



BKR 9000

2022 ANNUAL REPORT





Fellow Shareholders,

2022 was a year of considerable growth and progress for BK Technologies, highlighted by increased demand and order activity for our products as both new and existing customers upgrade their radio fleets.

During fiscal year 2022, we achieved record bookings of \$70.5 million and a backlog of \$27 million, driven primarily by sales of our BKR 5000 radio which has gained excellent traction in the marketplace since its release in 2020. The market's rapid adoption of the BKR 5000, our robust backlog, and our record bookings are all direct reflections of the durability and reliability of our products, our responsive customer service, our sales team, and the trust our customers have in BK in providing high quality, American designed and serviced public safety radio communication equipment.



In addition to the above-mentioned success with our existing line of products, we've also made significant progress in the development of our new multiband radio, the BKR 9000. As I've mentioned before, I'm pleased to report that the challenges which initially slowed our progress in getting the 9000 to market have been addressed, and we have begun deploying BKR 9000 radios in the field for test purposes. Pending results of these field tests, we'll be in a much better position to finalize a launch date.

I joined BK Technologies last July with the vision of expanding the Company beyond the traditional Land Mobile Radio (LMR) market and positioning us as a leader in the broader public safety LMR/LTE communications market. In March, we took a significant step towards accomplishing that goal with the launch of our new dedicated business unit focused on delivering software-as-a-service (SaaS) solutions to the public safety market. We've already filed for three patents related to these new services, and we're currently developing a BK branded smartphone application, "BKRplay", that will tether a first responder's BKR series radio to his or her smartphone, delivering an entirely new set of services to increase first responder safety and productivity. With these offerings, we have a significant opportunity to increase our sales reach beyond wildland fire to penetrate markets including the military, urban structure fire, law enforcement, and emergency response, to name a few.

I'm confident that BK Technologies is poised for growth in 2023. We have a reliable and well received line of existing products that we work continuously to improve and expand, and we are ready to capitalize on the numerous opportunities emerging for tethering LMR devices and public safety smartphone applications on the public LTE cellular networks. I'm energized by our progress and look forward to driving the continued success of our Company in 2023 and beyond.

Thank you for your continued support and belief in BK Technologies.

Sincerely,

John Suzuki
Board Director, Chief Executive Officer

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

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2022

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number: 001-32644

BK TECHNOLOGIES CORPORATION

(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of
incorporation or organization)

83-4064262

(I.R.S. Employer
Identification No.)

7100 Technology Drive

West Melbourne, Florida 32904

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (321) 984-1414

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, par value \$0.60	BKTI	NYSE American

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

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated Filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant on June 30, 2022, based on the closing price of such stock on the NYSE American on such date, was \$29,020,256. As of March 7, 2023, 16,998,187 shares of the registrant's Common Stock were outstanding.

Documents Incorporated by Reference: Portions of the registrant's definitive proxy statement for its 2023 annual stockholders' meeting are incorporated by reference in Part III of this report. The registrant's definitive proxy statement will be filed with the U.S. Securities and Exchange Commission within 120 days after December 31, 2022.

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PART I

Item 1. Business.

General

BK Technologies Corporation (NYSE American: BKT) (together with its wholly owned subsidiaries, “BK,” the “Company,” “we” or “us”) is a holding company that, through BK Technologies, Inc., its operating subsidiary, provides public safety grade communications products and services which make first responders safer and more efficient. All operating activities described herein are undertaken by our operating subsidiary.

In business for over 70 years, BK consists of two business units: Radio and SaaS.

The Radio business unit designs, manufactures and markets American-made wireless communications products consisting of two-way land mobile radios (“LMRs”). Two-way LMRs can be radios that are hand-held (portable) or installed in vehicles (mobile).

Generally, BK Technologies-branded products serve the government markets including but not limited to emergency response, public safety, homeland security and military customers of federal, state, and municipal government agencies, as well as various industrial and commercial enterprises. We believe that our products and solutions provide superior value by offering a high specification, ruggedized, durable, reliable, feature rich, Project 25 (“P25”) compliant radio at a lower cost relative to comparable offerings.

The SaaS business unit focuses on delivering innovative, public safety smartphone applications which operate ubiquitously over the public cellular networks. Our BKRplay branded smartphone application offers multiple services which make the first responder safer and more efficient. When tethered to our radios, the combined solution offers an enhanced user experience with more unique capability which increases the sales reach of our radios.

We were incorporated under the laws of the State of Nevada on October 24, 1997. We are the resulting corporation from the reincorporation merger of our predecessor, Adage, Inc., a Pennsylvania corporation, which reincorporated from Pennsylvania to Nevada effective as of January 30, 1998. Effective on June 4, 2018, we changed our corporate name from “RELM Wireless Corporation” to “BK Technologies, Inc.”

On March 28, 2019, we implemented a holding company reorganization. The reorganization created a new holding company, BK Technologies Corporation, which became the new parent company of BK Technologies, Inc. BK Technologies Corporation’s only significant assets are the outstanding equity interests in BK Technologies, Inc. and any other future subsidiaries of BK Technologies Corporation. The holding company reorganization was intended to create a more efficient corporate structure and increase operational flexibility.

For the purpose of this report, references to “we” or the “Company” or our management or business at any period prior to the holding company reorganization (March 28, 2019) refer to those of BK Technologies, Inc. as the predecessor company and its subsidiaries and thereafter to those of BK Technologies Corporation and its subsidiaries, except as otherwise specified or to the extent the context otherwise indicates.

Our principal executive offices are located at 7100 Technology Drive, West Melbourne, Florida 32904 and our telephone number is (321) 984-1414.

Available Information

Our Internet website address is www.bktechnologies.com. We make available on our Internet website, free of charge, our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, proxy statements and amendments to these reports as soon as practicable after we file such material with, or furnish it to, the U.S. Securities and Exchange Commission (the “SEC”). In addition, our Code of Business Conduct and Ethics, Code of Ethics for the CEO and Senior Financial Officers, Audit Committee Charter, Compensation Committee Charter, Nominating and Governance Committee Charter and other corporate governance policies are available on our website, under “Investor Relations.” The information contained on our website is not incorporated by reference in this report. A copy of any of these materials may be obtained, free of charge, upon request from our investor relations department. The SEC maintains an internet site that contains reports, proxy and information statements, and other information filed by the Company at <http://www.sec.gov>. All reports that the Company files with or furnishes to the SEC also are available free of charge via the SEC’s website.

Significant Events

During 2022, pursuant to our capital return program, we declared and paid three quarterly dividends. The dividends declared in April, June and September 2022 were \$0.03 per share.

On December 17, 2021, a share repurchase program was authorized under which we may repurchase up to an aggregate of \$5 million of its common shares. Share repurchases under this program were authorized to begin immediately. The program does not have an expiration date. Any repurchases would be funded using cash on hand and cash from operations. The actual timing, manner and number of shares repurchased under the program will be determined by management and the Board of Directors at their discretion, and will depend on several factors, including the market price of our common shares, general market and economic conditions, alternative investment opportunities, and other business considerations in accordance with applicable securities laws and exchange rules. The authorization of the share repurchase program does not require BK Technologies to acquire any particular number of shares and repurchases may be suspended or terminated at any time at our discretion.

On June 9, 2021, we closed a public offering of 4,249,250 shares of our common stock at a price of \$3.00 per share, for net proceeds of \$11,559,000 after deducting underwriting discounts, commissions and offering expenses. The shares sold in the offering included the exercise in full by the underwriters of their over-allotment option to purchase up to 554,250 shares of common stock in addition to the 3,695,000 shares which the underwriters initially agreed to purchase. ThinkEquity, a division of Fordham Financial Management, Inc., acted as sole book-running manager for the offering. The net proceeds from the offering have been used primarily for general corporate purposes, which may include working capital, capital expenditures, operational purposes, strategic investments and potential acquisitions in complementary businesses.

Industry Overview

LMR end user communications devices consist of hand-held (portable) and vehicle-mounted (mobile) two-way radios commonly used by the public safety sector (e.g., police, fire, and emergency medical responders), military and commercial business concerns (e.g., corporate disaster recovery, hotels, airports, farms, transportation service providers, and construction firms), and government agencies within the U.S. and abroad. LMR systems are constructed to meet an organization's specific communications needs typically over an operating area which exceeds the direct mode (radio to radio) communications range. The cost of a complete LMR system can vary widely, depending on the size and configuration. Likewise, the cost of end user LMR radios can range from under \$100 for a basic analog portable, to thousands of dollars for a fully featured P25 digital unit.

LMR systems are the most widely used and longest-used form of wireless dispatch communications in the U.S., having been first placed in service in 1921. LMR was initially used almost exclusively by law enforcement, and all radio communications were transmitted in an analog format. Analog transmissions typically consist of a voice or other signal modulated directly onto a continuous radio carrier wave. Over time, advances in technology decreased the cost of LMR products and increased their popularity and usage by businesses and other agencies. Responding to the growing usage, additional radio frequency spectrum was allocated by the Federal Communications Commission ("FCC") for LMR use.

More recently, growth of the LMR industry has been limited by several factors such as the maturity of markets, funding and budgets for government and public safety agencies, and limited availability of radio frequency spectrum, which hinders existing users in expanding their systems and potential new users from establishing new systems.

Years ago, as a result of the limited spectrum availability, the FCC mandated that new LMR equipment utilize technology that is more spectrum efficient. This effectively meant that the industry had to migrate to digital technology. Responding to the mandate, the Association of Public-Safety Communications Officials-International ("APCO"), the National Association of State Technology Directors ("NASTD"), the United States ("U.S.") Federal Government and the Telecommunications Industry Association ("TIA"), in concert with several LMR manufacturers, including BK, recommended a standard for digital LMR devices that would meet the FCC spectrum-efficiency requirements and provide solutions to several problems experienced primarily by public safety users. The standard is called Project 25 ("P25"). The primary objectives of P25 are to: (i) allow effective and reliable communication among users of compliant equipment, regardless of its manufacturer, known as interoperability, (ii) maximize radio spectrum efficiency and (iii) promote competition among LMR providers through an open system architecture.

Although the FCC does not require public safety agencies or any radio users to purchase P25 equipment or otherwise adopt the standard, compliance with the standard is a primary consideration for government and public safety purchasers. In addition, U.S. Federal Government grant programs that provide assistance in funding for state and local agencies to purchase interoperable communications equipment for first responders strongly encourage and often require compliance with the P25 standard. Accordingly, although funding for LMR purchases by many government agencies is limited, we believe that, as users upgrade and replace equipment, demand for P25 LMR equipment will continue to grow. Additionally, the P25 standard has also been widely adopted in other countries. The migration to P25 equipment is primarily limited to government and public safety agencies. Radio users in the business and industrial market utilize alternative digital technologies (e.g., Digital Mobile Radio) and analog LMR products.

Presently, the market is dominated by one supplier, Motorola Solutions, Inc., which offers a broader range of products than we do. However, the open architecture of the P25 standard is designed to eliminate the ability of one or more suppliers to lock out competitors. Formerly, because of proprietary characteristics incorporated in many LMR systems, a customer was effectively precluded from purchasing additional LMR products from a supplier other than the initial supplier of the system. Additionally, the system infrastructure technology was prohibitive for smaller suppliers to develop and implement. P25 provides an environment in which users will increasingly have a wider selection of LMR suppliers, including smaller suppliers such as BK.

Today, public safety communications includes both LMR and cellular technologies. LMR is typically used when mission critical or life safety voice communications is required or in direct mode (radio-to-radio) communications applications. Cellular (LTE or 5G) is typically used to support broadband data applications in the field. Since the introduction of broadband data LTE cellular technology by US cellular carriers in 2010, the industry has seen a rapid growth of public safety mobile applications which have made the first responder safer and more efficient.

As cellular coverage continues to improve terrestrially and soon from low earth orbit satellites, the opportunity to further extend mobile applications from public safety vehicles to the first responder's smartphone opens a new era of services and opportunities.

Description of Radio Products and P25 CAP Compliance

We offer products under the company brand name BK Technologies. Our KNG Series and BKR Series radios operate in both the P25 digital and analog modes of operations in the Federal Communications Commission ("FCC") licensed bands; very high frequency ("VHF") (136MHz - 174MHz), ultra-high frequency ("UHF") (380MHz - 470MHz, 450MHz - 520MHz), and 700-800 MHz bands.

Our P25 digital technology is compliant with the Project 25 standard for digital LMR equipment. P25 has been adopted by representatives from APCO, NASTD, the United States ("U.S.") Federal Government and other public safety user organizations.

The Department of Homeland Security's P25 Compliance Assessment Program ("CAP") is a voluntary program that allows LMR equipment suppliers to formally demonstrate their products' compliance with P25 requirements. The purpose of the program is to provide federal, state and local emergency response agencies with evidence that the communications equipment they are purchasing satisfies the P25 standard for performance, conformance and interoperability. The program is a result of legislation passed by the U.S. Congress to improve communication interoperability for first responders and is a partnership of the U.S Department of Homeland Security ("DHS")'s Command, Control and Interoperability Division, the National Institute of Standards and Technology ("NIST"), radio equipment manufacturers and the emergency response community.

Both the KNG and BKR series radios have been validated under the CAP as being P25 compliant.

Description of Software-as-a-Service (SaaS) Offerings

BK's first SaaS service, InteropONE, was introduced in October 2022 at the International Association of Chiefs of Police (IACP) conference. InteropONE is a Push-to-talk-Over-Cellular (PTTOC) SaaS service which provides emergency incident commanders the capability to dynamically establish group push-to-talk communications between at-large smartphone users directly from their smartphone. There are several PTTOC services available today from cellular carriers and other service providers. While these services provide supplementary features and coverage to LMR networks, PTTOC subscribers to a specific service cannot communicate to PTTOC subscribers of another service provider without deployment of pre-configured, complex, and expensive interoperability gateways. InteropONE addresses this interoperability gap by enabling emergency management personnel to quickly bring together any person with a smartphone regardless of which carrier they subscribed to or whether the smartphone user subscribes to a PTTOC service. This capability is vitally important for effectively managing unplanned incidents that may involve groups of people that don't normally collaborate. The Company expects to launch the service in the first quarter of 2023.

BKRplay is BK's public safety smartphone application which provides access to the InteropONE service, as well as a host of other capabilities which make the first responder safer and more efficient. Built around an intelligent interface between a smartphone and our BK radio, BKRplay services deliver an enhanced customer experience which increases the sales reach of our radios. BKRplay is available to download free of charge from the Google Play or Apple App stores.

Description of Markets

Government and Public Safety Market

The government and public safety market includes military, fire, rescue, law enforcement, homeland security and emergency medical responder personnel, both domestic and international. Government and public safety users currently use products that employ either P25 digital or analog technology. However, public safety users in federal, state and local government agencies and certain other countries are migrating to digital P25 products. The evolution of the standard and compliant digital products is explained in the preceding “Industry Overview” section.

In most instances, our KNG and BKR-branded products serve this market and are sold either directly to end-users or through two-way communications dealers.

The BKRplay smartphone application and InteropONE POC service have been designed to service this market and are expected to be sold directly to end-users or through SaaS resellers.

Sales to government and public safety users represented substantially all of our sales for 2022 and 2021.

Engineering, Research and Development

Our engineering and product development activities are conducted by a team of 31 employees. Their primary development focus has been the design of a new line of next-generation P25 digital products, the BKR Series, which are in the process of supplanting our KNG products. The first product in this line, the VHF BKR5000 portable radio was introduced in August 2020. The second product, the all-band BKR9000 portable radio is scheduled to be released in 2023. Our KNG and BKR products also provide P25 compliant encrypted operation for secured communication, GPS location and network authentication capabilities.

A segment of our engineering team is responsible for product specifications based on customer requirements and participates in quality assurance activities. They also have primary responsibility for applied and production engineering.

For 2022 and 2021, our engineering and development expenses were approximately \$9.6 million and \$8.1 million, respectively. The increased expenditures in 2022 were primarily attributed to engineering staff expenses, which are focused on new BKR product development initiatives.

Intellectual Property

We presently have two U.S. patents in force, and we have four pending U.S. patent applications. We have registered U.S. trademarks related to the names “BK Technologies,” “BK Radio” and “Radios for Heroes” and have applied for registration of “BKR”, “BKRplay”, and “InteropONE”. We rely on trade secret laws and employee and third-party nondisclosure agreements to protect our intellectual property rights.

Manufacturing and Raw Materials

Our Made in America manufacturing strategy is to utilize the highest quality and most cost-effective resources available for every aspect of our manufacturing. Consistent with that strategy, we have successfully utilized a hybrid of Florida-based internal manufacturing capability in concert with outside contract arrangements for different manufacturing processes. In recent years, the breadth of our internal manufacturing capabilities has been expanded. Our outside manufacturing contract arrangements have been managed and updated to meet our present requirements, including increasing relationships with American concerns. This hybrid approach has been instrumental in ramping up our production capacity while controlling our product costs and managing our product quality.

Contract manufacturers produce various subassemblies and products on our behalf. Generally, the contract manufacturers procure raw materials from BK-approved sources and complete manufacturing activities in accordance with our specifications. Manufacturing agreements and purchase orders govern the business relationship with the contract manufacturers. These agreements and purchase orders have various terms and conditions and may be renewed or modified upon agreement by both parties. Their scope may also be expanded to include new products in the future.

We plan to expand our internal manufacturing capabilities and U.S.-based relationships, combined with other American manufacturers and suppliers where it furthers our business objectives. This strategy allows us to effectively manage quality, product costs and lead-times while focusing other resources on our core technological competencies of product design and development. We believe that, in certain circumstances, the use of experienced, high-quality, high-volume manufacturers can provide greater manufacturing specialization and expertise, higher levels of flexibility and responsiveness, and faster delivery of product, all of which contribute toward product cost control. To ensure that products manufactured by others meet our quality standards, our production and engineering teams work closely with our contract manufacturers in all key aspects of the production process. We establish product specifications, select the components and, in some cases, the suppliers. We retain all document control. We also work with our contract manufacturers to improve process control and product design and conduct periodic on-site inspections.

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We rely upon a limited number of both American and foreign suppliers for several key products and components. Approximately 61% of our material, subassembly and product procurements in 2022 were sourced from nine suppliers. We place purchase orders from time to time with these suppliers and have no guaranteed supply arrangements. In addition, certain components are obtained from single sources. During the first half of 2022, our operations were materially impaired due to delays from single-source suppliers. We manage the risk of such delays by securing secondary sources, where possible, and redesigning products in response to component shortages or obsolescence. We strive to maintain strong relationships with all of our suppliers. We anticipate that the current relationships, or others that are comparable, will be available to us in the future.

Seasonal Impact

We may experience fluctuations in our quarterly results, in part, due to governmental customer spending patterns that are influenced by government fiscal year budgets and appropriations. We may also experience fluctuations in our quarterly results, derived, in part, from sales to federal and state agencies that participate in wildland fire-suppression efforts, which may be greater during the summer season when forest fire activity is heightened. In some years, these factors may cause an increase in sales for the second and third quarters, compared with the first and fourth quarters of the same fiscal year. Such increases in sales may cause quarterly variances in our cash flow from operations and overall financial results.

Significant Customers

Sales to the U.S. Government represented approximately 38% and 36% of our total sales for the years ended December 31, 2022 and 2021, respectively. These sales were primarily to various government agencies, including those within the DHS, the U.S. Department of Defense (“DOD”), the USFS and the U.S. Department of Interior (“DoI”).

Backlog

Our backlog of unshipped customer orders was approximately \$27.0 million and \$13.1 million as of December 31, 2022 and 2021, respectively. Changes in the backlog are attributed primarily to the timing of orders and their fulfillment, which can be impacted by factors related to our supply chain.

Competition

We compete with other domestic and foreign companies primarily in the North American market, but also internationally. One dominant competitor, Motorola Solutions, Inc., is estimated to have well in excess of half the market for LMR products. We compete by capitalizing on our advantages and strengths, which include price, product quality and customer responsiveness.

Governmental Regulation

We are subject to various international and U.S. federal, state and local laws affecting our business. Any finding that we have been or are in noncompliance with such laws could result in, among other things, governmental penalties. Further, changes in existing laws or new laws may adversely affect our business and could also have the effect of limiting capital expenditures by our customers, which could have a material adverse effect on our business, financial condition and results of operations.

In connection with our U.S. Government contracts, we are subject to the U.S. Federal Government procurement regulations that may provide the buyer with the right to audit and review our performance, as well as our compliance with applicable laws and regulations. In addition, our business is subject to government regulation based on the products we sell that may be subject to government requirements, such as obtaining an export license or end-user certificate from the buyer, in certain circumstances. If a government audit uncovers improper or illegal activities, or if we are alleged to have violated any laws or regulations governing the products we sell under our government contracts, we may be subject to civil and criminal penalties and administrative sanctions, including termination of contracts, forfeiture of profits, suspension of payments, fines and suspension or debarment from doing business with U.S. Federal Government agencies.

Our radio products are regulated by the FCC in the U.S. and similar agencies in other countries where we offer our products. Consequently, we and our customers could be positively or negatively affected by the rules and regulations adopted from time to time by the FCC or regulatory agencies in other countries. For example, our wireless communications products, including two-way LMRs, are subject to FCC regulations related to radio frequency spectrum. As a result of limited spectrum availability, the FCC has mandated that new LMR equipment utilize technology that is more spectrum-efficient, which effectively meant that the industry had to migrate to digital technology. These types of mandates may provide us with new business opportunities or may require us to modify all or some of our products so that they can continue to be manufactured and marketed, which may lead to an increase in our capital expenditures and research and development expenses.

