quarter. Delays on stamped drawings with state agencies hindered further progress on our contracts for the quarter. We were able to get the drawings approved in the second quarter of fiscal 2024 to further progress on the contracts. We reduced some of our workforce's hours when faced with these delays in the first fiscal quarter of 2024 and also built a stock agricultural building for future sale. Our Modular Buildings segment is carrying the largest backlog we have seen in 10 years as we progress into the second quarter of fiscal 2024. Gross margin for the three-month period ended February 29, 2024 was 22.3% compared to 19.7% for the same respective period in fiscal 2023. The Modular Buildings segment typically sees higher margins on research projects, which made up the majority of our revenue for the first quarter of fiscal 2024 compared to a higher percentage of agricultural buildings in the first quarter of fiscal 2023. This, coupled with increased billing rates, has led to improved margins in this segment over the last 15 months. We are expecting increased sales compared to fiscal 2023 based on the projects we currently have under contract and on contracts expected to close.

Expenses

Our consolidated selling expenses from continuing operations for the three months ended February 29, 2024 were \$463,000 compared to \$531,000 for the same period in fiscal 2023, a decrease of \$68,000, or 12.8%. The decrease in selling expenses is related mainly to decreases in commission expense. Decreased sales in the Agricultural Products segment and the addition of an inside salesperson contributed to the decrease in commission expense. We did attend a tradeshow in the first quarter of fiscal 2024 that we don't typically attend and did see increased selling expenses comparatively from that. Our Modular Buildings segment also utilizes commissions on agricultural building sales and we saw a significant decrease in these sales comparatively. We would have experienced further decreases in selling expenses year on year, but we did attend a large tradeshow in Q1 of fiscal 2024 for our Agricultural Products segment. Selling expenses as a percentage of sales was 8.1% for the three months ended February 29, 2024 compared to 7.5% for three months ended February 28, 2023.

Consolidated engineering expenses from continuing operations were \$160,000 for the three-month period ended February 29, 2024 compared to \$128,000 for the same period in fiscal 2023. The increase in engineering expense is related to increased health insurance costs and rising wages. Engineering expenses as a percentage of sales were 2.8% for the three-month periods ended February 29, 2024 compared to 1.8% for the same respective periods in fiscal 2023.

Consolidated administrative expenses from continuing operations for the three-month period ended February 29, 2024 were \$1,230,000 compared to \$984,000 for the same respective period in fiscal 2023. Administrative expenses as a percentage of sales were 21.5% for the three-month period ended February 29, 2024 compared to 13.9% for the same respective period in fiscal 2023. Administrative expenses increased year on year primarily due to the addition of skilled staff in accounting and human resources. We also accrued approximately \$100,000 of early retirement incentives for employees of retirement age that are retiring mid-March of 2024. The retirement incentive was offered to help right-size our workforce. We also saw increased administrative costs year on year from the amortization of our cloud computing arrangement implementation.

Net income (loss) from continuing operations

Consolidated net loss from continuing operations was \$424,000 for the three-month period ended February 29, 2024, compared to net income of \$350,000 for the same period in fiscal 2023. Our Modular Buildings segment remained profitable for the first fiscal quarter of 2024, despite the reduced sales. We are expecting strong sales in this segment for the remainder of fiscal 2024 as we work through our large backlog. Our Agricultural Products segment incurred a loss for the first fiscal quarter of 2024 due primarily to decreased sales and rising overhead costs. While first quarters of fiscal 2022 and 2023 brought heightened demand in the Agricultural Products segment due to strong commodity prices sales and resulting net income in the first fiscal quarter of 2024 were down due to lower commodity prices and resulting decreased demand. In addition, historically, sales in the first fiscal quarter is the slowest quarter of our fiscal year. We expect the second fiscal quarter of 2024 to be improved over the first quarter as we work through our beet equipment backlog and begin to realize some of our more recent cost savings initiatives.