As a public company, we are also subject to regulations of the SEC and the stock exchange on which we are listed (NYSE American).

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Some of our operations use substances regulated under various federal, state, local and international laws governing the environment and worker health and safety, including those governing the discharge of pollutants into the ground, air and water, the management and disposal of hazardous substances and wastes and the cleanup of contaminated sites, as well as relating to the protection of the environment. Certain of our products are subject to various federal, state, local and international laws governing chemical substances in electronic products. During 2022, compliance with these U.S. federal, state and local and international laws did not have a material effect on our capital expenditures, earnings or competitive position.

Human Capital Resources

As of December 31, 2022, we had 148 employees, most of whom are located at our West Melbourne, Florida facility; 84 of these employees are engaged in direct manufacturing or manufacturing support, 31 in engineering, 21 in sales and marketing, and 12 in headquarters, accounting and human resources activities. Our employees are not represented by any collective bargaining agreements, nor has there ever been a labor-related work stoppage. We strive to develop and maintain good relations with our employees and believe our relations with our employees are good.

The Company complies with all applicable state, local and international laws governing nondiscrimination in employment in every location in which the Company operates. All applicants and employees are treated with the same high level of respect regardless of their gender, ethnicity, religion, national origin, age, marital status, political affiliation, sexual orientation, gender identity, disability or protected veteran status.

Our mission is to remain deeply rooted in the critical communications industry for all military, first responders, and public safety heroes. Our four guiding principles: growth, tenacious commitment to quality, continuous improvement, and a keen focus on being customer-centric, continuously drive our efforts to be the best partner for our customers, investment for our shareholders, neighbor in our community and to provide an empowering work environment for our employees.

The Company is committed to the health, safety and wellness of its employees. We have modified our business practices and implemented certain policies at our offices in accordance with best practices to accommodate, and at times mandate, social distancing and remote work practices, including restricting employee travel, modifying employee work locations, implementing social distancing and enhanced sanitary measures in our facilities, and cancelling attendance at events and conferences. In addition, we have invested in employee safety equipment, additional cleaning supplies and measures, re-designed production lines and workplaces as necessary and adapted new processes for interactions with our suppliers and customers to safely manage our operations.

Information Relating to Domestic and Export Sales

The following table summarizes our sales of LMR products by customer location:

	<u>2022</u>		<u>2021</u>
	(in millions)		
United States	\$ 49.4	\$	43.1
International	1.6		2.3
Total	<u>\$ 51.0</u>	<u>\$</u>	<u>45.4</u>

Additional financial information is provided in the Consolidated Financial Statements included in this report.

Item 1A. Risk Factors.

Various portions of this report contain forward-looking statements that involve risks and uncertainties. Actual results, performance or achievements could differ materially from those anticipated in these forward-looking statements as a result of certain risk factors, including those set forth below and elsewhere in this report. We undertake no obligation to revise or update any forward-looking statements contained herein to reflect subsequent events or circumstances or the occurrence of unanticipated events. We face many risks and uncertainties, any one or more of which could have a material adverse effect on our business, results of operations, financial condition (including capital and liquidity), or prospects or the value of or return on an investment in BK. We describe certain of these risks and uncertainties in this section, although we may be adversely affected by other risks or uncertainties that are not presently known to us, that we have failed to appreciate, or that we currently consider immaterial. These risk factors should be read in conjunction with the MD&A in Part II, Item 7 of this Annual Report on Form 10-K, and the Consolidated Financial Statements and notes thereto. This Annual Report on Form 10-K is qualified in its entirety by these risk factors.

We depend on the success of our LMR product line

We currently depend on our LMR products as our sole source of sales. A decline in the price of and/or demand for LMR products, as a result of competition, technological change, the introduction of new products by us or others or a failure to manage product transitions successfully, could have a material adverse effect on our business, financial condition and results of operations. In addition, our future success will largely depend on the successful introduction and sale of our BKR Series product line, including our initial multiband product, which has been delayed from initial projections and which we may be unable to successfully complete in a timely manner, or at all. Even if we successfully develop and launch the BKR Series product line, or any other new products, the development of which is a complex and uncertain process requiring innovation and investment, such products may not achieve market acceptance, which could have a material adverse effect on us.

We are engaged in a highly competitive industry

We face intense competition from other LMR suppliers, and the failure to compete effectively could materially and adversely affect our market share, financial condition and results of operations. The largest supplier of LMR products in the world, Motorola Solutions, Inc., currently is estimated to have well in excess of half the market for LMR products. This supplier is also the world's largest supplier of P-25 products. Some of our competitors are significantly larger and have longer operating histories, greater name recognition, larger customer bases and significantly greater financial, technical and marketing resources than we have. Some also have established reputations for success in developing and supplying LMR products, including providing complete, integrated, communications systems and infrastructure. We do not provide complete, integrated, communications systems and infrastructure. These advantages may allow our competitors:

- to be more attractive to customers who desire a single-source supplier of LMR products;
- to respond more quickly to new or emerging technologies and changes in customer requirements, which may render our products obsolete or less marketable;
- to engage in more extensive research and development;
- to undertake more far-reaching marketing campaigns;
- to be able to take advantage of acquisitions and other opportunities;
- to adopt more aggressive pricing policies; and
- to be more attractive to potential employees and strategic partners.

Some of our competitors have established broad networks of sales locations and multiple distribution channels that are more extensive than ours. We may not be able to compete successfully and competitive pressures may materially and adversely affect our business, results of operations and financial condition.

An increase in the demand for P-25 products could benefit competitors that are better financed and positioned to meet such demand. P-25 products have been brought to the market by an increasing number of our competitors. Our first P-25 portable radio was brought to market in 2003, and in recent years we introduced two new lines of P-25 products, the KNG and KNG2 Series. We are currently developing a new line of P-25 digital products, the BKR Series. Bringing such products to market and achieving a significant market penetration for them will continue to require time and expenditures of funds, and we may be unable to successfully do so. We may be unsuccessful in developing and marketing, on a timely basis, fully functional product enhancements or new products that respond to these and other technological advances, and our new products may not be accepted by customers. An inability to successfully develop and/or market products could have a material adverse effect on our business, financial condition and results of operations.

Our industry is characterized by rapidly changing technology and our success is dependent on our ability to adapt to such changes

Our business could suffer if we are unable to keep pace with rapid technological changes and product development in our industry. The market for our LMR products is characterized by ongoing technological development, evolving industry standards and frequent product introductions. The LMR industry has largely transitioned from analog LMR products to digital LMR products in recent years. In addition, the APCO P-25 standard has been widely adopted. If we are unable to successfully keep up with these changes, our business, financial condition and results of operations could be materially adversely affected.

We depend heavily on sales to the U.S. Government

We are subject to risks associated with our reliance on sales to the U.S. Government. For the year ended December 31, 2022, approximately 37.5% of our sales were to agencies and departments of the U.S. Government, including but not limited to, agencies of the DHS, DoA, DoD and DoI. We may be unable to maintain this government business. Our ability to maintain our government business will depend on many factors outside of our control, including competitive factors, changes in government personnel making contract decisions, spending limits and political factors. The loss of sales to the U.S. Government would have a material adverse effect on our business, financial condition and results of operations.

In addition, most U.S. Government customers award business through a competitive bidding process, which results in greater competition and increased pricing pressure. The bidding process involves significant cost and managerial time to prepare bids for contracts that may not be awarded to us. Even if we are awarded contracts, we may fail to accurately estimate the resources and costs required to fulfill a contract, which could negatively impact the profitability of any contract awarded to us. In addition, following a contract award, we may experience significant expense or delay, contract modification or contract rescission as a result of customer delay or our competitors protesting or challenging contracts awarded to us in competitive bidding.

Any delay, especially any prolonged delay, in the U.S. Government budget process or a government shutdown may result in us incurring substantial labor or other costs without reimbursement under our customer contracts, decrease the number of purchase orders issued under our contracts with government agencies, or result in the suspension of work on contracts in progress or in payment delays.

Any of these events could have a material adverse effect on our business, financial condition and results of operations.

Our business is partially dependent on U.S. Government contracts, which are highly regulated and subject to terminations and oversight audits by U.S. Government representatives that could result in adverse findings and negatively impact our business

Our U.S. Government business is subject to specific procurement regulations with numerous compliance requirements. These requirements, although customary in U.S. Government contracting, increase our performance and compliance costs. These costs may increase in the future, thereby reducing our margins, which could have an adverse effect on our financial condition. Failure to comply with these regulations could lead to suspension or debarment from U.S. Government contracting or subcontracting for a period of time. Among the causes for debarment are violations of various laws or policies, including those related to procurement integrity, U.S. Government security regulations, employment practices, protection of criminal justice data, protection of the environment, accuracy of records, proper recording of costs, foreign corruption and the False Claims Act.

Generally, U.S. Government contracts are subject to oversight audits by U.S. Government representatives and could result in adjustments to our contracts. Any costs found to be improperly allocated to a specific contract or grant may not be allowed, and such costs already reimbursed to us may have to be refunded. Future audits and adjustments, if required, may materially reduce our revenues or profits upon completion and final negotiation of audits. Negative audit findings could also result in investigations, termination of a contract, forfeiture of profits or reimbursements, suspension of payments, fines and suspension or prohibition from doing business with the U.S. Government. All contracts with the U.S. Government are subject to cancellation at the convenience of the U.S. Government.

In addition, contacts with government officials and participation in political activities are areas that are tightly controlled by federal, state, local and international laws. Failure to comply with these laws could cost us opportunities to seek certain government sales opportunities or even result in fines, prosecution or debarment.

Our business is subject to the economic, political, and other risks of manufacturing products in foreign countries

We engage in business with manufacturers, some of which are located in other countries. Approximately 17% of our material, subassembly and product procurements in 2022 were sourced internationally. Accordingly, we are subject to special considerations and risks not typically associated with companies operating solely in the U.S. These include the risks associated with the political, economic, legal, health and other conditions in such foreign countries, among others. Our business, financial condition and operating results may be materially and adversely affected by, among other things, changes in the general political, social, health and economic conditions in foreign countries in which we maintain sourcing relationships, unfavorable changes in U.S. trade legislation and regulations, the imposition of governmental economic sanctions on countries in which we do business or other trade barriers, threats of war, terrorism or governmental instability, labor disruptions, the impact of public health epidemics on employees and the global economy, such as the coronavirus currently impacting China, which may cause our manufacturers or suppliers to temporarily suspend operations in the affected region, potentially negatively impacting our product launch timing and shipments, currency controls, fluctuating exchange rates with respect to contracts not denominated in U.S. dollars, and unanticipated or unfavorable changes in government policies with respect to laws and regulations, anti-inflation measures and method of taxation. If we were unable to navigate foreign regulatory environments, or if we were unable to enforce our contract rights in foreign countries, our business could be adversely impacted. Any of these events could interrupt our manufacturing process and cause operational disruptions, increase prices for manufacturing, reduce our sales or otherwise have an adverse effect on our operating performance.

We are currently operating in a period of economic uncertainty and capital markets disruption, which has been significantly impacted by geopolitical instability due to the ongoing military conflict between Russia and Ukraine. Our business, financial condition and results of operations may be materially adversely affected by any negative impact on the global economy and capital markets resulting from the conflict in Ukraine or any other geopolitical tensions.

U.S. and global markets are experiencing volatility and disruption following the escalation of geopolitical tensions and the start of the military conflict between Russia and Ukraine. On February 24, 2022, a full-scale military invasion of Ukraine by Russian troops was reported. Although the length and impact of the ongoing military conflict is highly unpredictable, the conflict in Ukraine could lead to market disruptions, including significant volatility in commodity prices, credit and capital markets, as well as supply chain interruptions. We are continuing to monitor the situation in Ukraine and globally and assessing its potential impact on our business.

Additionally, Russia's prior annexation of Crimea, recent recognition of two separatist republics in the Donetsk and Luhansk regions of Ukraine and subsequent military interventions in Ukraine have led to sanctions and other penalties being levied by the United States, European Union and other countries against Russia, Belarus, the Crimea Region of Ukraine, the so-called Donetsk People's Republic, and the so-called Luhansk People's Republic, including agreement to remove certain Russian financial institutions from the Society for Worldwide Interbank Financial Telecommunication ("SWIFT") payment system. Additional potential sanctions and penalties have also been proposed and/or threatened. Russian military actions and the resulting sanctions could adversely affect the global economy and financial markets and lead to instability and lack of liquidity in capital markets, potentially making it more difficult for us to obtain additional funds.

Any of the above mentioned factors could affect our business, prospects, financial condition, and operating results. The extent and duration of the military action, sanctions and resulting market disruptions are impossible to predict, but could be substantial. Any such disruptions may also magnify the impact of other risks described in this Annual Report on Form 10-K.

Any outbreak or worsening of an outbreak of contagious diseases, or other adverse public health developments, could have a material and adverse effect on our business operations, financial condition and results of operations.

Any outbreak or worsening of an outbreak of contagious diseases, or other adverse public health developments, could have a material and adverse effect on our business operations, financial condition and results of operations. For example, in December 2019, a novel strain of the coronavirus (COVID-19) surfaced, which spread globally and was declared a pandemic by the World Health Organization in March 2020. In response to COVID-19, national and local governments around the world instituted certain measures, including travel bans, prohibitions on group events and gatherings, shutdowns of certain businesses, curfews, shelter-in-place orders, and recommendations to practice social distancing. We are considered an “essential business” that is supporting first responders and our manufacturing operations have remained open throughout the pandemic. We implemented certain policies at our offices in accordance with best practices to accommodate, and at times mandate, social distancing, wearing face masks, and remote work practices. Among other things, we have invested in employee safety equipment, additional cleaning supplies and measures, adjusted production lines and workplaces as necessary and adapted new processes for interactions with our suppliers and customers to safely manage our operations. Any employees that test positive for COVID-19 are quarantined and, if possible, work remotely in accordance with accepted safety practices until after passing subsequent testing.

In planning for the possible disruption of our business, we took steps to reduce expenses throughout the Company. This included suspending all Company travel for a period of time, as well as our participation in trade shows and other business meetings, instituting strict inventory control and decreasing expenditures. We also implemented workforce reductions during the third quarter of 2020 and suspended the employer’s 401K match. The impact to our business, particularly customer orders, is not known with any certainty. However, we received record customer orders of approximately \$71 million in 2022. Recently, worldwide shortages of materials, particularly semiconductors and integrated circuits, have resulted in limited supplies, extended lead times, and increased our costs and inventory levels for certain components used in our products. While, generally, we have been able to procure the material necessary to manufacture our products and fulfill customer orders, there have been some delays and longer delivery times within our supply chain. While the progression and duration of these shortages is not known with certainty, they may last for several quarters or years. The impact on our operations of such shortages, or additional shortages that may surface, is uncertain, but could potentially impact our future sales, manufacturing operations and financial results. Continued progression of these circumstances could result in a decline in customer orders, as our customers could shift purchases to lower-priced or other perceived value offerings or reduce their purchases and inventories due to decreased budgets, reduced access to credit or various other factors, and impair our ability to manufacture our products, which could have a material adverse impact on our results of operations and cash flow. While the current impacts of COVID-19 are reflected in our results of operations, we cannot at this time separate the direct COVID-19 impacts from other factors that cause our performance to vary from quarter to quarter. The ultimate duration and impact of the COVID-19 pandemic on our business, results of operations, financial condition and cash flows is dependent on future developments, including the duration and severity of the pandemic, and the related length of its impact on the global economy, which are uncertain and cannot be predicted at this time. Even after the COVID-19 pandemic has subsided, we may continue to experience an adverse impact to our business as a result of its national and, to some extent, global economic impact. Furthermore, the extent to which our mitigation efforts are successful, if at all, is not presently ascertainable. However, our results of operations in future periods may continue to be adversely impacted by the COVID-19 pandemic and its negative effects on global economic conditions. The impact of any future outbreak of contagious disease, or a worsening or resurgence of COVID-19, is not readily ascertainable, is uncertain and cannot be predicted, but could have an adverse impact on the Company’s business, financial condition and results of operations.

We carry substantial quantities of inventory, and inaccurate estimates of necessary inventory could materially harm our business, financial condition and operating results

We carry a significant amount of inventory to service customer requirements in a timely manner. If we are unable to sell this inventory over a commercially reasonable time, in the future we may be required to take inventory markdowns, which would reduce our net sales and/or gross margins. In addition, it is critical to our success that we accurately predict trends in customer demand, including seasonal fluctuations, in the future and do not overstock unpopular products or fail to sufficiently stock popular products. Both scenarios could materially harm our business, financial condition and operating results.

We enter into fixed-price contracts that could subject us to losses in the event we fail to properly estimate our costs or hedge our risks associated with currency fluctuations

We sometimes enter into firm fixed-price contracts. If our initial cost estimates are incorrect, we can lose money on these contracts. Because certain of these contracts involve new technologies and applications, require us to engage subcontractors and/or can last multiple years, unforeseen events, such as technological difficulties, fluctuations in the price of raw materials, problems with our subcontractors or suppliers and other cost overruns, can result in the contract pricing becoming less favorable or even unprofitable to us and have an adverse impact on our financial results. In addition, a significant increase in inflation rates or currency fluctuations could have an adverse impact on the profitability of longer-term contracts.

Our investment strategy may not be successful, which could adversely impact our financial condition

We may invest part of our cash balances in public companies. For example, as of December 31, 2022, we held an investment interest in the equity of FG Financial Group, Inc. (Nasdaq: FGF) (“FGF”) through FG Financial Holdings, LLC (“FG Holdings”). These types of investments carry more risk than holding our cash balances as bank deposits or, for example, such conservative investments as treasury bonds or money market funds. There can be no assurance that we will be able to maintain or enhance the value or the performance of the companies in which we have invested or in which we may invest in the future, or that we will be able to achieve returns or benefits from these investments. We may lose all or part of our investment relating to such companies if their value decreases as a result of their financial performance or for any other reason. If our interests differ from those of other investors in companies over which we do not have control, we may be unable to effect any change at those companies. We are not required to meet any diversification standards, and our investments may become concentrated. If our investment strategy is not successful or we achieve less than expected returns from these investments, it could have a material adverse effect on us. The Board of Directors may also change our investment strategy at any time, and such changes could further increase our exposure, which could adversely impact us.

Fundamental Global GP, LLC (“FG”), with its affiliates, is our largest stockholder, and its interests may differ from the interests of our other stockholders

The interests of FG may differ from the interests of our other stockholders. As of December 31, 2022, FG and its affiliates, owners and managers together hold approximately 16% of the Company’s outstanding shares of common stock. Kyle Cerminara, Chief Executive Officer, Co-Founder, and Partner of FG, is a member of our Board of Directors. As a result of its ownership position FG could exert influence over matters submitted for stockholder approval, including the election of our directors and other corporate actions such as significant stock issuances, reorganizations, mergers and asset sales, and over our business, operations and management, including our strategic plans for the business. FG may have interests that differ from those of our other stockholders and may vote in a way with which our other stockholders disagree, and which may be adverse to their interests. FG’s ownership position may also have the effect of delaying, preventing or deterring a change of control of the Company, could deprive our stockholders of an opportunity to receive a premium for their common stock as part of a sale of the Company and might ultimately affect the market price of our common stock.

If we are unable to maintain our brand and reputation, our business, results of operations and prospects could be materially harmed

Our business, results of operations and prospects depend, in part, on maintaining and strengthening our brand and reputation for providing high-quality products and services. Reputational value is based in large part on perceptions. Although reputations may take decades to build, any negative incidents can quickly erode trust and confidence, particularly if they result in adverse publicity, governmental investigations or litigation. If problems with our products cause operational disruption or other difficulties, or there are delays or other issues with the delivery of our products or services, our brand and reputation could be diminished. Damage to our reputation could also arise from actual or perceived legal violations or product safety issues, cybersecurity breaches, actual or perceived poor employee relations, actual or perceived poor service, actual or perceived poor privacy practices, operational or sustainability issues, actual or perceived ethical issues or other events within or outside of our control that generate negative publicity with respect to us. Any event that has the potential to negatively impact our reputation could lead to lost sales, loss of new opportunities and retention and recruiting difficulties. If we fail to promote and maintain our brand and reputation successfully, our business, results of operations and prospects could be materially harmed.

We face a number of risks related to challenging economic conditions.

Current economic conditions in the U.S. and elsewhere remain uncertain. These challenging economic conditions could materially and adversely impact our business, liquidity and financial condition in a number of ways, including:

- ***Potential deferment or reduction of purchases by customers:*** Significant deficits and limited appropriations confronting our federal, state and local government customers may cause them to defer or reduce purchases of our products. Furthermore, uncertainty about current and future economic conditions may cause customers to defer purchases of our products in response to tighter credit and decreased cash availability. Additionally, any delay, especially any prolonged delay, in the U.S. Government budget process or government shutdown may negatively impact the ability of many of our customers to purchase our products and decrease the number of purchase orders issued under our contracts with government agencies.
- ***Negative impact from increased financial pressures on third-party dealers, distributors and suppliers:*** We make sales to certain of our customers through third-party dealers and distributors. We generally do not require collateral from our customers. If credit pressures or other financial difficulties result in insolvencies of these third parties and we are unable to successfully transition the end customers to purchase our products from other third parties, or directly from us, it could materially and adversely impact our business, financial condition and operating results. Challenging economic conditions may also impact the financial condition of one or more of our key suppliers, which could negatively affect our ability to secure product to meet our customers' demands.
- ***Limited access by us to credit and capital:*** The credit markets may limit our access to credit and impair our ability to raise capital, if needed, on acceptable terms or at all. From time to time, we also have cash in financial institutions in excess of federally insured limits, which funds might be at risk of loss should such financial institutions face financial difficulties.

The terms of the credit agreement with Alterna Capital Solutions, LLC contains restrictive covenants that may limit our operating flexibility or that of our subsidiaries.

On November 22, 2022, our subsidiaries, BK Technologies, Inc. and RELM Communications, Inc. (the "Subsidiaries"), entered into an Invoice Purchase and Security Agreement ("IPSA") with Alterna Capital Solutions, LLC ("Alterna") for a one-year line of credit with total maximum funding up to \$15 million, with an interest rate of Prime plus 1.85%, and other monthly administrative fees. The IPSA line of credit is an accounts receivable and inventory financing facility, with the borrowing base of up to 85% of eligible accounts receivable and up to 75% of net orderly liquidation value of inventory, not to exceed 100% of eligible accounts receivable. The Company used funds obtained from the IPSA line of credit to replace the existing JPMC Credit Agreement and for working capital for the business. The IPSA also has covenants concerning additional financing and indebtedness restrictions. The IPSA provides for the payment of fees by the Subsidiaries and includes customary representations and warranties, indemnification provisions, covenants and events of default. Subject in some cases to cure periods, amounts outstanding under the IPSA may be accelerated for typical defaults including, but not limited to, the failure to make payments when due, the failure to perform any covenant, the inaccuracy of representations and warranties, the occurrence of debtor-relief proceedings, and the occurrence of unpermitted liens against the purchased accounts receivable and collateral. The Subsidiaries have granted Alterna a security interest in all of their respective personal property to secure their obligations under the IPSA. The Subsidiaries entered into a cross-guarantee, guaranteeing each other's obligations under the IPSA, and BK also provided a guaranty of the Subsidiaries' obligations under the IPSA. In general, the IPSA could have an adverse effect on our financial condition or results of operations.

We depend on a limited number of manufacturers and on a limited number of suppliers of components to produce our products, and the inability to obtain adequate and timely delivery of supplies and manufactured products could have a material adverse effect on us

We contract with manufacturers to produce portions of our products. Our use of contract manufacturers exposes us to certain risks, including shortages of manufacturing capacity, reduced control over delivery schedules, quality assurance, production yield and costs. If any of our manufacturers terminate production or cannot meet our production requirements, we may have to rely on other contract manufacturing sources or identify and qualify new contract manufacturers. The lead-time required to qualify a new manufacturer could range from approximately two to six months. Despite efforts to do so, we may not be able to identify or qualify new contract manufacturers in a timely and cost-effective manner, and these new manufacturers may not allocate sufficient capacity to us in order to meet our requirements. Any significant delay in our ability to obtain adequate quantities of our products from our current or alternative contract manufacturers could have a material adverse effect on our business, financial condition and results of operations.

In addition, our dependence on limited and sole source suppliers of components involves several risks, including a potential inability to obtain an adequate supply of components, price increases, late deliveries and poor component quality. Approximately 61% of our material, subassembly and product procurements in 2022 were sourced from nine suppliers. We place purchase orders from time to time with these suppliers and have no guaranteed supply arrangements. Disruption or termination of the supply of these components could delay shipments of our products. The lead-time required for some of our components is up to as six months. If we are unable to accurately predict our component needs, or if our component supply is disrupted, we may miss market opportunities by not being able to meet the demand for our products. This may damage our relationships with current and prospective customers and have a material adverse effect on our business, financial condition and results of operations.

We may not be able to manage our growth

Acquisitions and other business transactions may disrupt or otherwise have a negative impact on our business, financial condition and results of operations. We do not have any acquisitions currently pending, and there can be no assurance that we will complete any future acquisitions or other business transactions or that any such transactions which are completed will prove favorable to our business. We intend to seek stockholder approval for any such transactions only when so required by applicable law or regulation. Any acquisitions of businesses and their respective assets also involve the risks that the businesses and assets acquired may prove to be less valuable than we expect, and we may assume unknown or unexpected liabilities, costs and problems. We hope to grow rapidly, and the failure to manage our growth could materially and adversely affect our business, financial condition and results of operations. Our business plan contemplates, among other things, leveraging our products and technology for growth in our customer base and sales. This growth, if it materializes, could significantly challenge our management, employees, operations and financial capabilities. In the event of this expansion, we have to continue to implement and improve our operating systems and to expand, train, and manage our employee base. If we are unable to manage and integrate our expanding operations effectively, our business, results of operations and financial condition could be materially and adversely affected.

Environmental, social and governance matters may impact our business and reputation.

Increasingly, in addition to the importance of their financial performance, companies are being judged by their performance on a variety of environmental, social and governance (“ESG”) matters, which are considered to contribute to the long-term sustainability of companies’ performance.

A variety of organizations measure the performance of companies on ESG topics, and the results of these assessments are widely publicized. In addition, investment in funds that specialize in companies that perform well in such assessments are increasingly popular, and major institutional investors have publicly emphasized the importance of ESG measures to their investment decisions. Topics taken into account in such assessments include, among others, companies’ efforts and impacts on climate change and human rights, ethics and compliance with law, diversity and the role of companies’ board of directors in supervising various sustainability issues.

ESG goals and values are embedded in our core mission and vision, and we consider their potential impact on the sustainability of our business over time and the potential impact of our business on society. However, in light of investors’ increased focus on ESG matters, there can be no certainty that we will manage such issues successfully, or that we will successfully meet society’s expectations as to our proper role. This could lead to risk of litigation or reputational damage relating to our ESG policies or performance.

Further, possible actions to address ESG issues may not maximize short-term financial results and may yield financial results that conflict with the market's expectations. We have and may in the future make business decisions that may reduce our short-term financial results if we believe that the decisions are consistent with our ESG goals, which we believe will improve our financial results over the long-term. These decisions may not be consistent with the short-term expectations of our stockholders and may not produce the long-term benefits that we expect, in which case our business, financial condition, and operating results could be harmed.

Retention of our executive officers and key personnel is critical to our business

Our key executives are critical to our success. The loss of services from any of our executive officers or other key employees due to any reason whatsoever could have a material adverse effect on our business, financial condition and results of operations.

Our success is also dependent upon our ability to hire and retain qualified operations, development and other personnel. Competition for qualified personnel in our industry is intense, and we may be unable to hire or retain necessary personnel. The inability to attract and retain qualified personnel could have a material adverse effect on our business, financial condition and results of operations.

We have had changes in our senior management team and other personnel over the past few years and have promoted or hired new employees to fill certain roles. Our inability to effectively integrate the newly-hired or promoted senior managers or other employees into our business process, controls and systems could have a material adverse effect on us.

We rely on a combination of contract, trademark and trade secret laws to protect our intellectual property rights, and failure to effectively utilize or successfully assert these rights could negatively impact us

Currently, we have two approved and four pending applications for US patents. We have several trademarks related to the names "BK Technologies," "BK Radio", and "Radios for Heroes". We have applied for trademarks related to the names "BKR", "BKRplay", and "InteropONE". As part of our confidentiality procedures, we generally enter into nondisclosure agreements with our employees, distributors and customers and limit access to and distribution of our proprietary information. We also rely on trade secret laws to protect our intellectual property rights. There is a risk that we may be unable to prevent another party from manufacturing and selling competing products or otherwise violating our intellectual property rights. Our intellectual property rights, and any additional rights we may obtain in the future, may be invalidated, circumvented or challenged in the future. It may also be particularly difficult to protect our products and intellectual property under the laws of certain countries in which our products are or may be manufactured or sold. Our failure to perfect or successfully assert intellectual property rights could harm our competitive position and could negatively impact us.

Rising health care costs may have a material adverse effect on us

The costs of employee health care insurance have been increasing in recent years due to rising health care costs, legislative changes and general economic conditions. We cannot predict what other health care programs and regulations ultimately will be implemented at the federal or state level or the effect of any future legislation or regulation in the U.S. on our business, financial condition and results of operations. In addition, we cannot predict when or if Congress will repeal and/or replace certain health care programs and regulations at the federal level and the impact such changes would have on our business. A continued increase in health care costs could have a material adverse effect on us.

The insurance that we maintain may not fully cover all potential exposures

We maintain property, business interruption and casualty insurance, but such insurance may not cover all risks associated with the hazards of our business and is subject to limitations, including deductibles and maximum liabilities covered. We are potentially at risk if one or more of our insurance carriers fail. Additionally, severe disruptions in the domestic and global financial markets could adversely impact the ratings and survival of some insurers. In the future, we may not be able to obtain coverage at current levels, and our premiums may increase significantly on coverage that we maintain.

Our stock price is vulnerable to significant fluctuations, including due to our fluctuating quarterly operating results

Our quarterly operating results may fluctuate significantly from quarter to quarter and may be below the expectations of the investment community, resulting in volatility for the market price for our common stock. Other factors affecting the volatility of our stock price include:

- future announcements concerning us or our competitors;
- the announcement or introduction of technological innovations or new products by us or our competitors, including announcements regarding the status of our BKR Series product line;
- changes in product pricing policies by us or our competitors;
- changes in earnings estimates by us or our competitors or by securities analysts;
- additions or departures of our key personnel; and
- sales of our common stock.

In addition, the stock market is subject to price and volume fluctuations affecting the market price for the stock of many companies generally, which fluctuations often are unrelated to operating performance.

Natural disasters, acts of war or terrorism and other catastrophic events beyond our control could have a material adverse effect on our operations and financial condition

The occurrence of one or more natural disasters, such as fires, hurricanes, tornados, tsunamis, floods and earthquakes; geo-political events, such as civil unrest in a country in which our suppliers or manufacturers are located, or acts of war or terrorism (wherever located around the world) or military activities disrupting transportation, communication or utility systems or otherwise causing damage to our business, employees, suppliers, manufacturers and customers; or other highly disruptive events, such as nuclear accidents, pandemics, unusual weather conditions or cyber-attacks, could have a material adverse effect on our business, financial condition and results of operations. Such events could result, among other things, in operational disruptions, physical damage to or destruction or disruption of one or more of our properties or properties used by third parties in connection with the supply of products or services to us, the lack of an adequate workforce in parts or all of our operations and communications and transportation disruptions. These factors could also cause consumer confidence and spending to decrease or result in increased volatility in the U.S. and global financial markets and economy. Such occurrences could have a material adverse effect on us and could also have indirect consequences, such as increases in the costs of insurance, if they result in significant loss of property or other insurable damage.

A security breach or other significant disruption of our information technology systems, or those of our distributors, manufacturers, suppliers and other partners, caused by cyber-attack or other means, could have a negative impact on our operations, sales and results of operations

From time to time, we may experience cyber-attacks on our information technology systems and the information systems of our distributors, manufacturers, suppliers and other partners, whose systems we do not control. These systems are vulnerable to damage, unauthorized access or interruption from a variety of sources, including, but not limited to, continually evolving cyber-attacks (including social engineering and phishing attempts), attempts to gain unauthorized access to data, cyber intrusion, computer viruses, security breach, misconduct by employees or other insiders with access to our data, energy blackouts, natural disasters, terrorism, sabotage, war and telecommunication failures. Cyber-attacks are rapidly evolving and becoming increasingly sophisticated. Computer hackers and others might compromise our security measures, or security measures of those parties that we do business with now or in the future, and obtain the personal information of our customers, employees and partners or our business information. A cyber-attack or other significant disruption involving our information technology systems or those of our distributors, manufacturers, suppliers or other partners, could result in disruptions in critical systems, corruption or loss of data, theft of data, funds or intellectual property, and unauthorized release of our or our customers' proprietary, confidential or sensitive information. Such unauthorized access to, or release of, this information could expose us to data loss, disrupt our operations, allow others to unfairly compete with us, subject us to litigation, government enforcement actions, regulatory penalties and costly response measures, and could seriously disrupt our operations. Any resulting negative publicity could also significantly harm our reputation. We may not have adequate insurance coverage to compensate us for any losses associated with such events. Any or all of the foregoing could have a negative impact on our business, financial condition, results of operations and cash flows.

Because the techniques used to obtain unauthorized access to, or disable, degrade or sabotage, information technology systems change frequently and often are not recognized until launched against a target, we may be unable to anticipate these techniques, implement adequate preventative measures or remediate any intrusion on a timely or effective basis. Moreover, the development and maintenance of these preventative and detective measures is costly and requires ongoing monitoring and updating as technologies change and efforts to overcome security measures become more sophisticated. We, therefore, remain potentially vulnerable to additional known or yet unknown threats, as in some instances, we, our distributors, manufacturers, suppliers and other partners, may be unaware of an incident or its magnitude and effects. We also face the risk that we expose our customers or partners to cybersecurity attacks. In addition, from time to time, we implement updates to our information technology systems and software, which can disrupt or shutdown our information technology systems. We may not be able to successfully integrate and launch these new systems as planned without disruption to our operations.

The risk of noncompliance with U.S. and foreign laws and regulations applicable to us could materially adversely affect us

Failure to comply with government regulations applicable to our business could result in penalties and reputational damage. Our products are regulated by the FCC and otherwise subject to a wide range of global laws. As a public company, we are also subject to regulations of the SEC and the stock exchange on which we are listed. These laws and regulations are complex, change frequently, have tended to become more stringent over time and increase our cost of doing business. Compliance with existing or future laws, including U.S. tax laws, could subject us to future costs or liabilities, impact our production capabilities, constrict our ability to sell, expand or acquire facilities, restrict what products and services we can offer, and generally impact our financial performance. Failure to comply with or to respond to changes in these requirements and regulations could result in penalties on us, such as fines, restrictions on operations or a temporary or permanent closure of our facility. These penalties could have a material adverse effect on our business, operating results and financial condition. In addition, existing or new regulatory requirements or interpretations could materially adversely impact us.

We may not be able to maintain our NYSE American listing

Our common stock has been listed on the NYSE American since 2005. If we are unable to satisfy the continued listing standards of the NYSE American, which include, among others, minimum stockholders' equity, market capitalization, pre-tax income and per share sales price, our common stock may be delisted. If our common stock is delisted, we would be forced to have our common stock quoted on the OTC Markets or some other quotation medium, depending on our ability to meet the specific requirements of those quotation systems. In that case, we may lose some or all of our institutional investors, and selling our common stock on the OTC Markets would be more difficult because smaller quantities of shares would likely be bought and sold, and transactions could be delayed. These factors could result in lower prices and larger spreads in the bid and ask prices for shares of our common stock. If this happens, we will have greater difficulty accessing the capital markets to raise any additional necessary capital.

Any infringement claim against us could have a material adverse effect on our business, financial condition and results of operations

As the number of competing products available in the market increases and the functions of those products further overlap, the potential for infringement claims may increase. Any such claims, with or without merit, may result in costly litigation or require us to redesign the affected product to avoid infringement or require us to obtain a license for future sales of the affected product. Any of the foregoing could damage our reputation and have a material adverse effect upon our business, financial condition and results of operations. Any litigation resulting from any such claim could require us to incur substantial costs and divert significant resources, including the efforts of our management and engineering personnel.

We have deferred tax assets that we may not be able to utilize under certain circumstances

If we incur future operating losses, we may be required to provide some or all of our deferred tax assets with a valuation allowance, resulting in additional non-cash income tax expense. The change in the valuation allowance may have a material impact on future net income or loss.

We may be unable to obtain components and parts that are verified to be Democratic Republic of Congo (“DRC”) conflict-free, which could result in reputational damage

The Dodd-Frank Wall Street Reform and Consumer Protection Act includes disclosure requirements regarding the use of tin, tantalum, tungsten and gold (which are defined as “conflict minerals”) in our products and whether these materials originated from the DRC or an adjoining country. The SEC rules necessitate a complex compliance process and related administrative expense for a company once it determines a conflict mineral is necessary to the functionality or production of a product that the company manufactures or contracts to manufacture. These requirements could affect the sourcing, availability and cost of minerals used in the manufacture of certain of our products, and we may not be able to obtain conflict-free products or supplies in sufficient quantities or at competitive prices for our operations. We have incurred, and will continue to incur, costs associated with complying with these supply chain due diligence procedures. In addition, because our supply chain is complex, if we discover that our products include minerals that have been identified as “not found to be DRC conflict-free” or we are unable to determine whether such minerals are included in our products, we may face reputational challenges with our customers, stockholders and other stakeholders as a result.

As a holding company, BK Technologies Corporation is dependent on the operations and funds of its subsidiaries

On March 28, 2019, we completed a reorganization pursuant to which BK Technologies Corporation became a holding company with no business operations of its own. BK Technologies Corporation’s only significant assets are the outstanding equity interests in BK Technologies, Inc. and any other future subsidiaries of BK Technologies Corporation. As a result, we rely on cash flows from subsidiaries to meet our obligations, including payment of dividends to our stockholders. The holding company reorganization was intended to create a more efficient corporate structure and increase operational flexibility. The anticipated benefits of this reorganization may not be obtained if circumstances prevent us from taking advantage of the opportunities that we expect it may afford us. As a result, we may incur the costs of a holding company structure without realizing the anticipated benefits, which could adversely affect our reputation, financial condition, and results of operations.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

We do not own any real estate. We lease approximately 54,000 square feet of industrial space at 7100 Technology Drive in West Melbourne, Florida. In November 2018, the lease was amended to provide for certain leasehold improvements and extend the lease term until June 30, 2027. Rental, maintenance and tax expenses for this facility were approximately \$688,000 and \$556,000 in 2022 and 2021, respectively.

We lease approximately 6,857 square feet of office space at Sawgrass Technology Park, 1619 NW 136th Avenue in Sunrise, Florida. This lease will expire on December 31, 2025. Annual rental, maintenance and tax expenses for the facility were approximately \$203,000 and \$208,000 in 2022 and 2021, respectively.

Item 3. Legal Proceedings.

From time to time we may be involved in various claims and legal actions arising in the ordinary course of our business. There were no pending material claims or legal matters as of December 31, 2022.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

Item 5. Market For Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

(a) Market Information.

Our common stock trades on the NYSE American under the symbol “BKT1.”

(b) Holders.

On March 1, 2023, there were 517 holders of record of our common stock.

(c) Dividends.

We have historically paid quarterly cash dividends. The declaration and payment of cash dividends, if any, is subject to the discretion of the Board of Directors. The Board’s final determination as to whether to declare and pay dividends is based upon its consideration of our operating results, financial condition and anticipated capital requirements, as well as such other factors it may deem relevant. Past performance is no guarantee of future results.

We receive dividends from our wholly owned subsidiary, BK Technologies, Inc., to fund past dividends to our stockholders.

(d) Issuer Purchases of Equity Securities.

On December 17, 2021, the board authorized a share repurchase program which permits the Company to purchase up to an aggregate of \$5 million of its common shares. The program does not have an expiration date. Any repurchases would be funded using cash on hand and cash from operations. The actual timing, manner and number of shares repurchased under the program will be determined by management and the Board of Directors at their discretion, and will depend on several factors, including the market price of the Company’s common shares, general market and economic conditions, alternative investment opportunities, and other business considerations in accordance with applicable securities laws and exchange rules. The authorization of the share repurchase program does not require BK Technologies to acquire any particular number of shares and repurchases may be suspended or terminated at any time at the Company’s discretion. The Company has not purchased shares of our common stock under this program in 2021 and 2022.

ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Still be Purchased Under the Plans or Programs
October 1-31, 2022	—	—	—	\$ 5,000,000
November 1-30, 2022	—	—	—	\$ 5,000,000
December 1–31, 2022	—	—	—	\$ 5,000,000
TOTAL	—	\$ —	—	\$ 5,000,000

Item 6. [Reserved]

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

Forward-Looking Statements

We believe that it is important to communicate our future expectations to our security holders and to the public. This report, including any information incorporated by reference in this report, therefore, contains statements about future events and expectations which are “forward-looking statements” within the meaning of Sections 27A of the Securities Act of 1933, as amended, and 21E of the Exchange Act, including the statements about our plans, objectives, expectations and prospects under the heading “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” You can expect to identify these statements by forward-looking words such as “may,” “might,” “could,” “would,” “should,” “will,” “anticipate,” “believe,” “plan,” “estimate,” “project,” “expect,” “intend,” “seek,” “are encouraged” and other similar expressions. Any statement contained in this report that is not a statement of historical fact may be deemed to be a forward-looking statement. We also may make forward-looking statements in other documents that are filed or furnished with the SEC. In addition, we may make forward-looking statements orally or in writing to investors, analysts, members of the media, or others. Forward-looking statements include, but are not limited to, the following: changes or advances in technology; the success of our SaaS and Radio business lines and the products offered thereunder; successful introduction of new products and technologies, including our ability to successfully develop and sell our anticipated SaaS products, and our new multiband radio product and other related products in the planned new BKR Series product line; competition in the LMR industry; general economic and business conditions, including federal, state and local government budget deficits and spending limitations and any impact from a prolonged shutdown of the U.S. Government; the availability, terms and deployment of capital; reliance on contract manufacturers and suppliers; risks associated with fixed-price contracts; heavy reliance on sales to agencies of the U.S. Government and our ability to comply with the requirements of contracts, laws and regulations related to such sales; allocations by government agencies among multiple approved suppliers under existing agreements; our ability to comply with U.S. tax laws and utilize deferred tax assets; our ability to attract and retain executive officers, skilled workers and key personnel; our ability to manage our growth; our ability to identify potential candidates for, and consummate, acquisition, disposition or investment transactions, and risks incumbent to being a noncontrolling interest stockholder in a corporation; impact of our capital allocation strategy; risks related to maintaining our brand and reputation; impact of government regulation; rising health care costs; our business with manufacturers located in other countries, including changes in the U.S. Government and foreign governments’ trade and tariff policies; our inventory and debt levels; protection of our intellectual property rights; fluctuation in our operating results and stock price; acts of war or terrorism, natural disasters and other catastrophic events; any infringement claims; data security breaches, cyber attacks and other factors impacting our technology systems; availability of adequate insurance coverage; maintenance of our NYSE American listing; risks related to being a holding company; and the effect on our stock price and ability to raise equity capital of future sales of shares of our common stock.