Order Backlog

The consolidated order backlog net of discounts for continuing operations as of April 3, 2024 was \$11,416,000 compared to \$12,007,000 as of April 3, 2023, a 4.9% decrease. The Agricultural Products segment order backlog was \$2,476,000 as of April 3, 2024 compared to \$7,798,000 in fiscal 2023, a 68.2% decrease. Our incoming orders slowed in the fall of 2023 as backlog of the previous year's pent-up demand was filled. In February 2024, the USDA estimated a 25.5% decrease in net farm income tied to lower crop and livestock cash receipts and continued increases in production costs. We will rely on our brand reputation, strength of sales team and product availability to drive sales activity for fiscal 2024. The backlog for the Modular Buildings segment was \$8,940,000 as of April 3, 2024, compared to \$4,209,000 in fiscal 2023, a 112.4% increase. Two large research projects make up the bulk of our current backlog. We expect completion of these projects in fiscal 2024 which would put us on track for nearly a 48% revenue increase from the 2023 fiscal year. We have additional contracts and quoting activity that we expect could provide additional upside for fiscal 2024. Our order backlog is not necessarily indicative of future revenue to be generated from such orders due to the possibility of order cancellations and dealer discount arrangements we may enter into from time to time.

Liquidity and Capital Resources

Our primary sources of funds for the three months ended February 29, 2024 were cash generated by our receivables, contracts in progress, customer deposits and line of credit. We carried over close to \$1.9 million in accounts receivable from the end of fiscal 2023 that we expect to be strong source of cash for fiscal 2024. We also expect the backlog of our contracts in progress in the Modular Buildings segment to be a primary source of cash in fiscal 2024 along with the increased inventory balance in our Agricultural Products segment. Despite incoming orders being down, we received a significant amount of deposits on our early order program in the first fiscal quarter which also helped fund operations for the three months ended February 29, 2024. We expect the sale of real estate of our Tools segment and \$1.2 million of net Employer Retention Credit refunds to provide material inflows of cash, although the timing of these transactions are unknown. We expect our primary capital needs for the remainder of fiscal 2024 to relate to operating costs, purchases of equipment that improve our operations, and the retirement of debt.

We have \$5,500,000 on a revolving line of credit with Bank Midwest that, as of February 29, 2024, had an outstanding principal balance of \$4,880,437. This line of credit was renewed on March 4, 2024 and is scheduled to mature on March 30, 2025.

We believe our current financing arrangements will provide sufficient cash to finance operations and pay debt when due during the next twelve months. We expect to continue to be able to procure financing upon reasonable terms.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

As a smaller reporting company, we are not required to provide disclosure pursuant to this item.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

The persons serving as our principal executive officer and principal financial officer have evaluated the effectiveness of our disclosure controls and procedures, as defined in Rule 13a-15(e) and Rule 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of the end of the period subject to this report. Based on this evaluation, the persons serving as our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective as of February 29, 2024. Our management has concluded that the consolidated financial statements included in this report present fairly, in all material respects, our financial position, results of operations and cash flows for the periods presented in conformity with accounting principles generally accepted in the United States.

Changes in Internal Control over Financial Reporting

There were no changes in our internal controls over financial reporting that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

PART II – OTHER INFORMATION**Item 1. Legal Proceedings.**

We are currently not a party to any material pending legal proceedings.

Item 1A. Risk Factors.

As a smaller reporting company, we are not required to provide disclosure pursuant to this item.

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

The following table presents the information with respect to purchases made by us of our common stock during the first quarter of fiscal 2024:

	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased under the Plans or Programs
December 1 to December 31, 2023	-	\$ -	N/A	N/A
January 1 to January 31, 2024	18,458	\$ 2.04	N/A	N/A
February 1 to February 29, 2024	-	\$ -	N/A	N/A
Total	<u>18,458</u>	<u>\$ 2.04</u>		

(1) Reflects shares withheld pursuant to the terms of restricted stock awards under our 2020 Plan to offset tax withholding obligations that occur upon vesting and release of shares. The value of the shares withheld is the closing price of our common stock on the date the relevant transaction occurs.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