Although we believe that the plans, objectives, expectations and prospects reflected in or suggested by our forward-looking statements are reasonable, those statements involve risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements, and we can give no assurance that our plans, objectives, expectations and prospects will be achieved. Any forward-looking statement made by us or on our behalf speaks only as of the date that it was made. We do not undertake to update any forward-looking statement to reflect the impact of events, circumstances, or results that arise after the date that the statement was made, except as required by applicable securities laws. You, however, should consult further disclosures (including disclosures of a forward-looking nature) that we may make in any subsequent Annual Report on Form 10-K, Quarterly Report on Form 10-Q, or Current Report on Form 8-K.

Important factors that might cause our actual results to differ materially from the results contemplated by the forward-looking statements are contained in “Part I—Item 1A. Risk Factors” and elsewhere in this report and in our subsequent filings with the SEC. We assume no obligation to publicly update or revise any forward-looking statements made in this report, whether as a result of new information, future events, changes in assumptions or otherwise, after the date of this report. Readers are cautioned not to place undue reliance on these forward-looking statements.

Executive Summary

BK Technologies Corporation (NYSE American: BKT) (together with its wholly owned subsidiaries, “BK,” the “Company,” “we” or “us”) is a holding company that, through BK Technologies, Inc., its operating subsidiary, provides public safety grade communications products and services which make first responders safer and more efficient. All operating activities described herein are undertaken by our operating subsidiary.

In business for over 70 years, BK operates two business units through its operating subsidiary, BK Technologies, Inc.: Radio and SaaS.

The Radio business unit designs, manufactures and markets American-made wireless communications products consisting of two-way land mobile radios (“LMRs”). Two-way LMRs can be radios that are hand-held (portable) or installed in vehicles (mobile).

Generally, BK Technologies-branded products serve the government markets including but not limited to emergency response, public safety, homeland security and military customers of federal, state and municipal government agencies, as well as various industrial and commercial enterprises. We believe that our products and solutions provide superior value by offering a high specification, ruggedized, durable, reliable, feature rich, P25 compliant radio at a lower cost relative to comparable offerings.

The SaaS business unit focuses on delivering innovative, public safety smartphone applications which operate ubiquitously over the public cellular networks. Our BKRPlay branded smartphone application will offer multiple services which make the first responder safer and more efficient. When tethered to our radios, the combined solution will offer more unique capability which increases the sales reach of our radios.

We were incorporated under the laws of the State of Nevada on October 24, 1997. We are the resulting corporation from the reincorporation merger of our predecessor, Adage, Inc., a Pennsylvania corporation, which reincorporated from Pennsylvania to Nevada effective as of January 30, 1998. Effective on June 4, 2018, we changed our corporate name from “RELM Wireless Corporation” to “BK Technologies, Inc.”

Our principal executive offices are located at 7100 Technology Drive, West Melbourne, Florida 32904 and our telephone number is (321) 984-1414.

Customer demand and orders for our products were strong during 2022. Supply chain constraints limited our ability to manufacture the quantities needed to ship and fulfill all the orders. Consequently, these orders were carried in backlog, and we anticipate fulfilling many of these orders during the first half of 2023.

For 2022, sales grew approximately 12.3% to approximately \$51.0 million, compared with \$45.4 million for the prior year. The growth was attributed primarily to state and local public safety agencies, as well as the first model in our BKR line of products. Gross profit margins as a percentage of sales in 2022 were 19.3%, compared with 35.8% for the prior year, generally reflecting increases in material, component and freight costs. Selling, general and administrative (“SG&A”) expenses for 2022 totaled approximately \$20.9 million (41.1% of sales), compared with \$17.5 million (38.5% of sales) last year. We recognized an operating loss in 2022 of approximately \$11.1 million, which was attributed primarily to increased product costs and operating expenses. For the prior year we recognized an operating loss of approximately \$1.2 million.

In 2022 we recognized other expenses, net totaling approximately 553,000, primarily attributed to net realized and unrealized losses from our investment in FG Financial Group, Inc. This compares with other expense of \$318,000 last year, which was also primarily related to an unrealized loss from the investment in FG Financial Group, Inc.

For 2022 the pretax loss totaled approximately \$11.6 million, compared with pretax loss of approximately \$1.5 million for the prior year.

We recognized no tax expense in 2022, compared with approximately \$187,000 for the prior year. Our income tax expense for 2021 was largely non-cash as a result of deferred items.

The net loss for 2022 totaled approximately \$11.6 million (\$0.69 per basic share), compared with net loss of approximately \$1.7 million (\$0.11 per basic share) last year.

As of December 31, 2022, working capital totaled approximately \$13.2 million, of which \$12.5 million was comprised of cash, cash equivalents and trade receivables. This compares with working capital totaling approximately \$25.2 million at 2021 year-end, which included \$18.8 million of cash, cash equivalents and trade receivables. During 2022, we declared three and paid four quarterly dividends, utilizing cash of approximately \$2.0 million.

Impact of COVID-19 Pandemic and Supply Chain

In December 2019, a novel strain of the coronavirus (COVID-19) surfaced, which spread globally and was declared a pandemic by the World Health Organization in March 2020. The challenges posed by the COVID-19 pandemic on the global economy increased significantly in the first several months of 2020. In response to COVID-19, national and local governments around the world instituted certain measures, including travel bans, prohibitions on group events and gatherings, shutdowns of certain businesses, curfews, shelter-in-place orders, and recommendations to practice social distancing. We are considered an “essential business” that is supporting first responders and our manufacturing operations have remained open throughout the pandemic. We implemented certain policies at our offices in accordance with best practices to accommodate, and at times mandate, social distancing, wearing face masks, and remote work practices. Among other things, we have invested in employee safety equipment, additional cleaning supplies and measures, adjusted production lines and workplaces as necessary and adapted new processes for interactions with our suppliers and customers to safely manage our operations. Any employees that test positive for COVID-19 are quarantined and, if possible, work remotely in accordance with accepted safety practices until after passing subsequent testing.

In planning for the possible disruption of our business, we took steps to reduce expenses throughout the Company. This included suspending all Company travel for a period of time, as well as our participation in trade shows and other business meetings, instituting strict inventory control and decreasing expenditures. We also implemented workforce reductions during the third quarter of 2020 and suspended the employer’s 401K match. The impact to our business in 2021, particularly customer orders, is not known with any certainty. However, we received record customer orders of approximately \$70 million in 2022. Worldwide shortages of materials, particularly semiconductors and integrated circuits, have resulted in limited supplies, extended lead times, and increased our costs and inventory levels for certain components used in our products. While, generally, we have been able to procure the material necessary to manufacture our products and fulfill customer orders in 2022, there have been some delays and longer delivery times within our supply chain. While the progression and duration of these shortages is not known with certainty, they may last for several quarters or years. The impact on our operations of such shortages, or additional shortages that may surface, is uncertain, but could potentially impact our future sales, manufacturing operations and financial results. Continued progression of these circumstances could result in a decline in customer orders, as our customers could shift purchases to lower-priced or other perceived value offerings or reduce their purchases and inventories due to decreased budgets, reduced access to credit or various other factors, and impair our ability to manufacture our products, which could have a material adverse impact on our results of operations and cash flow. While the current impacts of COVID-19 are reflected in our results of operations, we cannot at this time separate the direct COVID-19 impacts from other factors that cause our performance to vary from quarter to quarter. The ultimate duration and impact of the COVID-19 pandemic on our business, results of operations, financial condition and cash flows is dependent on future developments, including the duration and severity of the pandemic, and the related length of its impact on the global economy, which are uncertain and cannot be predicted at this time. Even after the COVID-19 pandemic has subsided, we may continue to experience an adverse impact to our business as a result of its national and, to some extent, global economic impact. Furthermore, the extent to which our mitigation efforts are successful, if at all, is not presently ascertainable. However, our results of operations in future periods may continue to be adversely impacted by the COVID-19 pandemic and its negative effects on global economic conditions. For additional risks relating to the COVID-19 pandemic, see Item 1A. Risk Factors in Part II of this report.

We may experience fluctuations in our quarterly results, in part, due to governmental customer spending patterns that are influenced by government fiscal year-end budgets and appropriations. We may also experience fluctuations in our quarterly results, in part, due to our sales to federal and state agencies that participate in wildland fire-suppression efforts, which may be greater during the summer season when forest fire activity is heightened. In some years, these factors may cause an increase in sales for the second and third quarters, compared with the first and fourth quarters of the same fiscal year. Such increases in sales may cause quarterly variances in our cash flow from operations and overall financial condition.

Results of Operations

As an aid to understanding our operating results, the following table shows items from our consolidated statements of operations expressed as a percentage of sales:

	Percent of Sales for Years Ended December 31,	
	2022	2021
Sales	100.0%	100.0%
Cost of products	(80.7)	(64.2)
Gross margin	19.3	35.8
Selling, general and administrative expenses	(41.1)	(38.5)
Other (expense) income, net	(1.1)	(0.7)
(Loss) income before income taxes	(22.8)	(3.3)
Income tax expense	-	(0.4)
Net Income (loss)	(22.8)%	(3.7)%

Fiscal Year 2022 Compared With Fiscal Year 2021*Sales, net*

For 2022, net sales increased approximately \$5.6 million to approximately \$51.0 million, compared with approximately \$45.4 million last year.

Customer demand and orders for our products were strong in 2022. Supply chain constraints limited our ability to manufacture the quantities needed to convert the orders into shipments and sales revenue. Accordingly, as of December 31, 2022, these orders were carried in backlog, and we anticipate fulfilling many of them during the first half of 2023. Although supply chain factors may continue to create delays for certain components during the next few quarters, we anticipate being able to fulfill customer requirements. The precise impact to sales and shipments in any particular quarter, however, cannot be quantified.

Sales for the year ended December 31, 2022, were attributed primarily to federal, state and municipal public safety agencies, some of which were new customers.

The sale of the BKR 5000, the first model in our new BKR Series of APCO P25 land mobile radio products and solutions was launched in the second half of 2020 and significantly impacted sales in 2021. The BKR Series is envisioned as a comprehensive line of new products, which will include additional models in coming quarters. The timing of developing additional BKR Series products and bringing them to market could be impacted by various factors, including potential impacts related to our supply chain, labor shortages, wage pressures, rising inflation, and other force majeure events, such as the COVID-19 pandemic. BKR Series products, we believe, should increase our addressable market by expanding the number of federal and other public safety customers that may purchase our products. However, the timing and size of orders from agencies at all levels can be unpredictable and subject to budgets, priorities, and other factors. Accordingly, we cannot assure that sales will occur under particular contracts, or that our sales prospects will otherwise be realized.

As of the end of 2022, our current backlog of customer orders and the funnel of sales prospects is healthy and includes potential new customers in federal, state, and local public safety agencies. We believe the BKR Series products, our expanded sales force, and our sales funnel, position us well to capture new sales opportunities moving forward.

The impacts of material shortages, lead-times, labor shortages, wage pressures, rising inflation, the ongoing military conflict between Russia and Ukraine and other geopolitical events, and the COVID-19 pandemic in coming months and quarters is uncertain. Such effects have the potential to adversely impact our customers and our supply chain, which could adversely affect our future sales, operations, and financial results.

Cost of Products and Gross Profit Margin

Gross profit margins as a percentage of sales for 2022 were approximately 19.3%, compared with 35.8% for the prior year.

Our cost of products and gross profit margins are primarily derived from material, labor and overhead costs, product mix, manufacturing volumes and pricing. Gross profit margins for the year ended December 31, 2022, decreased compared with the same period last year primarily due to increased material, component and freight costs related primarily to supply chain factors, as well as one-time inventory adjustment related to certain components of our BKR product line.

We utilize a combination of internal manufacturing capabilities and contract manufacturing relationships for production efficiencies and to manage material and labor costs. While we anticipate continuing to do so in the future, we have increased, and are continuing to increase, our utilization of U.S.-based resources, which provides greater security and control over our production. We believe that our current manufacturing capabilities and contract relationships or comparable alternatives will continue to be available to us. Although in the future we may encounter new product cost and competitive pricing pressures, the extent of their impact on gross margins, if any, is uncertain.

During recent quarters, worldwide shortages of materials, including semiconductors and integrated circuits, have resulted in limited supplies and extended lead times for certain components used in our products. While, generally, we have been able to procure the material necessary to manufacture our products and fulfill customer orders, there have been delays, extended lead times and increased costs within our supply chain. While the progression and duration of these shortages is not known with certainty, they may have a lesser impact our operations for the next few quarters. The impact on our operations of such shortages, or additional shortages that may surface, is uncertain, but could potentially impact our future sales, manufacturing operations and financial results.

Selling, General and Administrative Expenses

SG&A expenses consist of marketing, sales, commissions, engineering, product development, management information systems, accounting, headquarters, and non-cash share-based employee compensation expenses.

SG&A expenses for the year ended December 31, 2022, totaled approximately \$20.9 million (41.1% of sales), compared with approximately \$17.5 million (38.5% of sales) for the prior year.

Engineering and product development expenses for 2022 totaled approximately \$9.6 million (18.8% of sales), compared with approximately \$8.1 million (17.9% of sales) for the prior year. The engineering expense of \$9.6 million for 2022, includes a one-time write-off of \$646,000 of new product development components that were not included in the final design of the BKR 9000 radio. Engineering and product development expenses are primarily related to the continued design and development of BKR Series, a new line of portable and mobile radios. These development activities are the main focus of our engineering team. The precise date for developing and introducing new products is uncertain and can be impacted by, among other things, supply chain shortages and the potential effects of the COVID-19 pandemic in coming months.

Marketing and selling expenses for the year ended December 31, 2022, totaled approximately \$4.4 million (8.6% of sales), compared with approximately \$4.0 million (8.9% of sales) for the prior year. The increase in marketing and selling expenses for the year are attributed to staff-related and other sales and go-to-market expenses, which were partially offset by decreased commissions.

General and administrative expenses for the year ended December 31, 2022, totaled approximately \$6.9 million (13.6% of sales), compared with approximately \$5.4 million (11.7% of sales) for the prior year. The increase in general and administrative expenses for the year is attributed primarily to corporate management and headquarters related expenses.

Operating Loss

For the year ended December 31, 2022, our operating loss totaled approximately \$11.1 million (21.7% of sales), compared with operating loss of approximately \$1.2 million (2.6% of sales), for the prior year. The operating loss for the year is attributed primarily to increased material and product development costs, which adversely impacted gross profit margins, and increased general and administrative expenses.

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Other (Expense) Income

Interest (Expense) Income

We recorded net interest expense of approximately \$144,000 for the year ended December 31, 2022, compared with approximately \$53,000 for the prior year. Net interest expense was attributed primarily to our credit facility and equipment financing.

Gain/Loss on Investment

For the year ended December 31, 2022, we recognized a realized and unrealized loss of approximately \$313,000 on our investment in FG Financial Group, Inc., compared with an unrealized loss of approximately \$219,000 for the prior year.

Income Tax/(Expense) Benefit

We recorded no income tax expense for the year ended December 31, 2022, compared with income tax expense of \$187,000 for the prior year.

Our income tax provision is based on the effective tax rate for the year. The tax expense in any period may be affected by, among other things, permanent, as well as temporary, differences in the deductibility of certain items, in addition to changes in tax legislation. As a result, we may experience fluctuations in the effective book tax rate (that is, tax expense divided by pre-tax book income) from period to period.

As of December 31, 2022, our net deferred tax assets totaled approximately \$4.1 million, and were primarily derived from research and development tax credits, operating loss carryforwards and deferred revenue.

In order to fully utilize the net deferred tax assets, we will need to generate sufficient taxable income in future years. We analyze all positive and negative evidence to determine if, based on the weight of available evidence, we are more likely than not to realize the benefit of the net deferred tax assets. The recognition of the net deferred tax assets and related tax benefits is based upon our conclusions regarding, among other considerations, estimates of future earnings based on information currently available and current and anticipated customers, contracts, and product introductions, as well as historical operating results and certain tax planning strategies.

Based on our analysis of all available evidence, both positive and negative, we have concluded that we do not have the ability to generate sufficient taxable income in the necessary period to utilize the entire benefit for the deferred tax assets. Accordingly, we established a valuation allowance of \$3,356,000. We cannot presently estimate what, if any, changes to the valuation of our deferred tax assets may be deemed appropriate in the future. If we incur future losses, it may be necessary to record additional valuation allowance related to the deferred tax assets recognized as of December 31, 2022.

Liquidity and Capital Resources

For the year ended December 31, 2022, net cash used in operating activities totaled approximately \$9.0 million, compared with cash used by operating activities of approximately \$6.3 million for the prior year. Cash used in operating activities for the year was primarily related to a net loss, increased inventory, and increases in accounts receivable, which were partially offset by increased accounts payable and depreciation and amortization.

For 2022, we had a net loss of approximately \$11.6 million, compared with net loss of approximately \$1.7 million for the prior year. Net inventories increased during the year ended December 31, 2022, by approximately \$5.1 million, compared with an increase of approximately \$7.1 million for the prior year. The increase was primarily attributable to extended supply-chain lead times, which impacted material purchases and sales shipments, as well as material for planned new product introductions. Accounts receivable increased approximately \$2.4 million during the year ended December 31, 2022, primarily due to the timing of sales that were consummated later in the year that had not yet completed their collection cycle. For the same period last year, accounts receivable increased approximately \$1.8 million. Accounts payable for the year ended December 31, 2022, increased approximately \$7.0 million, compared with an increase of approximately \$0.8 million for the prior year, primarily due to the timing of purchases and longer lead times for materials from suppliers. Depreciation and amortization totaled approximately \$1.4 million for the year ended December 31, 2022, compared with approximately \$1.4 million for the prior year. Depreciation and amortization are primarily related to manufacturing and engineering equipment.

Cash used in investing activities for the year ended December 31, 2022, totaled approximately \$1.8 million, primarily for manufacturing and engineering related equipment. For the prior year, cash used in investing activities totaled approximately \$2.3 million, primarily for purchases of engineering and manufacturing related equipment.

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For the year ended December 31, 2022, cash of approximately \$2.1 million was provided by financing activities. During the year, we received proceeds of approximately \$9.7 million from the IPSA with Alterna. This was partially offset by credit facility repayments of \$5.3 million and loan repayments of approximately \$277,000. For the same period last year, we closed a public offering of our common stock, generating net proceeds of approximately \$11.6 million. During the year, we received proceeds of approximately \$5.7 million from our revolving credit facility and from financing related to the purchase of manufacturing equipment, that was partially offset by loan repayments of approximately \$3.7 million. We used cash of approximately \$2.0 million and \$1.2 million to pay quarterly dividends for the years ended December 31, 2022 and 2021, respectively.

On November 22, 2022, the Company's Subsidiaries (BK Technologies, Inc. and RELM Communications, Inc.) entered into an Invoice Purchase and Security Agreement (the "IPSA") with Alterna Capital Solutions, LLC ("Alterna") for a one-year line of credit with total maximum funding up to \$15 million, with an interest rate of Prime plus 1.85% and other monthly administrative fees. The IPSA line of credit is an accounts receivable and inventory financing facility, with the borrowing base of up to 85% of eligible accounts receivable and up to 75% of net orderly liquidation value of inventory, not to exceed 100% of eligible accounts receivable. The Company used the funds obtained from the IPSA to replace the existing JPMC Credit Agreement described below and for working capital for the business.

On January 13, 2020, BK Technologies, Inc., our wholly owned subsidiary, entered into the \$5 million Credit Agreement with JPMC. The Credit Agreement provided for a revolving line of credit of up to \$5 million, with availability under the line of credit subject to a borrowing base calculated as a percentage of accounts receivable and inventory. Proceeds of borrowings under the Credit Agreement may have or were used for general corporate purposes. The line of credit was collateralized by a blanket lien on all personal property of BK Technologies, Inc. pursuant to the terms of the Continuing Security Agreement with JPMC. BK Technologies Corporation and each subsidiary of BK Technologies, Inc., were guarantors of the obligations under the Credit Agreement, in accordance with the terms of the Continuing Guaranty. As noted above, all amounts owed under the Credit Agreement with JPMC were paid in full with proceeds from the IPSA.