Exhibit No.	Description
3.1	Conformed Certificate of Incorporation of Art's-Way Manufacturing Co., Inc. – incorporated by reference to Exhibit 3.1 to the Company's Annual Report on Form 10-K for the fiscal year ended November 30, 2020.
3.2	Conformed Bylaws of Art's-Way Manufacturing Co., Inc.– incorporated by reference to Exhibit 3.2 to the Company's Annual Report on Form 10-K for the fiscal year ended November 30, 2020.
4.1	Description of the Registrant's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934 – incorporated by reference to Exhibit 4.1 to the Company's Annual Report on Form 10-K for the fiscal year ended November 30, 2019.
10.1	Promissory Note, between Bank Midwest and Art's-Way Manufacturing Co., Inc. dated March 4, 2024 - filed herewith.
31.1	Certificate of Chief Executive Officer pursuant to 17 CFR 13a-14(a) – filed herewith.
31.2	Certificate of Chief Financial Officer pursuant to 17 CFR 13a-14(a) – filed herewith.
32.1	Certificate of Chief Executive Officer pursuant to 18 U.S.C. Section 1350 - filed herewith.
32.2	Certificate of Chief Financial Officer pursuant to 18 U.S.C. Section 1350 - filed herewith.
101	The following materials from this report, formatted in iXBRL (Inline Extensible Business Reporting Language) are filed herewith: (i) condensed consolidated balance sheets, (ii) condensed consolidated statement of operations, (iii) condensed consolidated statements of cash flows, and (iv) the notes to the condensed consolidated financial statements.
104	Cover Page Interactive Data File (embedded within the Inline XBRL and contained in Exhibit 101).

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.

ART'S-WAY MANUFACTURING CO., INC.

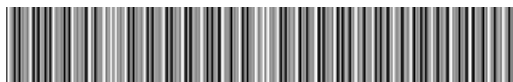
Date: April 11, 2024

By: /s/ David A. King
David A. King
President and Chief Executive Officer

Date: April 11, 2024

By: /s/ Michael W. Woods
Michael W. Woods
Chief Financial Officer

The authoritative copy of this document is held by Bank Midwest



0339+0000720+040010148268

PROMISSORY NOTE

Principal	Loan Date	Maturity	Loan No	Call / Coll	Account	Officer	Initials
\$5,500,000.00	02-29-2024	03-30-2025	040010148268	RC-C 4a / 43	720	NRS	
References in the boxes above are for Lender's use only and do not limit the applicability of this document to any particular loan or item. Any item above containing "****" has been omitted due to text length limitations.							

Borrower: Art's-Way Manufacturing Co., Inc.
5556 Highway 9
Armstrong, IA 50514-7566

Lender: Bank Midwest
Armstrong Branch
PO Box 136
500 6th Street
Armstrong, IA 50514

Principal Amount: \$5,500,000.00

Date of Note: February 29, 2024

PROMISE TO PAY. Art's-Way Manufacturing Co., Inc. ("Borrower") promises to pay to Bank Midwest ("Lender"), or order, in lawful money of the United States of America, the principal amount of Five Million Five Hundred Thousand & 00/100 Dollars (\$5,500,000.00) or so much as may be outstanding, together with interest on the unpaid outstanding principal balance of each advance. Interest shall be calculated from the date of each advance until repayment of each advance.

PAYMENT. Borrower will pay this loan in one payment of all outstanding principal plus all accrued unpaid interest on March 30, 2025. In addition, Borrower will pay regular monthly payments of all accrued unpaid interest due as of each payment date, beginning March 31, 2024, with all subsequent interest payments to be due on the same day of each month after that. Unless otherwise agreed or required by applicable law, payments will be applied first to any escrow or reserve account payments as required under any mortgage, deed of trust, or other security instrument or security agreement securing this Note; then to any accrued unpaid interest; then to principal; and then to any late charges. Borrower will pay Lender at Lender's address shown above or at such other place as Lender may designate in writing. All payments must be made in U.S. dollars and must be received by Lender consistent with any written payment instructions provided by Lender. If a payment is made consistent with Lender's payment instructions but received after 5:30 PM Central Time, Lender will credit Borrower's payment on the next business day.