Borrowings under the JPMC Credit Agreement were to bear interest at the secured overnight financing rate plus a margin of 2.0%. The line of credit was to be repaid in monthly payments of interest only, payable in arrears, with all outstanding principal and interest to be payable in full at maturity.

The JPMC Credit Agreement contained certain customary restrictive covenants, including restrictions on liens, indebtedness, loans and guarantees, acquisitions and mergers, sales of assets, and stock repurchases by BK Technologies, Inc. The Credit Agreement contained one financial covenant requiring BK Technologies, Inc., to maintain a tangible net worth of at least \$20 million at any fiscal quarter end.

The IPSA provides for the payment of fees by the Subsidiaries and includes customary representations and warranties, indemnification provisions, covenants, and events of default. Subject in some cases to cure periods, amounts outstanding under the IPSA may be accelerated for typical defaults including, but not limited to, the failure to make payments when due, the failure to perform any covenant, the inaccuracy of representations and warranties, the occurrence of debtor-relief proceedings, and the occurrence of unpermitted liens against the purchased accounts receivable and collateral. The Subsidiaries have granted Alterna a security interest in all of their respective personal property to secure their obligations under the IPSA. The Subsidiaries entered into a cross-guarantee, guaranteeing each other's obligations under the IPSA, and BK also provided a guaranty of the Subsidiaries' obligations under the IPSA.

As of December 31, 2022, and the date of filing this report, approximately \$6.0 million and \$5.6 in borrowings were outstanding under the IPSA, respectively.

On April 6, 2021, BK Technologies, Inc., a wholly owned subsidiary of BK Technologies Corporation, and JPMC, as a lender, entered into a Master Loan Agreement in the amount of \$743,000 to finance various items of manufacturing equipment. The loan is collateralized by the equipment purchased using the proceeds. The Master Loan Agreement is payable in 48 equal monthly principal and interest payments of approximately \$16,000 beginning on May 8, 2021, matures on April 8, 2025, and bears a fixed interest rate of 3.0%.

Our cash and cash equivalents balance at December 31, 2022, was approximately \$1.9 million. We believe these funds, combined with anticipated cash generated from operations and borrowing availability under our IPSA, are sufficient to meet our working capital requirements for the foreseeable future. We may, depending on a variety of factors, including market conditions for capital raises, the trading price of our common stock and opportunities for uses of any proceeds, engage in public or private offerings of equity or debt securities to increase our capital resources. However, financial and economic conditions, including those resulting from supply chain delays or interruptions, labor shortages, wage pressures, rising inflation, geopolitical events, and other force majeure events, such as the COVID-19 pandemic, could limit our access to credit and impair our ability to raise capital, if needed, on acceptable terms or at all. We also face other risks that could impact our business, liquidity, and financial condition. For a description of these risks, see “Item 1A. Risk Factors” set forth in this report.

Recent Accounting Pronouncements

The Company does not discuss recent pronouncements that are not anticipated to have an impact on or are unrelated to its financial condition, results of operations, cash flows or disclosures.

Critical Accounting Policies and Estimates

In response to the Securities and Exchange Commission’s financial reporting release, FR-60, Cautionary Advice Regarding Disclosure About Critical Accounting Policies, we have selected for disclosure our revenue recognition process and our accounting processes involving significant judgments, estimates and assumptions. These processes affect our reported revenues and current assets and are, therefore, critical in assessing our financial and operating status. We regularly evaluate these processes in preparing our financial statements. The processes for determining the allowance for collection of trade receivables, allowance for excess or obsolete inventory, and income taxes involve certain assumptions and estimates that we believe to be reasonable under present facts and circumstances. These estimates and assumptions, if incorrect, could adversely impact our operations and financial position.

There were no changes to our critical accounting policies during the twelve months ended December 31, 2022.

Allowance for Collection of Trade Receivables

The allowance for doubtful accounts was approximately \$50,000 on gross trade receivables of approximately \$10.7 million as of December 31, 2022, as compared with \$50,000 on gross trade receivables of approximately \$8.3 million as of December 31, 2021. This allowance is used to state trade receivables at a net realizable value or the amount that we estimate will be collected on our gross receivables as of December 31, 2022 and 2021. Because the amount that we will actually collect on the receivables outstanding as of December 31, 2022 and 2021 cannot be known with certainty, we rely on prior experience. Our historical collection losses have typically been infrequent, with write-offs of trade receivables being significantly less than 1% of sales during past years. Accordingly, we have maintained a general allowance of up to approximately 5% of the gross trade receivables balance in order to allow for future collection losses that arise from customer accounts that do not indicate the inability to pay but turn out to have such an inability. Currently, our general allowance on trade receivables is approximately 0.5% of gross receivables. As revenues and total receivables increase, the allowance balance may also increase. We also maintain a specific allowance for customer accounts that we know may not be collectible due to various reasons, such as bankruptcy and other customer liquidity issues. We analyze our trade receivables portfolio based on the age of each customer’s invoice. In this way, we can identify those accounts that are more likely than not to have collection problems. We may reserve a portion or all of the customer’s balance. As of December 31, 2022 and 2021, we had no specific allowance on trade receivables.

Slow Moving, Excess or Obsolete Inventory

The allowance for slow moving, excess or obsolete inventory was approximately \$1.2 million and \$1.3 million at December 31, 2022 and 2021, respectively.

The allowance for slow-moving, excess, and obsolete inventory is used to state our inventories at the lower of cost or net realizable value. Because the amount of inventory that we will actually recoup through sales cannot be known with certainty at any particular time, we rely on past sales experience, future sales forecasts and our strategic business plans. Generally, in analyzing our inventory levels, we classify inventory as having been used or unused during the past year and establish an allowance based upon several factors, including, but not limited to, business forecasts, inventory quantities and historical usage profile. Supplemental to the aforementioned analysis, specific inventory items are reviewed individually by management. Based on the review, considering business levels, future prospects, new products and technology changes, management, using its business judgment, may adjust the valuation of specific inventory items to reflect an accurate valuation estimate. Management also performs a determination of net realizable value for all finished goods with a selling price below cost. For all such items, the inventory is valued at not more than the selling price less cost, if any, to sell.

Allowance for Product Warranty

We offer two-year standard warranties to our customers, depending on the specific product and terms of the customer purchase agreement. Our typical warranties require us to repair and replace defective products during the warranty period at no cost to the customer. At the time the product revenue is recognized, we record a liability for estimated costs under our warranties. The costs are estimated based on historical experience. We periodically assess the adequacy of our recorded liability for product warranties and adjust the amount as necessary.

Income Taxes

We account for income taxes using the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted tax rates expected to apply in the period in which the deferred tax asset or liability is expected to be realized. The effect of changes in net deferred tax assets and liabilities is recognized on our consolidated balance sheets and consolidated statements of operations in the period in which the change is recognized. Valuation allowances are provided to the extent that it is more likely than not that some portion, or all, of deferred tax assets will not be realized. In determining whether a tax asset is realizable, we consider, among other things, estimates of future earnings based on information currently available, current and anticipated customers, contracts and new product introductions, as well as recent operating results and certain tax planning strategies. If we fail to achieve the future results anticipated in the calculation and valuation of net deferred tax assets, we may be required to increase the valuation allowance related to our deferred tax assets in the future.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Not required for smaller reporting companies.

Item 8. Financial Statements and Supplementary Data.

See the Consolidated Financial Statements included in this report.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders
BK Technologies Corporation
West Melbourne, Florida

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of BK Technologies Corporation (the “Company”) as of December 31, 2022 and 2021, and the related consolidated statements of operations, changes in stockholders’ equity, and cash flows for each of the years in the two-year period ended December 31, 2022, and the related notes (collectively referred to as the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2022, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As a part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Allowance for Slow-Moving, Excess, and Obsolete Inventory

As disclosed in Note 1 of the Company's consolidated financial statements, the Company records an estimated allowance for slow-moving, excess, and obsolete inventory to state the Company's inventories at the lower of cost or net realizable value. The Company relies on, among other things, past usage/sales experience, future sales forecasts, and its strategic business plan to develop the estimate. As a result of management's assessment, the Company recorded an allowance for slow-moving, excess, and obsolete inventory of approximately \$1,247,000 as of December 31, 2022.

Auditing management's estimate of the allowance for slow-moving, excess, and obsolete inventory involved subjective evaluation and high degree of auditor judgement due to significant assumptions involved in estimating future inventory turnover and sales.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. We obtained an understanding and evaluated the design of internal controls that address the risks of material misstatement relating to recording inventory at the lower of cost or net realizable value. We tested the accuracy and completeness of the underlying data used in calculating the allowance, including testing of a sample of inventory usage transactions, and recomputed the allowance calculation. We also evaluated the Company's ability to accurately estimate the assumptions used to develop the estimate by comparing historical allowance amounts to the history of actual inventory write-offs. Furthermore, we reviewed management's business plan and forecasts of future sales, including expected changes in technology and product lines.

Assessment of Realizability of Deferred Tax Assets

As disclosed in Note 8 of the Company's consolidated financial statements, the Company records and measures net deferred tax assets based on estimated realizability. Valuation allowances are provided to the extent that it is more likely than not that some portion, or all, of deferred tax assets will not be realized. The Company recorded approximately \$4,116,000 in net deferred tax assets after recording a valuation allowance of approximately \$3,356,000 as of December 31, 2022.

Auditing management's assessment of the realizability of deferred tax assets involved subjective estimation and high degree of auditor judgment in determining whether sufficient future taxable income, including projected pre-tax income, will be generated to support the realization of the existing deferred tax assets before expiration.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. We obtained an understanding and evaluated the design of internal controls that address the risks of material misstatement relating to the realizability of deferred tax assets, including controls over management's projections of pre-tax income, and related entity-level controls. We also evaluated the assumptions used by the Company to develop projections of future taxable income, and tested the completeness and accuracy of the underlying data used in the projections, including comparing the projections of pre-tax income with the actual results of prior periods. In addition, we analyzed the nature of items giving rise to deferred tax assets and considered related expiration dates, as applicable. Furthermore, we evaluated management's business plan and analysis of current economic and industry trends, including the impact of the COVID-19 pandemic, and compared projections of future pre-tax income to other forecasted financial information prepared by management.

/s/MSL, P.A.

We have served as the Company's auditor since 2015.

Orlando, Florida
March 16, 2023

BK TECHNOLOGIES CORPORATION
CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)

	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,918	\$ 10,580
Trade accounts receivable, net	10,616	8,229
Inventories, net	22,105	16,978
Prepaid expenses and other current assets	1,578	1,634
Total current assets	<u>36,217</u>	<u>37,421</u>
Property, plant and equipment, net	4,884	4,556
Right-of-use (ROU) assets	1,991	2,399
Investments	1,481	1,795
Deferred tax assets, net	4,116	4,116
Other assets	143	98
Total assets	<u>\$ 48,832</u>	<u>\$ 50,385</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 12,898	\$ 5,883
Accrued compensation and related taxes	1,143	1,099
Accrued warranty expense	591	533
Accrued other expenses and other current liabilities	700	938
Dividends payable	—	505
Short-term lease liability	485	447
Credit facility	5,854	1,470
Notes payable-current portion	277	267
Deferred revenue	1,022	1,045
Total current liabilities	<u>22,970</u>	<u>12,187</u>
Notes payable, net of current portion	329	605
Long-term lease liability	1,785	2,269
Deferred revenue	3,613	2,706
Total liabilities	<u>28,697</u>	<u>17,767</u>
Commitments and contingencies		
Stockholders' equity:		
Preferred stock; \$1.00 par value; 1,000,000 authorized shares; none issued or outstanding	—	—
Common stock; \$0.60 par value; 50,000,000 authorized shares; 18,434,697 and 18,298,999 issued and 16,984,297 and 16,848,599 outstanding shares at December 31, 2022, and 2021, respectively	11,061	10,979
Additional paid-in capital	36,455	35,862
Accumulated deficit	(21,979)	(8,821)
Treasury stock, at cost, 1,450,400 shares at December 31, 2022, and 2021, respectively	(5,402)	(5,402)
Total stockholders' equity	<u>20,135</u>	<u>32,618</u>
Total liabilities and stockholders' equity	<u>\$ 48,832</u>	<u>\$ 50,385</u>

See notes to consolidated financial statements.

BK TECHNOLOGIES CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)

	Years Ended December 31,	
	2022	2021
Sales, net	\$ 50,951	\$ 45,364
Expenses		
Cost of products	41,107	29,103
Selling, general and administrative	20,925	17,457
Total operating expense	62,032	46,560
Operating loss	(11,081)	(1,196)
Other (expense) income:		
Net interest (expense)	(144)	(53)
Gain on disposal of property, plant, and equipment	1	40
(Loss) on investments	(313)	(219)
Other (expense)	(96)	(86)
Total other expense, net	(552)	(318)
Loss before income taxes	(11,633)	(1,514)
Provision for income tax (expense)	—	(187)
Net loss	\$ (11,633)	\$ (1,701)
Net loss per share-basic and diluted	\$ (0.69)	\$ (0.11)
Weighted average shares outstanding-basic and diluted	16,911	14,941

See notes to consolidated financial statements.

BK TECHNOLOGIES CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(in thousands, except share and per share data)

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Accumulated Deficit	Treasury Stock	Total
Balance as December 31, 2020	13,962,366	8,377	26,346	(5,693)	(5,402)	23,628
Common stock issued net of issuance cost	4,249,250	2,549	9,010	—	—	11,559
Common stock issued-restricted stock units	87,383	53	(53)	—	—	—
Share-based compensation expense-stock options	—	—	253	—	—	253
Share-based compensation expense-restricted stock units	—	—	306	—	—	306
Dividends declared (\$0.09 per share)	—	—	—	(1,427)	—	(1,427)
Net loss	—	—	—	(1,701)	—	(1,701)
Balance at December 31, 2021	18,298,999	10,979	35,862	(8,821)	(5,402)	32,618
Common stock issued-restricted stock units	135,698	82	(82)	—	—	—
Share-based compensation expense-stock options	—	—	271	—	—	271
Share-based compensation expense-restricted stock units	—	—	404	—	—	404
Dividends declared (\$0.09 per share)	—	—	—	(1,525)	—	(1,525)
Net loss	—	—	—	(11,633)	—	(11,633)
Balance at December 31, 2022	<u>18,434,697</u>	<u>\$ 11,061</u>	<u>\$ 36,455</u>	<u>\$ (21,979)</u>	<u>\$ (5,402)</u>	<u>\$ 20,135</u>

See notes to consolidated financial statements.

BK TECHNOLOGIES CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Years Ended December 31,	
	2022	2021
Operating activities		
Net loss	\$ (11,633)	\$ (1,701)
Adjustments to reconcile net loss to net cash used in operating activities:		
Allowance for doubtful accounts	170	—
Inventory allowance	81	700
Deferred tax expense	—	184
Depreciation and amortization	1,423	1,394
Share-based compensation expense -stock options	271	253
Share-based compensation expense-restricted stock units	404	306
Unrealized loss on investment	313	219
(Gain) on sale of equipment	(1)	(40)
Changes in operating assets and liabilities:		
Trade accounts receivable	(2,557)	(1763)
Inventories	(5,208)	(7,133)
Prepaid expenses and other current assets	56	244
Other assets	(45)	14
ROU Assets and Lease Liabilities	(38)	(23)
Accounts payable	7,015	764
Accrued compensation and related taxes	44	(536)
Accrued warranty expense	58	(258)
Deferred revenue	884	443
Accrued other expenses and other current liabilities	(237)	631
Net cash used in operating activities	(9,000)	(6,302)
Investing activities		
Proceed from the sale of property, plant, and equipment	—	72
Purchases of property, plant and equipment	(1,750)	(2,416)
Net cash used in investing activities	(1,750)	(2,344)
Financing activities		
Dividends paid	(2,029)	(1,172)
Proceeds from issuance of common stock, net of costs	-	11,559
Proceeds from credit facility and notes payable	9,722	5,743
Repayment of credit facility and notes payable	(5,605)	(3,730)
Net cash provided by financing activities	2,088	12,400
Net change in cash and cash equivalents	(8,662)	3,754
Cash and cash equivalents, beginning of year	10,580	6,826
Cash and cash equivalents, end of year	<u>\$ 1,918</u>	<u>\$ 10,580</u>
Supplemental disclosure		
Interest paid	<u>\$ 190</u>	<u>\$ 53</u>
Non-cash financing activity		
Common Stock issued under restricted stock units	<u>\$ 364</u>	<u>\$ 298</u>

See notes to consolidated financial statements.

BK TECHNOLOGIES CORPORATION
YEARS ENDED DECEMBER 31, 2022 AND 2021
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except share data and percentages)

1. Summary of Significant Accounting Policies

Description of Business

BK Technologies Corporation (collectively with its subsidiaries, the “Company”) is a holding company. The primary business of its wholly-owned operating subsidiary, BK Technologies, Inc., is the designing, manufacturing and marketing of wireless communications equipment primarily consisting of two-way land mobile radios and related products, which are sold in two primary markets: (1) the government and public safety market, and (2) the business and industrial market. The Company has only one reportable business segment.

On March 28, 2019, BK Technologies, Inc., the predecessor of BK Technologies Corporation, implemented a holding company reorganization, which resulted in BK Technologies Corporation becoming the direct parent company of, and the successor issuer to, BK Technologies, Inc. For the purpose of this report, references to the “Company” or its management or business at any period prior to the holding company reorganization (March 28, 2019) refer to those of BK Technologies, Inc. as the predecessor company and its subsidiaries and thereafter to those of BK Technologies Corporation and its subsidiaries, except as otherwise specified or to the extent the context otherwise indicates.

Principles of Consolidation

The accounts of the Company have been included in the accompanying consolidated financial statements. All significant intercompany balances and transactions have been eliminated in consolidation.

The Company consolidates entities in which it has a controlling financial interest. The Company determines whether it has a controlling financial interest in an entity by first evaluating whether the entity is a variable interest entity (“VIE”) or a voting interest entity.

VIEs are entities in which (i) the total equity investment at risk is not sufficient to enable the entity to finance its activities independently, or (ii) the at-risk equity holders do not have the normal characteristics of a controlling financial interest. A controlling financial interest in a VIE is present when an enterprise has one or more variable interests that have both (i) the power to direct the activities of the VIE that most significantly impact the VIE’s economic performance, and (ii) the obligation to absorb losses of the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. The enterprise with a controlling financial interest is the primary beneficiary and consolidates the VIE.

Voting interest entities lack one or more of the characteristics of a VIE. The usual condition for a controlling financial interest is ownership of a majority voting interest for a corporation or a majority of kick-out or participating rights for a limited partnership.

When the Company does not have a controlling financial interest in an entity but exerts significant influence over the entity’s operating and financial policies (generally defined as owning a voting or economic interest of between 20% to 50%), the Company’s investment is accounted for under the equity method of accounting. If the Company does not have a controlling financial interest in, or exert significant influence over, an entity, the Company accounts for its investment at fair value, if the fair value option was elected, or at cost.

Through September 30, 2022, the Company was the sole limited partner in FGI 1347 Holdings, LP (“1347 LP”), a consolidated VIE. As disclosed in Note 6, the Company ceased to be the limited partner of 1347 LP as of September 30, 2022.

Inventories

Inventories are stated at the lower of cost (determined by the average cost method) or net realizable value. Freight costs are classified as a component of cost of products in the accompanying consolidated statements of operations.

The allowance for slow-moving, excess, and obsolete inventory is used to state the Company’s inventories at the lower of cost or net realizable value. Because the amount of inventory that will actually be recouped through sales cannot be known with certainty at any particular time, the Company relies on past sales experience, future sales forecasts, and its strategic business plans. Generally, in analyzing inventory levels, inventory is classified as having been used or unused during the past year. The Company then establishes an allowance based upon several factors, including, but not limited to, business forecasts, inventory quantities and historic usage profile.

BK TECHNOLOGIES CORPORATION
YEARS ENDED DECEMBER 31, 2022 AND 2021
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except share data and percentages)

1. Summary of Significant Accounting Policies (Continued)

Supplemental to the aforementioned analysis, specific inventory items are reviewed individually by management. Based on the review, considering business levels, future prospects, new products and technology changes, management, using its business judgment, may adjust the valuation of specific inventory items to reflect an accurate valuation estimate. Management also performs a determination of net realizable value for all finished goods with a selling price below cost. For all such items, the inventory is valued at not more than the selling price less cost, if any, to sell.

Property, Plant and Equipment

Property, plant and equipment is carried at cost less accumulated depreciation. Expenditures for maintenance, repairs and minor renewals are expensed as incurred. When assets are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the respective accounts and the resulting gain or loss is reflected in operations for the period.

Depreciation and amortization are generally computed on the straight-line method using lives of 3 to 10 years for machinery and equipment and 5 to 8 years for leasehold improvements.

Impairment of Long-Lived Assets

Management regularly reviews long-lived assets and intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured as the amount by which the carrying amount of the assets exceeds their fair value, which considers the discounted future net cash flows. No long-lived assets were considered impaired at December 31, 2022 and 2021.

Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Allowance for Doubtful Accounts

The Company records an allowance for doubtful accounts based on specifically identified amounts that the Company believes to be uncollectible. The Company also records an additional allowance based on certain percentages of the Company's aged receivables, which are determined based on historical experience and the Company's assessment of the general financial conditions affecting the Company's customer base. If the Company's actual collections experience changes, revisions to the Company's allowance may be required. After all attempts to collect a receivable have failed, the receivable is written off against the allowance. Based on the information available, management believes the allowance for doubtful accounts as of December 31, 2022 and 2021 is adequate.

Revenue Recognition

The Company recognizes revenues in accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2014-09, "Revenue from Contracts with Customers" and the additional related ASUs ("ASC 606"), which replaced previous revenue guidance and outlines a single set of comprehensive principles for recognizing revenue under accounting principles generally accepted in the United States of America ("GAAP"). These standards provide guidance on recognizing revenue, including a five-step method to determine when revenue recognition is appropriate:

BK TECHNOLOGIES CORPORATION
YEARS ENDED DECEMBER 31, 2022 AND 2021
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except share data and percentages)

1. Summary of Significant Accounting Policies (Continued)

- Step 1: Identify the contract with the customer;
- Step 2: Identify the performance obligations in the contract;
- Step 3: Determine the transaction price;
- Step 4: Allocate the transaction price to the performance obligations; and
- Step 5: Recognize revenue as the Company satisfies a performance obligation.

ASC 606 provides that sales revenue is recognized when control of the promised goods or services is transferred to customers at an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. The Company generally satisfies performance obligations upon shipment of the product or service to the customer. This is consistent with the time in which the customer obtains control of the product or service. For extended warranties, sales revenue associated with the warranty is deferred at the time of sale and later recognized on a straight-line basis over the extended warranty period. Some contracts include installation services, which are completed in a short period of time and the revenue is recognized when the installation is complete. Customary payment terms are granted to customers, based on credit evaluations. Currently, the Company does not have any contracts where revenue is recognized, but the customer payment is contingent on a future event.

The Company periodically reviews its revenue recognition procedures to assure that such procedures are in accordance with GAAP. Surcharges collected on certain sales to government customers and remitted to governmental agencies are not included in revenues or in costs and expenses.

Income Taxes

The Company accounts for income taxes using the asset and liability method specified by GAAP. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted tax rates expected to apply in the period in which the deferred tax asset or liability is expected to be realized. The effect of changes in net deferred tax assets and liabilities is recognized on the Company's consolidated balance sheets and consolidated statements of operations in the period in which the change is recognized. Valuation allowances are provided to the extent that impairment of tax assets is more likely than not. In determining whether a tax asset is realizable, the Company considers, among other things, estimates of future earnings based on information currently available, current and anticipated customers, contracts and new product introductions, as well as recent operating results and certain tax planning strategies. If the Company fails to achieve the future results anticipated in the calculation and valuation of net deferred tax assets, the Company may be required to increase the valuation allowance related to its deferred tax assets in the future.

Concentration of Credit Risk

The Company performs periodic credit evaluations of its customers' financial condition and generally does not require collateral. At December 31, 2022 and 2021, accounts receivable from governmental customers were approximately \$3,772 and \$1,500, respectively. Generally, receivables are due within 30 days. Credit losses relating to customers have been consistently within management's expectations.

The Company primarily maintains cash balances at one financial institution. Accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250. From time to time, the Company has had cash in financial institutions in excess of federally insured limits. As of December 31, 2022, the Company had cash and cash equivalents in excess of FDIC limits of \$1,782.

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I. Summary of Significant Accounting Policies (Continued)

Manufacturing and Raw Materials

The Company relies upon a limited number of manufacturers to produce its products and on a limited number of component suppliers. Some of these manufacturers and suppliers are in other countries. Approximately 17.0% of the Company's material, subassembly and product procurements in 2022 were sourced internationally, of which approximately 80.6% were sourced from five suppliers. For 2021, approximately 32.4% of the Company's material, subassembly and product procurements were sourced internationally, of which approximately 31.0% were sourced from seven suppliers. Purchase orders denominated in U.S. dollars are placed with these suppliers from time to time and there are no guaranteed supply arrangements or commitments.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of sales and expenses during the reporting period. Significant estimates include accounts receivable allowances, inventory obsolescence allowance, warranty allowance, and income tax accruals. Actual results could differ from those estimates.

Fair Value of Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, trade accounts receivable, investment, accounts payable, accrued expenses, notes payable, credit facilities and other liabilities. As of December 31, 2022 and 2021, the carrying amount of cash and cash equivalents, trade accounts receivable, accounts payable, accrued expenses, notes payable, credit facilities and other liabilities approximated their respective fair value due to the short-term nature and maturity of these instruments.

Through September 14, 2022, the company held an investment in common stock of FG Financial Group, Inc. ("FGF") made via 1347 LP. The Company used observable market data assumptions (Level 1 inputs, as defined in accounting guidance) that it believed market participants would use in pricing its investment in FGF Financial Group Inc.

Effective September 14, 2022, the Company has an investment in Series B Common interests of FG Financial Holdings, LLC ("FG Holdings"). As further discussed in Note 6, the Company records the investment according to guidance provided by ASC 820 "Fair Value Measurement", as the Company does not have a controlling financial interest in, nor does it exert significant influence over the activities of FG Holdings. The investment in Series B common interests of FG Holdings is reported using net asset value ("NAV") of interests held by the Company at period-end. The NAV is calculated using the observable fair value of the underlying stock of FGF held by FG Holdings, plus uninvested cash, less liabilities, further adjusted through allocations based on distribution preferences, as defined in operating agreement of FG Holdings. The NAV is used as a practical expedient and has not been classified within the fair value hierarchy.

Liquidity

The Company incurred operating losses and reported negative cash flows from operations during 2022 and 2021. The Company's operating results have been negatively impacted by the worldwide shortages of materials, in particular semiconductors and integrated circuits, extended lead times, and increased costs and inventory levels for certain components.

On November 22, 2022, the Company's subsidiaries, BK Technologies, Inc. and RELM Communications, Inc. (the "Subsidiaries"), entered into an Invoice Purchase and Security Agreement ("IPSA") with Alterna Capital Solutions, LLC ("Alterna"), for a one-year Line of Credit with total maximum funding up to \$15 million. The Company used funds obtained from the Line of Credit to replace the existing JPMC Credit Agreement which was to expire on January 31, 2023 (see Note 5).

Management believes that cash and cash equivalents currently available, combined with anticipated cash to be generated from operations, and borrowing ability are sufficient to meet the Company's working capital requirements in the foreseeable future. The Company generally relies on cash from operations, commercial debt, and equity offerings, to the extent available, to satisfy its liquidity needs and to meet its payment obligations. The Company may engage in public or private offerings of equity or debt securities to maintain or increase its liquidity and capital resources (See Note 15). However, financial and economic conditions, including those resulting from the COVID-19 pandemic and the current geopolitical tension, could impact our ability to raise capital or debt financing, if needed, on acceptable terms or at all.

Advertising and Promotion Costs

The cost for advertising and promotion is expensed as incurred. Advertising and promotion expenses are classified as part of selling, general and administrative ("SG&A") expenses in the accompanying consolidated statements of operations. For the years ended December 31, 2022 and 2021, such expenses totaled \$145 and \$243, respectively.

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1. Summary of Significant Accounting Policies (Continued)

Engineering, Research and Development Costs

Included in SG&A expenses for the years ended December 31, 2022 and 2021 are engineering, research and development costs of \$9,604 and \$8,203, respectively.

Share-Based Compensation

The Company accounts for share-based arrangements in accordance with FASB ASC Topic 718 Compensation - Stock Compensation, which requires a public entity to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award (with limited exceptions). That cost will be recognized over the period during which the employee is required to provide service in exchange for the award requisite service period (usually the vesting period). No compensation cost is recognized for equity instruments for which employees do not render the requisite service.

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1. Summary of Significant Accounting Policies (Continued)

Earnings (loss) per share amounts are computed and presented for all periods in accordance with GAAP.

Comprehensive Income (loss)

Comprehensive income (loss) was equal to net income (loss) for the years ended December 31, 2022 and 2021.

Product Warranty

The Company offers two-year standard warranties to its customers, depending on the specific product and terms of the customer purchase agreement. The Company's typical warranties require it to repair and replace defective products during the warranty period at no cost to the customer. At the time the product revenue is recognized, the Company records a liability for estimated costs under its warranties. The costs are estimated based on historical experience. The Company periodically assesses the adequacy of its recorded liability for product warranties and adjusts the amount as necessary.

Recent Accounting Pronouncements

The Company does not discuss recent pronouncements that are not anticipated to have an impact on or are unrelated to its financial condition, results of operations, cash flows or disclosures.

Change in Accounting Principle

As disclosed in Note 2, on July 1, 2021, the Company changed its accounting for inventory to burden the material at the time of purchase receipts. Prior to July 1, 2021, the Company applied the material burden at the time the inventory was issued to work in progress.

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2. Inventories, net

On July 1, 2021, the Company changed its accounting for inventory to burden the material at the time of purchase receipts. Prior to July 1, 2021, the Company applied the material burden at the time the inventory was issued to work in progress. The Company believes that this method improves financial reporting by better reflecting the current value of inventory on the consolidated balance sheets, by providing better matching of revenues and expenses.

Inventories, which are presented net of allowance for slow-moving, excess and obsolete inventory, consisted of the following:

	December 31, 2022	December 31, 2021
Finished goods	\$ 2,965	\$ 2,335
Work in process	7,313	4,527
Raw materials	11,827	10,116
	<u>\$ 22,105</u>	<u>\$ 16,978</u>

Changes in the allowance for slow-moving, excess, and obsolete inventory are as follows:

	Years Ended December 31,	
	2022	2021
Balance, beginning of year	\$ 1,288	\$ 588
Charged to cost of sales	81	700
Disposal of inventory	(122)	—
Balance, end of year	<u>\$ 1,247</u>	<u>\$ 1,288</u>

During the year ended December 31, 2022, the Company recorded one-time, non-cash write-offs of new product development materials and inventory of \$900 related to the BKR products, \$646 was recorded in Selling, general and administrative expenses and \$254 was recorded as cost of products. Direct write-off's were not significant during the year ended December 31, 2021.

3. Allowance for Doubtful Accounts

Changes in the allowance for doubtful accounts are composed of the following:

	Years Ended December 31,	
	2022	2021
Balance, beginning of year	\$ 50	\$ 50
Provision for doubtful accounts	170	—
Uncollectible accounts written off	(170)	—
Balance, end of year	<u>\$ 50</u>	<u>\$ 50</u>

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4. Property, Plant and Equipment, net

Property, plant and equipment, net include the following:

	December 31,	
	2022	2021
Leasehold improvements	\$ 614	\$ 586
Machinery and equipment	15,721	14,120
Gross property, plant, and equipment	16,335	14,706
Less accumulated depreciation and amortization	(11,451)	(10,150)
Property, plant and equipment, net	\$ 4,884	\$ 4,556

Depreciation and amortization expense relating to property, plant and equipment for the years ended December 31, 2022 and 2021 was approximately \$1,423 and \$1,394 respectively. During the year ended 31, 2022, the company removed from its records approximately \$122 of fully depreciated machinery and equipment.

5. Debt

Credit Facilities

On November 22, 2022, the Company's subsidiaries, BK Technologies, Inc. and RELM Communications, Inc. (the "Subsidiaries"), entered into an accounts receivable financing arrangement via an Invoice Purchase and Security Agreement ("IPSA") with Alterna Capital Solutions, LLC ("Alterna"). On November 28, 2022, the Subsidiaries and Alterna entered into a rider on the IPSA, to modify the agreement to, among other things, provide a credit facility for up to 75% of net orderly liquidation value of inventory, not to exceed 100% of the eligible accounts receivable balance. The IPSA, which provides for a maximum capacity of up to \$15 million, is scheduled to renew in November 2023, unless canceled by the mutual consent of the parties.

Under the arrangement, the Company may transfer eligible short-term trade receivables to the conduit, with full recourse, on a daily basis in exchange for cash. Generally, at the transfer date, the Company may receive cash equal to approximately 85% of the value of the transferred receivables. The Company accounts for the transfers of receivables as a secured borrowing due to the Company's continuing involvement with the accounts receivable.

During 2022, the Company transferred receivables having an aggregate face value of \$12.2 million to the conduit in exchange for proceeds of \$10.4 million, of which \$5.5 million was funded by re-invested collections. The Company also received cash proceeds of \$0.8 million funding on net orderly liquidation value of inventory described above. There were no losses incurred on these transfers during the year ended December 31, 2022. The IPSA matures on November 22, 2023, and bears an interest rate of Prime plus 1.85%. The IPSA had an interest of 8.35% as of December 31, 2022. Interest and related servicing fees for the year ended December 31, 2022 were approximately \$0.1 million.

At December 31, 2022, the outstanding borrowings under this credit facility approximated \$5.9 million and the outstanding principal amount of receivables transferred under this facility amounted to \$6.1 million.

On January 13, 2020, the Company's subsidiary, BK Technologies, Inc., executed Credit Agreement (the "Original Credit Agreement") with JPMorgan Chase Bank, N.A. ("JPMC") and a Line of Credit Note in favor of JPMC in an aggregate principal amount of up to \$5,000,000 (the "Original Note"), each dated as of January 13, 2020. The Original Note had a maturity date of January 31, 2021. On January 26, 2021, BK Technologies, Inc. and JPMC entered into a Note Modification Agreement (the "Modification"), to modify the Original Note to, among other things, extend the maturity date of the Original Note to January 31, 2022. Then, on January 21, 2022, BK Technologies, Inc. and JPMC entered into a First Amendment to Credit Agreement (the "Amendment") to, among other things, extend the maturity date to January 31, 2023. Also on January 31, 2022, BK Technologies, Inc. delivered to JPMC a related Line of Credit Note (the "Note" and collectively with the Original Credit Agreement, as modified by the Modification and the Amendment, the "Credit Agreement"), in replacement, renewal and extension of the Original Note, as previously modified, which had a maturity date of January 31, 2023. The outstanding balance for this credit facility of \$4.5 million. was paid off in November 2022 with funds received from the IPSA funding.

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5. Debt (Continued)**Notes Payable**

On April 6, 2021, BK Technologies, Inc., a wholly owned subsidiary of BK Technologies Corporation, and JPMC, as a lender, entered into a Master Loan Agreement in the amount of \$743 to finance various items of manufacturing equipment. The loan is collateralized by the equipment purchased using the proceeds. The Master Loan Agreement is payable in 48 equal monthly principal and interest payments of approximately \$16 beginning on May 8, 2021, matures on April 8, 2025, and bears a fixed interest rate of 3.0%.

On September 25, 2019, BK Technologies, Inc., a wholly-owned subsidiary of BK Technologies Corporation, and U.S. Bank Equipment Finance, a division of U.S. Bank National Association, as a lender, entered into a Master Loan Agreement in the amount of \$425 to finance various items of equipment. The loan is collateralized by the equipment purchased using the proceeds. The Master Loan Agreement is payable in 60 monthly principal and interest payments of approximately \$8 beginning on October 25, 2019 and maturing on September 25, 2024, and bears a fixed interest rate of 5.11%.

The following table summarizes the notes payable principal repayments subsequent to December 31, 2022:

	December 31, 2022
2023	\$ 277
2024	263
2025	66
Total payments	<u>\$ 606</u>

6. Investments

Through September 14, 2022, the Company held an investment in a limited partnership, FGI 1347 Holdings, LP (“1347 LP”), of which the Company was the sole limited partner. 1347 LP was established for the purpose of investing in securities, and its sole primary asset was shares of FG Financial Group, Inc. (Nasdaq: FGF) (“FGF”). These shares were purchased in March and May 2018 for approximately \$3,741.

Affiliates of Fundamental Global GP, LLC (“FG”), a significant stockholder of the Company, served as the general partner and the investment manager of 1347 LP, and the Company was the sole limited partner. As the sole limited partner, the Company was entitled to 100% of net assets held by 1347 LP. FG has not received any management fees or performance fees or expense reimbursement for its services to the limited partnership arising in connection with 1347 LP’s operations, as provided by the partnership agreement, upon approval by the Company’s Board of Directors.

The Company accounted for the investment in 1347 LP, as a consolidated VIE. VIEs are entities in which (i) the total equity investment at risk is not sufficient to enable the entity to finance its activities independently, or (ii) the at-risk equity holders do not have the normal characteristics of a controlling financial interest. A controlling financial interest in a VIE is present when an enterprise has one or more variable interests that have both (i) the power to direct the activities of the VIE that most significantly impact the VIE’s economic performance, and (ii) the obligation to absorb losses of the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. The enterprise with a controlling financial interest is the primary beneficiary and consolidates the VIE.

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6. Investments (Continued)

On September 14, 2022, FG contributed all of the shares of FGF held by 1347 LP to FG Financial Holdings, LLC (“FG Holdings”), with an approximate value of \$945, based on the FGF stock's published price of \$1.98, in exchange for Series B Common Interests of FG Holdings, with an equivalent value. The Company recognized a loss of \$850 in September 2022 as a result.

The investment in the Series B common interests of FG Holdings is measured using the NAV practical expedient in accordance with ASC 820 Fair Value Measurement and has not been classified within the fair value hierarchy. FG Holdings owns common and preferred stock of FGF (specific company/growth objective). FG Holdings structure provides for Series A preferred interests, which accrue return of eight percent per annum and receive 20% of positive profits with respect to the total return in the capital provided by the holders of Series A preferred interests. There is no defined redemption frequency, and the Company cannot redeem or transfer its investment without a prior written consent of FG Holdings managers, who are FG affiliates. Distributions may be made to members at such times and amounts as determined by the managers, and shall be based on the most recent NAV. The Company does not have any unfunded commitments related to this investments.

On September 30, 2022, Series B Common Interests of FG Holdings were distributed in-kind to the Company as the sole limited partner of 1347 LP, and the Company consented to withdraw from 1347 LP, as the limited partner. As a result, the Company recognized a loss on deconsolidation of 1347 LP of approximately \$43.

As of December 31, 2022, FG Holdings owns shares of FGF's common stock and preferred stock. Additionally, FG and its affiliates constitute the largest stockholder of the Company. Mr. Kyle Cerminara, Chairman of the Company's Board of Directors, is Chief Executive Officer, Co-Founder and Partner of FG and serves as Chairman of the Board of Directors of FG Group Holdings, Inc., a Series B member in FG Holdings. Mr. Cerminara also serves as Chairman of the Board of Directors of FGF.

During the years ended December 31, 2022 and 2021, the Company recognized a loss of approximately \$313 and \$219, respectively, due to changes in the unrealized loss on investments.

7. Leases

The Company accounts for its leasing arrangements in accordance with FASB Topic 842, “Leases”. The Company leases manufacturing and office facilities and equipment under operating leases and determines if an arrangement is a lease at inception. ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent its obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term.

As most of its leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The Company's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. The Company has lease agreements with lease and non-lease components, which are accounted for separately.

The Company leases approximately 54,000 square feet (not in thousands) of industrial space in West Melbourne, Florida, under a non-cancellable operating lease. The lease has the expiration date of June 30, 2027. Rental, maintenance and tax expenses for this facility were approximately \$688 and \$556 in 2022 and 2021, respectively.

In February 2020, the Company entered into a lease for 6,857 square feet (not in thousands) of office space at Sawgrass Technology Park, 1619 NW 136th Avenue in Sunrise, Florida, for a period of 64 months commencing July 1, 2020. Annual rental, maintenance and tax expenses for the facility were approximately \$203 and \$208 in 2022 and 2021, respectively.

7. Leases (Continued)

In March 2021, the Company executed an agreement for the termination of its lease for 8,100 square feet (not in thousands) of office space in Lawrence, Kansas, effective March 31, 2021, and recognized a termination lease expense of approximately \$53. The original term of the lease was through December 31, 2021.