VARIABLE INTEREST RATE. The interest rate on this Note is subject to change from time to time based on changes in an independent index which is the Wall Street Journal Prime Rate as published in the Wall Street Journal Money Rates section (the "Index"). The Index is not necessarily the lowest rate charged by Lender on its loans. Lender will tell Borrower the current Index rate upon Borrower's request. The interest rate change will not occur more often than each one (1) day. Borrower understands that Lender may make loans based on other rates as well. **The Index currently is 8.500% per annum.** Interest on the unpaid principal balance of this Note will be calculated as described in the "INTEREST CALCULATION METHOD" paragraph using a rate of 0.750 percentage points over the Index (the "Margin"), adjusted if necessary for any minimum and maximum rate limitations described below, resulting in an initial rate of 9.250% per annum based on a year of 360 days. If Lender determines, in its sole discretion, that the Index has become unavailable or unreliable, either temporarily, indefinitely, or permanently, during the term of this Note, Lender may amend this Note by designating a substantially similar substitute index. Lender may also amend and adjust the Margin to accompany the substitute index. The change to the Margin may be a positive or negative value, or zero. In making these amendments, Lender may take into consideration any then-prevailing market convention for selecting a substitute index and margin for the specific Index that is unavailable or unreliable. Such an amendment to the terms of this Note will become effective and bind Borrower 10 business days after Lender gives written notice to Borrower without any action or consent of the Borrower. **NOTICE:** Under no circumstances will the interest rate on this Note be less than 6.000% per annum or more than the maximum rate allowed by applicable law.

INTEREST CALCULATION METHOD. Interest on this Note is computed on a 365/360 basis; that is, by applying the ratio of the interest rate over a year of 360 days, multiplied by the outstanding principal balance, multiplied by the actual number of days the principal balance is outstanding. All interest payable under this Note is computed using this method.

PREPAYMENT. Borrower may pay without penalty all or a portion of the amount owed earlier than it is due. Early payments will not, unless agreed to by Lender in writing, relieve Borrower of Borrower's obligation to continue to make payments of accrued unpaid interest. Rather, early payments will reduce the principal balance due. Borrower agrees not to send Lender payments marked "paid in full", "without recourse", or similar language. If Borrower sends such a payment, Lender may accept it without losing any of Lender's rights under this Note, and Borrower will remain obligated to pay any further amount owed to Lender. **All written communications concerning disputed amounts, including any check or other payment instrument that indicates that the payment constitutes "payment in full" of the amount owed or that is tendered with other conditions or limitations or as full satisfaction of a disputed amount must be mailed or delivered to: Bank Midwest, Armstrong Branch, PO Box 136, 500 6th Street, Armstrong, IA 50514.**

LATE CHARGE. If a payment is 30 days or more late, Borrower will be charged **5.000% of the unpaid portion of the regularly scheduled payment or \$8.50, whichever is greater.**

INTEREST AFTER DEFAULT. Upon default, including failure to pay upon final maturity, the total sum due under this Note will continue to accrue interest at the interest rate under this Note. However, in no event will the interest rate exceed the maximum interest rate limitations under applicable law.

DEFAULT. Each of the following shall constitute an event of default ("Event of Default") under this Note:

Payment Default. Borrower fails to make any payment when due under this Note.

Other Defaults. Borrower fails to comply with or to perform any other term, obligation, covenant or condition contained in this Note or in any of the related documents or to comply with or to perform any term, obligation, covenant or condition contained in any other agreement between Lender and Borrower.

False Statements. Any warranty, representation or statement made or furnished to Lender by Borrower or on Borrower's behalf under this Note or the related documents is false or misleading in any material respect, either now or at the time made or furnished or becomes false or misleading at any time thereafter.

Insolvency. The dissolution or termination of Borrower's existence as a going business, the insolvency of Borrower, the appointment of a receiver for any part of Borrower's property, any assignment for the benefit of creditors, any type of creditor workout, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Borrower.