Lease costs consist of the following:

	December 31,	
	2022	2021
Operating lease cost	\$ 544	\$ 573
Variable lease cost	132	131
Total lease cost	<u>\$ 676</u>	<u>\$ 704</u>

Supplemental cash flow information related to leases was as follows:

	December 31,	
	2022	2021
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows (fixed payments)	\$ 583	\$ 639
Operating cash flows (liability reduction)	447	481
ROU assets obtained in exchange for lease obligations:		
Operating leases	—	14

Other information related to operating leases was as follows:

	December 31,
	2022
Weighted average remaining lease term (in years)	4.22
Weighted average discount rate	5.50%

Maturity of lease liabilities as of December 31, 2022 were as follows:

	Year ending December 31,
2023	\$ 595
2024	608
2025	618
2026	479
2027	243
Thereafter	—
Total payments	2,543
Less: imputed interest	(273)
Total liability	<u>\$ 2,270</u>

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8. Income Taxes

The income tax expense (benefit) is summarized as follows:

	Years Ended December 31,	
	2022	2021
Current:		
Federal	\$ 0	\$ 0
State	0	3
	<u>0</u>	<u>3</u>
Deferred:		
Federal	0	184
State	0	0
	<u>0</u>	<u>184</u>
	<u>\$ 0</u>	<u>\$ 187</u>

A reconciliation of the statutory U.S. income tax rate to the effective income tax rate follows:

	Years Ended December 31,	
	2022	2021
Statutory U.S. income tax rate	(21.00)%	(21.00)%
State taxes, net of federal benefit	0.00%	(.16)%
Permanent differences	.12%	(1.31)%
Change in valuation allowance	23.60%	(26.32)%
Change in tax credits and state NOLs	(3.38)%	16.72%
Impact from accounting method change and expired options	0.66%	19.72%
Effective income tax rate	<u>0.00%</u>	<u>(12.35)%</u>

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8. Income Taxes (Continued)

The components of the deferred income tax assets (liabilities) are as follows:

	Years Ended December 31,	
	2022	2021
Deferred tax assets:		
Operating loss carryforwards	\$ 2,989	\$ 984
R&D Tax Credit	2,625	2,233
Section 263A costs	50	38
Amortization	15	18
Net ROU asset and lease liability	63	
Unrealized loss	508	442
Asset reserves:		
Bad debts	11	11
Inventory allowance	280	292
Accrued expenses:		
Non-qualified stock options	159	127
Compensation	86	116
Warranty	1,174	971
Deferred tax assets	<u>7,960</u>	<u>5,235</u>
Less valuation allowance	<u>(3,356)</u>	<u>(610)</u>
Total deferred tax assets	<u>4,604</u>	<u>4,625</u>
Deferred tax liabilities:		
Depreciation	<u>(488)</u>	<u>(509)</u>
Total deferred tax liabilities	<u>(488)</u>	<u>(509)</u>
Net deferred tax assets (before unrealized gain)	<u>4,116</u>	<u>4,116</u>
Deferred tax liability: unrealized gain	<u>—</u>	<u>—</u>
Net deferred tax assets	<u>\$ 4,116</u>	<u>\$ 4,116</u>

As of December 31, 2022, the Company had a net deferred tax asset of approximately \$4,604 (net of valuation allowance) offset by deferred tax liabilities of \$488 derived from accelerated tax depreciation. This asset is primarily composed of net operating loss carryforwards (“NOLs”), research and development tax credits, and deferred revenue, net of a valuation allowance of approximately \$3,356. The NOLs total approximately \$13,088 for federal and \$8,604 for state purposes, with expirations starting in 2022 for state purposes. State NOLs of \$1,870 expired in 2022.

During 2021, the Company generated \$126 of federal NOLs and during 2022, the Company generated \$9,261 in additional federal NOLs. The deferred tax asset amounts are based upon management’s conclusions regarding, among other considerations, the Company’s current and anticipated customer base, contracts, and product introductions, certain tax planning strategies, and management’s estimates of future earnings based on information currently available, as well as recent operating results during 2022, 2021, and 2020. GAAP requires that all positive and negative evidence be analyzed to determine if, based on the weight of available evidence, the Company is more likely than not to realize the benefit of the deferred tax asset.

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8. Income Taxes (Continued)

Management's analysis of all available evidence, both positive and negative, provides support that the Company does not have the ability to generate sufficient taxable income in the necessary period to utilize the entire benefit for the deferred tax asset. Accordingly, as of December 31, 2022, a valuation allowance has been established totaling approximately \$3,356.

Should the factors underlying management's analysis change, future valuation adjustments to the Company's net deferred tax asset may be necessary. If future losses are incurred, it may be necessary to record an additional valuation allowance related to the Company's net deferred tax asset recorded as of December 31, 2022. It cannot presently be estimated what, if any, changes to the valuation of the Company's deferred tax asset may be deemed appropriate in the future. The 2022 federal and state NOLs and tax credit carryforwards could be subject to limitation if, within any three-year period prior to the expiration of the applicable carryforward period, there is a greater than 50% change in ownership of the Company by any stockholder with 5% or greater ownership.

The Company performed a comprehensive review of its portfolio of uncertain tax positions in accordance with recognition standards established by GAAP. In this regard, an uncertain tax position represents the Company's expected treatment of a tax position taken in a filed tax return or planned to be taken in a future tax return that has not been reflected in measuring income tax expense for financial reporting purposes. As a result of this review, on January 1, 2023, the Company is not aware of any uncertain tax positions that would require additional liabilities or which such classification would be required. The amount of unrecognized tax positions did not change as of December 31, 2022, and the Company does not believe there will be any material changes in its unrecognized tax positions over the next twelve months.

Penalties and tax-related interest expense, of which there were no material amounts for the years ended December 31, 2022 and 2021, are reported as a component of income tax expense (benefit).

The Company files federal income tax returns, as well as multiple state and local jurisdiction tax returns. A number of years may elapse before an uncertain tax position is audited and finally resolved. While it is often difficult to predict the final outcome or the timing of resolution on any particular uncertain tax position, the Company believes that its allowances for income taxes reflect the most probable outcome. The Company adjusts these allowances, as well as the related interest, in light of changing facts and circumstances. The resolution of a matter would be recognized as an adjustment to the provision for income taxes and the effective tax rate in the period of resolution. The calendar years 2019, 2020, and 2021 are still open to IRS examination under the statute of limitations. The last IRS examination on the Company's 2007 calendar year was closed with no change.

9. Income (Loss) Per Share

The following table sets forth the computation of basic and diluted loss per share:

	Years Ended December 31,	
	2022	2021
Numerator:		
Net (loss) from continuing operations numerator for basic and diluted earnings per share	\$ (11,633)	\$ (1,701)
Denominator:		
Denominator for basic (loss) per share weighted average shares	16,910,914	14,941,028
Effect of dilutive securities:	—	—
Denominator for diluted (loss) per share weighted average shares	16,910,914	14,941,028
Basic (loss) income per share	\$ (0.69)	\$ (0.11)
Diluted (loss) per share	\$ (0.69)	\$ (0.11)

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9. Income (Loss) Per Share (Continued)

Approximately 1,001,500 stock options and 205,644 restricted stock units for the year ended December 31, 2022 and 676,500 stock options and 137,055 restricted stock units for the year ended December 31, 2021, were excluded from the calculation because they were anti-dilutive.

10. Share-Based Employee Compensation

The Company has an employee and non-employee director incentive compensation equity plan. Related to these programs, the Company recorded \$271 and \$253 of share-based employee compensation expense during the years ended December 31, 2022 and 2021, respectively, which is included as a component of cost of products and SG&A expenses in the accompanying consolidated statements of operations. No amount of share-based employee compensation expense was capitalized as part of capital expenditures or inventory for the years presented.

Restricted Stock Units

On September 30, 2022, the Company granted 9,600 restricted stock units to Joshua Horowitz for strategic advisory service compensation. These restricted stock units were fully vested and settled on the date of grant.

On August 12, 2022, the Company granted to each non-employee director restricted stock units with a grant-date fair value of \$50 per award (resulting in total 129,310 units granted with the aggregate grant-date fair value of \$300), which will vest in five equal, annual installments beginning with the first anniversary of the grant date, subject to the director's continued service through such date, provided that, if the director makes himself available and consents to be nominated by the Company for continued service as a director, but is not nominated for the Board of Directors for election by stockholders, other than for good reason, as determined by the Board of Directors in its discretion, then the restricted stock units shall vest in full as of the director's last date of service as a director of the Company.

On July 1, 2022, the Company, at the direction of the Board of Directors, granted on a pro rata basis for 2022 compensation 18,715 and 11,062 restricted stock units to former directors Michael Dill and Inez Tenenbaum, respectively. These restricted stock units were fully vested and settled on the date of grant.

On June 30, 2022, the Company granted 3,200 restricted stock units to Joshua Horowitz for strategic advisory service compensation. These restricted stock units were fully vested and settled on the date of grant.

On June 30, 2022, the Company, at the direction of the Board of Directors, accelerated the vesting of former director Michael Dill's unvested restricted stock units granted September 6, 2018, September 6, 2019, August 24, 2020, and July 30, 2021, and issued 34,264 shares of common stock to Mr. Dill.

On June 8, 2022, the Company, at the direction of the Board of Directors, granted 10,000 restricted stock units to John Suzuki for bonus compensation. These restricted stock units were fully vested and settled on the date of grant.

On May 31, 2022, the Company granted 3,200 restricted stock units to Joshua Horowitz for strategic advisory service compensation. These restricted stock units were fully vested and settled on the date of grant.

On April 30, 2022, the Company granted 3,200 restricted stock units to Joshua Horowitz for strategic advisory service compensation. These restricted stock units were fully vested and settled on the date of grant.

On March 31, 2022, the Company granted 16,000 restricted stock units to Joshua Horowitz for strategic advisory service compensation. These restricted stock units were fully vested and settled on the date of grant.

On December 17, 2021, upon the resignation of former director John Struble, the Company, at the direction of the Board of Directors, accelerated the vesting of Mr. Struble's unvested restricted stock units granted September 6, 2018, September 6, 2019, August 24, 2020, and July 30, 2021, and issued 34,264 shares of common stock to Mr. Struble.

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10. Share-Based Employee Compensation (Continued)

On August 24, 2021, the Company granted to each non-employee director restricted stock units with a grant-date fair value of \$40 per award (resulting in total aggregate grant-date fair value of \$240), which will vest in five equal, annual installments beginning with the first anniversary of the grant date, subject to the director's continued service through such date, provided that, if the director makes himself available and consents to be nominated by the Company for continued service as a director, but is not nominated for the Board of Directors for election by stockholders, other than for good reason, as determined by the Board of Directors in its discretion, then the restricted stock units shall vest in full as of the director's last date of service as a director of the Company.

On July 30, 2021, the Company granted to each non-employee director restricted stock units with a grant-date fair value of \$50 per award (resulting in total aggregate grant-date fair value of \$250), which will vest in five equal, annual installments beginning with the first anniversary of the grant date, subject to the director's continued service through such date, provided that, if the director makes himself available and consents to be nominated by the Company for continued service as a director, but is not nominated for the Board of Directors for election by stockholders, other than for good reason, as determined by the Board of Directors in its discretion, then the restricted stock units shall vest in full as of the director's last date of service as a director of the Company.

On March 4, 2021, upon the resignation of former director Lewis Johnson, the Company, at the direction of the Board of Directors, accelerated the vesting of Mr. Johnson's unvested restricted stock units granted September 6, 2018, September 6, 2019, and August 24, 2020, and issued 24,505 shares of common stock to Mr. Johnson.

There were 205,644 and 137,055 restricted stock units outstanding as of December 31, 2022, and December 31, 2021, respectively.

The Company recorded non-cash restricted stock unit compensation expense of \$404 and \$306 for the years ended December 31, 2022 and 2021.

A summary of non-vested restricted stock under the Company's non-employee director share-based incentive compensation plan is as follows:

	Number of Shares	Weighted Average Price per Share
Unvested at January 1, 2022	137,055	\$ 3.33
Granted	204,287	\$ 2.39
Vested and issued	(135,698)	\$ 2.96
Cancelled/forfeited	---	
Unvested at December 31, 2022	205,644	\$ 2.64

The Company uses the Black-Scholes-Merton option valuation model to calculate the fair value of a stock option grant. The share-based employee compensation expense recorded in the years ended December 31, 2022 and 2021 was calculated using the assumptions noted in the following table. Expected volatilities are based on the historical volatility of the Company's common stock over the period of time, commensurate with the expected life of the stock options. The dividend yield assumption is based on the Company's expectations of dividend payouts at the grant date. In 2022, the Company paid dividends on January 10, for a dividend declared in 2021, May 16, August 8 and November 8. The Company has estimated its future stock option exercises. The expected term of option grants is based upon the observed and expected time to the date of post vesting exercises and forfeitures of options by the Company's employees. The risk-free interest rate is derived from the average U.S. Treasury rate for the period, which approximates the rate at the time of the stock option grant.

	FY 2022	FY 2021
Expected Volatility	55.3%	52.3%
Expected Dividends	5.0%	3.0%
Expected Term (in years)	6.5	6.5
Risk-Free Rate	2.38%	0.80%
Estimated Forfeitures	0.0%	0.0%

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10. Share-Based Employee Compensation (Continued)

A summary of stock option activity under the Company's equity compensation plans as of December 31, 2022, and changes during the year ended December 31, 2022, are presented below:

	<u>Stock Options</u>	<u>Wgt. Avg. Exercise Price (\$) Per Share</u>	<u>Wgt. Avg. Remaining Contractual Life (Years)</u>	<u>Wgt. Avg. Grant Date Fair Value (\$) Per Share</u>	<u>Aggregate Intrinsic Value (\$)</u>
As of January 1, 2022					
Outstanding	676,500	3.68	7.33	1.41	4,500
Vested	361,600	3.80	6.66	1.44	4,500
Nonvested	314,900	3.53	8.10	1.39	—
Period activity					
Issued	430,000	2.41	—	0.80	—
Exercised	—	—	—	—	—
Forfeited	100,000	3.98	—	1.65	—
Expired	5,000	4.95	—	1.05	—
As of December 31, 2022					
Outstanding	1,001,500	3.10	7.87	1.13	460,925
Vested	434,233	3.57	6.73	1.31	101,090
Nonvested	567,267	2.74	8.74	0.99	359,835

Outstanding:

<u>Range of Exercise Prices (\$ Per Share)</u>	<u>Stock Options Outstanding</u>	<u>Wgt. Avg. Exercise Price (\$) Per Share</u>	<u>Wgt. Avg. Remaining Contractual Life (Years)</u>
2.23	3.83	832,500	2.80
4.07	5.10	169,000	4.54
		<u>1,001,500</u>	<u>3.10</u>

Exercisable:

<u>Range of Exercise Prices (\$ Per Share)</u>	<u>Stock Options Exercisable</u>	<u>Wgt. Avg. Exercise Price (\$) Per Share</u>
2.23	3.83	290,833
4.07	5.10	143,400
		<u>424,233</u>

The weighted-average grant-date fair value per option granted during the years ended December 31, 2022 and 2021 was \$1.13 and \$1.16, respectively. There were no stock options exercised during the years ended December 31, 2022 and 2021.

In connection with the restricted stock units granted to non-employee directors, the Company accrues compensation expense based on the estimated number of shares expected to be issued, utilizing the most current information available to the Company at the date of the consolidated financial statements. The Company estimates the fair value of the restricted stock unit awards based upon the market price of the underlying common stock on the date of grant. As of December 31, 2022 and 2021, there was approximately \$1,058 and \$802, respectively, of total unrecognized compensation cost related to non-vested share-based compensation arrangements, including stock options and restricted stock units. This compensation cost is expected to be recognized approximately over four years.

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11. Significant Customers

Sales to the U.S. Government represented approximately 38% and 36% of the Company's total sales for the years ended December 31, 2022 and 2021, respectively. These sales were primarily to the various government agencies, including those within the United States Department of Defense, the United States Forest Service, the United States Department of Interior, and the United States Department of Homeland Security.

12. Retirement Plan

The Company sponsors a participant contributory retirement 401(k) plan, which is available to all employees. The Company's contribution to the plan is either a percentage of the participant's contribution (50% of the participant's contribution up to a maximum of 6%) or a discretionary amount. For the years ended December 31, 2022 and 2021, total contributions made by the Company were \$196 and \$160, respectively.

13. Commitments and Contingencies

Royalty Commitment

In 2002, the Company entered into a technology license related to its development of digital products. Under this agreement, the Company is obligated to pay a royalty for each product sold that utilizes the technology covered by this agreement. The Company paid \$120 and \$114 for the years ended December 31, 2022 and 2021, respectively. The agreement has an indefinite term, and can be terminated by either party under certain conditions.

Purchase Commitments

The Company has purchase commitments for inventory totaling \$12,814 as of December 31, 2022.

Self-Insured Health Benefits

The Company maintains a self-insured health benefit plan for its employees. This plan is administered by a third party. As of December 31, 2022, the plan had a stop-loss provision insuring losses beyond \$90 per employee per year and an aggregate stop-loss of \$1,180. As of December 31, 2022 and 2021, the Company recorded an accrual for estimated claims in the amount of approximately \$240 and \$97, respectively, in accrued other expenses and other current liabilities on the Company's consolidated balance sheets. This amount represents the Company's estimate of incurred but not reported claims as of December 31, 2022 and 2021.

Liability for Product Warranties

Changes in the Company's liability for its standard two-year product warranties during the years ended December 31, 2022 and 2021 are as follows:

	Balance at Beginning of Year	Warranties Issued	Warranties Settled	Balance at End of Year
2022	\$ 533	\$ 558	\$ (500)	\$ 591
2021	\$ 791	\$ 169	\$ (427)	\$ 533

Legal Proceedings

From time to time the Company may be involved in various claims and legal actions arising in the ordinary course of its business.

There were no pending material claims or legal matters as of December 31, 2022.

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13. Commitments and Contingencies (Continued)

Covid 19 and Geopolitical Tension

In December 2019, a novel strain of the coronavirus (COVID-19) surfaced in Wuhan, China, which spread globally and was declared a pandemic by the World Health Organization in March 2020. From that time, additional variants have surfaced. The COVID-19 pandemic continues to evolve, impacting the global economy, causing market instability and uncertainty in the labor market. The full extent of the impact of the COVID-19 pandemic will depend on future developments, which are highly uncertain and cannot be predicted at this time. We will continue to monitor the COVID-19 pandemic as well as resulting legislative and regulatory changes to manage our response and assess and mitigate potential adverse impacts to our business. Even as the COVID-19 pandemic subsides, we may continue to experience an adverse impact to our business as a result of its national and global economic impact, including any recession that may occur in the future.

Additionally, U.S. and global markets and supply chains are experiencing volatility and disruption following the escalation of geopolitical tensions and military conflict between Russia and Ukraine.

14. Capital Program

On December 17, 2021 a share repurchase program was authorized under which the Company may repurchase up to an aggregate of \$5 million of its common shares. Share repurchases under this program were authorized to begin immediately. The program does not have an expiration date. Any repurchases would be funded using cash on hand and cash from operations. The actual timing, manner and number of shares repurchased under the program will be determined by management and the Board of Directors at their discretion, and will depend on several factors, including the market price of the Company's common shares, general market and economic conditions, alternative investment opportunities, and other business considerations in accordance with applicable securities laws and exchange rules. The authorization of the share repurchase program does not require the Company to acquire any particular number of shares and repurchases may be suspended or terminated at any time at the Company's discretion. As of December 31, 2022, the Company has completed no share repurchases under this program.

Pursuant to the capital return program, during 2021, the Company's Board of Directors declared quarterly dividends on the Company's common stock of \$0.02 per share on March 16, July 8, September 23, and \$0.03 per share on December 17. The dividends were payable to stockholders of record as of April 12 2021, July 26, 2021, October 7, 2021 and January 10, 2022, respectively. These dividends were paid on April 26, 2021, August 9, 2021, October 18, 2021, and January 24, 2022.

Pursuant to the capital return program, during 2022, the Company's Board of Directors declared quarterly dividends on the Company's common stock of \$0.03 per share on April 7, June 30, and September 29. The dividends were payable to stockholders of record as of May 2, 2022, July 25, 2022, and October 25, 2022, respectively. These dividends were paid on May 16, 2022, August 8, 2022 and November 8, 2022.

15. Subsequent events

On January 31, 2023 the Company entered into a sales agreement (the "Sales Agreement") with ThinkEquity LLC ("ThinkEquity" or the "Sales Agent"), relating to the sale of shares of our common stock, \$0.60 par value per share. In accordance with the terms of the Sales Agreement, we may offer and sell up to 4,225,352 shares of our common stock from time to time up to an aggregate offering price of \$15,000,000 through or to the Sales Agent, acting as sales agent or principal. The Company intends to use the net proceeds from the offering primarily for general corporate purposes, which may include working capital, capital expenditures, operational purposes, strategic investments and potential acquisitions in complementary businesses.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Our Chief Executive Officer (who serves as our principal executive officer) and Chief Financial Officer (who serves as our principal financial and accounting officer) have evaluated the effectiveness of our disclosure controls and procedures (as defined in the Exchange Act Rule 13a-15(e)) as of December 31, 2022. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of December 31, 2022.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over our financial reporting, as such term is defined in Rule 13a-15(f) of the Exchange Act. Our internal control system was designed to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. Because of inherent limitations, a system of internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate due to a change in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

An internal control material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the consolidated financial statements will not be prevented or detected.

Our management, including our principal executive officer and principal financial officer, conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2022, and concluded that our internal control over financial reporting was effective as of December 31, 2022. In making the assessment of internal control over financial reporting, management used the criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by Exchange Act Rule 13a-15(d) that occurred during the fourth fiscal quarter covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information.

None.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections.

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

Information about our Directors and Executive Officers will be contained in the “Proposal 1: Election of Directors” and “Corporate Governance-Board of Directors Independence” sections of our definitive proxy statement, to be filed in connection with our 2023 annual meeting of stockholders, and is incorporated herein by reference.

Delinquent Section 16(a) Reports

The disclosure of delinquent filers under Section 16(a) of the Exchange Act, if any, will be contained in the “Miscellaneous-Delinquent Section 16(a) Reports” section of our definitive proxy statement, to be filed in connection with our 2023 annual meeting of stockholders, and is incorporated herein by reference.

Audit Committee

We have a separately-designated standing audit committee. Information about our audit committee (including its charter) and the audit committee financial expert will be contained in the “Corporate Governance-Meetings and Committees of the Board of Directors” section of our definitive proxy statement, to be filed in connection with our 2023 annual meeting of stockholders, and is incorporated herein by reference.