Creditor or Forfeiture Proceedings. Commencement of foreclosure or forfeiture proceedings, whether by judicial proceeding, self-help, repossession or any other method, by any creditor of Borrower or by any governmental agency against any collateral securing the loan. This includes a garnishment of any of Borrower's accounts, including deposit accounts, with Lender. However, this Event of Default shall not apply if there is a good faith dispute by Borrower as to the validity or reasonableness of the claim which is the basis of the creditor or forfeiture proceeding and if Borrower gives Lender written notice of the creditor or forfeiture proceeding and deposits with Lender monies or a surety bond for the creditor or forfeiture proceeding, in an amount determined by Lender, in its sole discretion, as being an adequate reserve or bond for the dispute.

Events Affecting Guarantor. Any of the preceding events occurs with respect to any guarantor, endorser, surety, or accommodation party of any of the indebtedness or any guarantor, endorser, surety, or accommodation party dies or becomes incompetent, or revokes or disputes the validity of, or liability under, any guaranty of the indebtedness evidenced by this Note.

Change In Ownership. Any change in ownership of twenty-five percent (25%) or more of the common stock of Borrower.

Adverse Change. A material adverse change occurs in Borrower's financial condition, or Lender believes the prospect of payment or performance of this Note is impaired.

Insecurity. Lender in good faith believes itself insecure.

LENDER'S RIGHTS. Upon default, Lender may declare the entire unpaid principal balance under this Note and all accrued unpaid interest immediately due, and then Borrower will pay that amount.

ATTORNEYS' FEES; EXPENSES. Lender may hire or pay someone else to help collect this Note if Borrower does not pay. Borrower will pay Lender that amount. This includes, subject to any limits under applicable law, Lender's attorneys' fees and Lender's legal expenses, whether or not there is a lawsuit, including without limitation all attorneys' fees and legal expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), and appeals. If not prohibited by applicable law, Borrower also will pay any court costs, in addition to all other sums provided by law.

GOVERNING LAW. This Note will be governed by federal law applicable to Lender and, to the extent not preempted by federal law, the laws of the State of Iowa without regard to its conflicts of law provisions. This Note has been accepted by Lender in the State of Iowa.

RIGHT OF SETOFF. To the extent permitted by applicable law, Lender reserves a right of setoff in all Borrower's accounts with Lender (whether checking, savings, or some other account). This includes all accounts Borrower holds jointly with someone else and all accounts Borrower may open in the future. However, this does not include any IRA or Keogh accounts, or any trust accounts for which setoff would be prohibited by law. Borrower authorizes Lender, to the extent permitted by applicable law, to charge or setoff all sums owing on the indebtedness against any and all such accounts.

COLLATERAL. Borrower acknowledges this Note is secured by any and all security documents, including, but not limited to, all Security Agreements, Supplemental Security Agreements, all Guaranties, Real Estate Mortgages and Assignment of Rents.

LINE OF CREDIT. This Note evidences a revolving line of credit. Advances under this Note may be requested either orally or in writing by Borrower or as provided in this paragraph. Lender may, but need not, require that all oral requests be confirmed in writing. All communications, instructions, or directions by telephone or otherwise to Lender are to be directed to Lender's office shown above. The following person or persons are authorized to request advances and authorize payments under the line of credit until Lender receives from Borrower, at Lender's address shown above, written notice of revocation of such authority: **David King, CEO of Art's-Way Manufacturing Co., Inc.; and Michael Woods, CFO of Art's-Way Manufacturing Co., Inc.** Borrower agrees to be liable for all sums either: (A) advanced in accordance with the instructions of an authorized person or (B) credited to any of Borrower's accounts with Lender. The unpaid principal balance owing on this Note at any time may be evidenced by endorsements on this Note or by Lender's internal records, including daily computer print-outs. Lender will have no obligation to advance funds under this Note if: (A) Borrower or any guarantor is in default under the terms of this Note or any agreement that Borrower or any guarantor has with Lender, including any agreement made in connection with the signing of this Note; (B) Borrower or any guarantor ceases doing business or is insolvent; (C) any guarantor seeks, claims or otherwise attempts to limit, modify or revoke such guarantor's guarantee of this Note or any other loan with Lender; (D) Borrower has applied funds provided pursuant to this Note for purposes other than those authorized by Lender; or (E) Lender in good faith believes itself insecure.

PURPOSE OF LOAN. The specific purpose of this loan is: **2024 Operating Line of Credit**. **PRIOR NOTE.** Renewal of Loan# 40010122925 & 40010129562.

SUCCESSOR INTERESTS. The terms of this Note shall be binding upon Borrower, and upon Borrower's heirs, personal representatives, successors and assigns, and shall inure to the benefit of Lender and its successors and assigns.

SHARING CUSTOMER INFORMATION WITH AFFILIATES. Borrower acknowledges and agrees that Lender may share Borrower's financial information with any affiliate of Bank Midwest. Lender agrees that it will require those affiliates to maintain the privacy of such information.

Loan No: 040010148268

PROMISSORY NOTE
(Continued)

Page 3

GENERAL PROVISIONS. If any part of this Note cannot be enforced, this fact will not affect the rest of the Note. Lender may delay or forgo enforcing any of its rights or remedies under this Note without losing them. Borrower and any other person who signs, guarantees or endorses this Note, to the extent allowed by law, waive presentment, demand for payment, and notice of dishonor. Upon any change in the terms of this Note, and unless otherwise expressly stated in writing, no party who signs this Note, whether as maker, guarantor, accommodation maker or endorser, shall be released from liability. All such parties agree that Lender may renew or extend (repeatedly and for any length of time) this loan or release any party or guarantor or collateral; or impair, fail to realize upon or perfect Lender's security interest in the collateral; and take any other action deemed necessary by Lender without the consent of or notice to anyone. All such parties also agree that Lender may modify this loan without the consent of or notice to anyone other than the party with whom the modification is made. The obligations under this Note are joint and several.

PRIOR TO SIGNING THIS NOTE, BORROWER READ AND UNDERSTOOD ALL THE PROVISIONS OF THIS NOTE, INCLUDING THE VARIABLE INTEREST RATE PROVISIONS. BORROWER AGREES TO THE TERMS OF THE NOTE.

BORROWER ACKNOWLEDGES RECEIPT OF A COMPLETED COPY OF THIS PROMISSORY NOTE AND ALL OTHER DOCUMENTS RELATING TO THIS DEBT.

BORROWER:

ART'S-WAY MANUFACTURING CO., INC.

By: /s/ David King
David King, CEO of Art's-Way Manufacturing Co.,
Inc.

By: /s/ Michael Woods
Michael Woods, CFO of Art's-Way Manufacturing
Co., Inc.

LENDER:

BANK MIDWEST

X /s/ Nicole Simpson
Nicole Simpson, SVP Market President

**CERTIFICATION PURSUANT TO 17 CFR 240.13(a)-14(a)
(SECTION 302 CERTIFICATION)**

I, David A. King, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Art's-Way Manufacturing Co., Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant, as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

ART'S-WAY MANUFACTURING CO., INC.

Date: April 11, 2024

/s/ David A. King

David A. King

President and Chief Executive Officer

**CERTIFICATION PURSUANT TO 17 CFR 240.13(a)-14(a)
(SECTION 302 CERTIFICATION)**

I, Michael W. Woods, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Art's-Way Manufacturing Co., Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant, as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

ART'S-WAY MANUFACTURING CO., INC.

Date: April 11, 2024

/s/ Michael W. Woods
Michael W. Woods
Chief Financial Officer

**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 on Form 10-Q of Art's-Way Manufacturing Co., Inc. (the "Company") for the fiscal quarter ended February 29, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David A. King, as the President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: April 11, 2024

/s/ David A. King

David A. King
President and Chief Executive Officer

**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 on Form 10-Q of Art's-Way Manufacturing Co., Inc. (the "Company") for the fiscal quarter ended February 29, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael W. Woods, as the 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:

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

Date: April 11, 2024

/s/ Michael W. Woods

Michael W. Woods
Chief Financial Officer