Code of Conduct

We have adopted the Code of Business Conduct and Ethics (the “Code of Conduct”) that applies to all of our directors, officers and employees, including our principal executive officer, principal financial officer and principal accounting officer, and the Code of Ethics for the CEO and Senior Financial Officers (the “Code of Ethics”) containing additional specific policies. The Code of Conduct and the Code of Ethics are posted on our Internet website, www.bktechnologies.com, under the “Investor Relations” tab, and are available free of charge, upon request to Corporate Secretary, 7100 Technology Drive, West Melbourne, Florida 32904; telephone number: (321) 984-1414. Any amendment to, or waiver from, the codes applicable to our directors and executive officers will be disclosed in a current report on Form 8-K within four business days following the date of the amendment or waiver unless the rules of the NYSE American then permit website posting of such amendments and waivers, in which case we would post such disclosures on our Internet website.

Item 11. Executive Compensation.

The information required by this item will be contained in the “Executive Compensation,” “Summary Compensation Table for 2021-2022,” “Outstanding Equity Awards at 2022 Fiscal Year-End,” “Retirement Benefits for 2021,” “Potential Payments Upon Termination or in Connection With a Change of Control,” “Director Compensation for 2021” and “Corporate Governance-Meetings and Committees of the Board of Directors-Compensation Committee” sections of our definitive proxy statement, to be filed in connection with our 2023 annual meeting of stockholders, and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information required by this item will be contained in the “Security Ownership of Certain Beneficial Owners and Management” and “Equity Compensation Plan Information” sections of our definitive proxy statement, to be filed in connection with our 2022 annual meeting of stockholders, and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

The information required by this item will be contained in the “Transactions with Related Persons” and “Corporate Governance—Board of Directors Independence” sections of our definitive proxy statement, to be filed in connection with our 2023 annual meeting of stockholders, and is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services.

The information required by this item will be contained in the “Fees Paid to Our Independent Registered Public Accounting Firm” and “Corporate Governance—Meetings and Committees of the Board of Directors—Audit Committee” sections of our definitive proxy statement, to be filed in connection with our 2023 annual meeting of stockholders, and is incorporated herein by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

(a) The following documents are filed as a part of this report:

1. Consolidated Financial Statements listed below:

	Page
Report of Independent Registered Public Accounting Firm (PCAOB ID: 569)	F-1
Consolidated Balance Sheets as of December 31, 2022 and 2021	F-3
Consolidated Statements of Operations - years ended December 31, 2022 and 2021	F-4
Consolidated Statements of Changes in Stockholders' Equity - years ended December 31, 2022 and 2021	F-5
Consolidated Statements of Cash Flows - years ended December 31, 2022 and 2021	F-6
Notes to Consolidated Financial Statements	F-7

2. Exhibit List:

Number	Exhibit
2.1	Articles of Merger, filed with the Nevada Secretary of State on March 28, 2019 (incorporated by reference from Exhibit 3.1 to the Company's Current Report on Form 8-K12B filed March 28, 2019)
3.1	Articles of Incorporation (incorporated by reference from Exhibit 3.1 to the Company's Annual Report on Form 10-K filed March 17, 2022)
3.1.1	Certificate of Amendment to Articles of Incorporation (incorporated by reference from Exhibit 3.1.1 to the Company's Annual Report on Form 10-K filed March 17, 2022)
3.2	Bylaws (incorporated by reference from Exhibit 3.3 to the Company's Current Report on Form 8-K12B filed March 28, 2019)
4.1*	Description of the Company's Registered Securities
4.2	Form of Common Stock Certificate (incorporated by reference from Exhibit 4.1 to the Company's Current Report on Form 8-K12B filed March 28, 2019)
10.1+	2007 Incentive Compensation Plan (incorporated by reference from Annex G to the Company's Definitive Proxy Statement on Schedule 14A filed April 5, 2007, relating to the 2007 annual stockholders' meeting)
10.2+	Amendment to the 2007 Incentive Compensation Plan, effective as of March 17, 2017 (incorporated by reference from Exhibit 10.1 to the Company's Current Report on Form 8-K filed March 21, 2017)
10.3+	Form of 2007 Incentive Compensation Plan Stock Option Agreement (incorporated by reference from Exhibit 10.15 to the Company's Annual Report on Form 10-K for the year ended December 31, 2012)
10.4+	2017 Incentive Compensation Plan (incorporated by reference from Exhibit 4.5 to the Company's Registration Statement on Form S-8 filed June 15, 2017)
10.5+	Omnibus Amendment to Incentive Compensation Plans, dated as of March 28, 2019, by and between BK Technologies, Inc. and BK Technologies Corporation (incorporated by reference from Exhibit 10.1 to the Company's Current Report on Form 8-K12B filed March 28, 2019)
10.6+	Amendment No. 1 to 2017 Incentive Compensation Plan dated December 17, 2021 (incorporated by reference from Exhibit 10.6 to the Company's Annual Report on Form 10-K filed March 17, 2022)
10.7+	Form of Stock Option Agreement under the 2017 Incentive Compensation Plan (incorporated by reference from Exhibit 4.6 to the Company's Registration Statement on Form S-8 filed June 15, 2017)
10.8+	Form of Restricted Share Agreement under the 2017 Incentive Compensation Plan (incorporated by reference from Exhibit 4.7 to the Company's Registration Statement on Form S-8 filed June 15, 2017)
10.9+	Form of Restricted Stock Unit Agreement under the 2017 Incentive Compensation Plan (incorporated by reference from Exhibit 4.8 to the Company's Registration Statement on Form S-8 filed June 15, 2017)

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10.10+	Form of Non-Employee Director Restricted Share Unit Agreement under the 2017 Incentive Compensation Plan (September 2018) (Incorporated by reference from Exhibit 10.1 to the Company's Quarterly Report on Form 10-O filed November 7, 2018)
10.11+	Form of Stock Option Agreement under the BK Technologies Corporation 2017 Incentive Compensation Plan (incorporated by reference from Exhibit 10.2 to the Company's Current Report on Form 8-K12B filed March 28, 2019)
10.12+	Form of Restricted Share Agreement under the BK Technologies Corporation 2017 Incentive Compensation Plan (incorporated by reference from Exhibit 10.3 to the Company's Current Report on Form 8-K12B filed March 28, 2019)
10.13+	Form of Restricted Stock Unit Agreement under the BK Technologies Corporation 2017 Incentive Compensation Plan (incorporated by reference from Exhibit 10.4 to the Company's Current Report on Form 8-K12B filed March 28, 2019)
10.14+	Relocation Agreement, dated December 31, 2019, between the Company and Henry R. (Randy) Willis (incorporated by reference from Exhibit 10.20 to the Company's Annual Report on Form 10-K for the year ended December 31, 2018)
10.15+	Employment Agreement, executed March 20, 2019, by and between BK Technologies, Inc. and Timothy A. Vitou (incorporated by reference from Exhibit 10.1 to the Company's Current Report on Form 8-K filed March 21, 2019)
10.16+	Employment Agreement, executed March 20, 2019, by and between BK Technologies, Inc. and William P. Kelly (incorporated by reference from Exhibit 10.2 to the Company's Current Report on Form 8-K filed March 21, 2019)
10.17+	Employment Agreement, executed March 20, 2019, by and between BK Technologies, Inc. and Randy Willis (incorporated by reference from Exhibit 10.3 to the Company's Current Report on Form 8-K filed March 21, 2019)
10.18+	Employment Agreement, dated October 31, 2019, by and between BK Technologies, Inc. and Branko Avanic (incorporated by reference from Exhibit 10.19 to the Company's Annual Report on Form 10-K filed March 4, 2020)
10.19+	Employment Agreement, dated July 19, 2021, by and between BK Technologies, Inc., and John M. Suzuki (incorporated by reference from Exhibit 10.1 to the Company's Current Report on Form 8-K filed July 20, 2021)
10.20+	Separation Agreement and General Release, dated January 11, 2022, between William P. Kelly and BK Technologies, Inc. (incorporated by reference from Exhibit 10.1 to the Company's Current Report on Form 8-K filed January 11, 2022)
10.21+	First Amendment to Employment Agreement, dated January 24, 2022, between John M. Suzuki and BK Technologies, Inc. (incorporated by reference from Exhibit 10.1 to the Company's Current Report on Form 8-K filed June 30, 2022)
10.22+	First Amendment to Employment Agreement, dated January 24, 2022, between Timothy A. Vitou and BK Technologies, Inc. (incorporated by reference from Exhibit 10.2 to the Company's Current Report on Form 8-K filed June 30, 2022)
10.23+	First Amendment to Employment Agreement, dated January 24, 2022, between Henry R. (Randy) Willis and BK Technologies, Inc. (incorporated by reference from Exhibit 10.3 to the Company's Current Report on Form 8-K filed June 30, 2022)
10.24+	Employment Agreement dated effective November 7, 2022, between BK Technologies Corporation, BK Technologies, Inc. and Scott A. Malmanger (incorporated by reference from Exhibit 10.1 to the Company's Current Report on Form 8-K filed November 3, 2022)
10.25	Credit Agreement, executed as of January 30, 2020, by and between JPMorgan Chase Bank, N.A., as lender, and BK Technologies, Inc., as borrower (incorporated by reference from Exhibit 10.1 to the Company's Current Report on Form 8-K filed January 30, 2020)
10.26	Line of Credit Note, executed as of January 31, 2022, by BK Technologies, Inc., as borrower, for the benefit of JPMorgan Chase Bank, N.A., as lender (incorporated by reference from Exhibit 10.21 to the Company's Annual Report on Form 10-K filed March 17, 2022)

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10.27	Continuing Guaranty, executed as of January 30, 2020, by and among JPMorgan Chase Bank, N.A., as lender, and BK Technologies Corporation and RELM Communications, Inc., as guarantors (incorporated by reference from Exhibit 10.3 to the Company's Current Report on Form 8-K filed January 30, 2020)
10.28	Continuing Security Agreement, executed as of January 30, 2020, by and between JPMorgan Chase Bank, N.A., as lender, and BK Technologies, Inc., as pledgor (incorporated by reference from Exhibit 10.4 to the Company's Current Report on Form 8-K filed January 30, 2020)
10.29	Invoice Purchase and Security Agreement, dated November 22, 2022, between BK Technologies, Inc., RELM Communications, Inc., and Alterna Capital Solutions LLC (incorporated by reference from Exhibit 10.1 to the Company's Current Report on Form 8-K filed November 30, 2022)
10.30	Guaranty, dated November 22, 2022, by BK Technologies, Inc., and RELM Communications, Inc., in favor of Alterna Capital Solutions LLC (incorporated by reference from Exhibit 10.2 to the Company's Current Report on Form 8-K filed November 30, 2022)
10.31	Commercial Guaranty, dated November 22, 2022, by BK Technologies Corporation in favor of Alterna Capital Solutions LLC (incorporated by reference from Exhibit 10.3 to the Company's Current Report on Form 8-K filed November 30, 2022)
21*	Subsidiaries of the Company
23.1*	Consent of MSL, P.A. relating to the Company's Registration Statements on Form S-8 (Registration No. 333-218765 and Registration No. 333-147354) and Form S-3 (Registration No. 333-251307)
24	Power of Attorney (included on signature page)
31.1*	Principal Executive Officer Certification Pursuant to Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Principal Financial Officer Certification Pursuant to Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1**	Principal Executive Officer Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished pursuant to Item 601(b)(32) of Regulation S-K)
32.2**	Principal Financial Officer Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished pursuant to Item 601(b)(32) of Regulation S-K)
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF*	XBRL Taxonomy Definition Linkbase Document
104*	XBRL Cover Page Interactive Data File

* Included with this filing.

** Furnished herewith (not filed).

+ Management contract or compensatory plan or arrangement.

(c) Consolidated Financial Statement Schedules:

All schedules have been omitted because they are inapplicable or not material, or the information called for thereby is included in the Consolidated Financial Statements and notes thereto.

Item 16. Form 10-K Summary.

Not applicable.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

BK TECHNOLOGIES CORPORATION

By: /s/ John M. Suzuki
John M. Suzuki
Chief Executive Officer

POWER OF ATTORNEY

Each person whose signature appears below hereby constitutes and appoints John M. Suzuki and Scott A. Malmanger, and each of them, his attorneys-in-fact, each with the power of substitution, for him and in his name, place and stead, in any and all capacities, to sign this annual report on Form 10-K and any and all amendments to this report on Form 10-K, and to file the same, with all exhibits thereto and all documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and all intents and purposes as he might or could do in person, hereby ratifying and confirming all that such attorneys-in-fact and agents or any of them or his or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

<u>SIGNATURE</u>	<u>TITLE</u>	<u>DATE</u>
<u>/s/ D. Kyle Cerminara</u> D. Kyle Cerminara	Director and Chairman of the Board	March 16, 2023
<u>/s/ John M. Suzuki</u> John M. Suzuki	Chief Executive Officer (Principal Executive Officer) and Director	March 16, 2023
<u>/s/ Scott A. Malmanger</u> Scott A. Malmanger	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	March 16, 2023
<u>/s/ E. Gray Payne</u> E. Gray Payne	Director	March 16, 2023
<u>/s/ Charles T. Lanktree</u> Charles T. Lanktree	Director	March 16, 2023
<u>/s/ R. Joseph Jackson</u> R. Joseph Jackson	Director	March 16, 2023
<u>/s/ Lloyd R. Sams</u> Lloyd R. Sams	Director	March 16, 2023
<u>/s/ Michael C. Mitchell</u> Michael C. Mitchell	Director	March 16, 2023

**DESCRIPTION OF THE COMMON STOCK OF
BK TECHNOLOGIES CORPORATION
REGISTERED PURSUANT TO SECTION 12 OF
THE SECURITIES EXCHANGE ACT OF 1934**

The following summarizes the terms and provisions of the common stock of BK Technologies Corporation, a Nevada corporation (the "Company"), which common stock is registered under Section 12(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The following summary does not purport to be complete and is qualified in its entirety by reference to the Company's Articles of Incorporation and Bylaws, each as amended, which the Company has previously filed with the Securities and Exchange Commission, and applicable Nevada law.

Authorized Capital Stock

The Company's authorized capital stock consists of 50,000,000 common shares, par value \$0.60 per share (the "Common Stock"), and 1,000,000 shares of preferred stock, par value \$1.00 per share.

Under Nevada law, stockholders generally are not personally liable for a corporation's debts or liabilities.

Common Stock

Exchange and Trading Symbol

The Common Stock is listed for trading on the NYSE American under the trading symbol "BKTI."

Rights, Preferences and Privileges

All outstanding shares of Common Stock are duly authorized, fully paid and nonassessable. Holders of Common Stock have no preemptive, conversion, redemption, subscription or similar rights, and there are no sinking fund provisions applicable to the Common Stock. The rights, preferences and privileges of the holders of Common Stock are subject to, and may be adversely affected by, the rights of the holders of shares of any series of preferred stock that the Company may designate and issue in the future.

Voting Rights

Holders of Common Stock are entitled to one vote for each share held of record on all matters properly submitted to a vote of the Company's stockholders, including the election of directors, and do not have any cumulative voting rights. Directors are elected by a plurality of the votes cast by the holders of Common Stock. Except as otherwise required by law, all other matters brought to a vote of the holders of Common Stock are determined by a majority of the votes cast and, except as may be provided with respect to any other outstanding class or series of the Company's stock, the holders of shares of Common Stock possess the exclusive voting power.

Dividends

Subject to preferences that may be applicable to any then outstanding preferred stock, holders of Common Stock are entitled to receive dividends, if any, as may be declared from time to time by the Company's Board of Directors out of legally available funds.

Liquidation

In the event of the Company's liquidation, dissolution or winding up, holders of Common Stock are entitled to share ratably in the net assets legally available for distribution to the Company's stockholders, if any, remaining after the payment or provision for the payment of all debts and other liabilities of the Company, subject to the satisfaction of any liquidation preference granted to the holders of any then outstanding shares of preferred stock.

Preferred Stock

The Company's Articles of Incorporation authorize the Company's Board of Directors, subject to certain limitations prescribed by law and without further stockholder approval, to issue from time to time up to an aggregate of 1,000,000 shares of preferred stock, par value \$1.00 per share. The preferred stock may be issued in one or more series. Each series of preferred stock may have different designations, rights and preferences and qualifications, limitations and restrictions that may be established by the Board of Directors without approval from the Company's stockholders, including, without limitation, the number of shares to be issued in a series, dividend rights and rates, conversion rights, voting rights, liquidation preferences and redemption terms.

Anti-Takeover Provisions

Nevada Law

Nevada Business Combination Statute. The "business combination" provisions of Sections 78.411 to 78.444, inclusive, of the Nevada Revised Statutes generally prohibit a Nevada corporation with at least 200 stockholders of record from engaging in various "business combination" transactions with any interested stockholder for a period of two years after the date that the person first became an interested stockholder, unless the business combination or the transaction by which the person first became an interested stockholder is approved by the corporation's board of directors before the person first became an interested stockholder, or the business combination is approved by the board of directors and thereafter is approved at a meeting of the corporation's stockholders by the affirmative vote of at least 60% of the outstanding voting power of the corporation held by disinterested stockholders.

Following the expiration of the two-year period, the corporation is prohibited from engaging in a "business combination" transaction with the interested stockholder, unless:

- the business combination or the transaction by which the person first became an interested stockholder is approved by the corporation's board of directors before the person first became an interested stockholder;
- the business combination is approved by a majority of the outstanding voting power of the corporation held by disinterested stockholders; or
- the aggregate amount of the consideration to be received in the business combination by all of the holders of outstanding common shares of the corporation not beneficially owned by the interested stockholder is at least equal to the higher of: (a) the highest price per share paid by the interested stockholder for any common shares acquired by the interested stockholder within two years immediately before the date of the announcement of the business combination or within two years immediately before, or in the transaction in which the person became an interested stockholder, whichever is higher, and (b) the market value per common share on the date of the announcement of the business combination or on the date that the person first became an interested stockholder, whichever is higher.

In general, an "interested stockholder" is any person who is (i) the direct or indirect beneficial owner of 10% or more of the voting power of the outstanding voting shares of the corporation, or (ii) an affiliate or associate of the corporation and at any time within two years immediately before the date in question was the direct or indirect beneficial owner of 10% or more of the voting power of the then outstanding shares of the corporation.

A “combination” is generally defined to include mergers or consolidations or any sale, lease exchange, mortgage, pledge, transfer, or other disposition, in one transaction or a series of transactions, with an interested stockholder: (a) having an aggregate market value equal to more than five percent of the aggregate market value of the consolidated assets of the corporation, (b) having an aggregate market value equal to more than five percent of the aggregate market value of all outstanding shares of the corporation, (c) representing more than ten percent of the consolidated earning power or net income of the corporation, and (d) certain other transactions with an interested stockholder or an affiliate or associate of an interested stockholder.

The business combination statute could prohibit or delay mergers or other takeover or change in control attempts and, accordingly, may discourage attempts to acquire the Company even though such a transaction may offer the Company’s stockholders the opportunity to sell their stock at a price above the prevailing market price.

Nevada Control Share Acquisition Statute. Sections 78.378 to 78.3793, inclusive, of the Nevada Revised Statutes limit the voting rights of certain acquired shares in a corporation. This “control share” statute applies to any acquisition of outstanding voting securities of a Nevada corporation that has 200 or more stockholders of record (at least 100 of which are Nevada residents) and conducts business in Nevada resulting in ownership of the corporation’s then outstanding voting securities in excess of one of the following thresholds: (i) one-fifth or more but less than one-third, (ii) one-third or more but less than a majority, (iii) and a majority or more. Once an acquirer crosses one of these thresholds by acquiring a controlling interest in the corporation, the shares which the acquirer acquired in the transaction taking it over the threshold and within the 90 days immediately preceding the date when the acquiring person acquired or offered to acquire a controlling interest in the corporation become “control shares.” The acquirer is denied voting rights with respect to the control shares, unless stockholders representing a majority of the voting power of the corporation approve the granting of full voting rights to the control shares.

As permitted under Nevada law, the Company has elected to “opt out” of the control share statute pursuant to a provision in its Bylaws.

Articles of Incorporation and Bylaws

The Company’s Articles of Incorporation and Bylaws include anti-takeover provisions that:

- authorize the Board of Directors, without further action by stockholders, to issue shares of preferred stock in one or more series, and with respect to each series, to fix the number of shares constituting that series and establish the rights and terms of that series;
- require at least one-fifth of the outstanding shares of the Company’s stock to call special meetings;
- establish advance notice procedures for stockholders to submit nominations of candidates for election to the board of directors to be brought before a stockholder meeting;
- allow the Company’s directors to establish the size of the Board of Directors and fill vacancies on the Board created by an increase in the number of directors; and
- provide that the Bylaws may be amended by the Board of Directors without stockholder approval.

Provisions of the Articles of Incorporation and Bylaws may delay or discourage transactions involving an actual or potential change in control of the Company or change in the Company’s Board of Directors or management, including transactions in which stockholders might otherwise receive a premium for their shares or transactions that stockholders might otherwise deem to be in their best interests.

Authorized and Unissued Shares

The Company’s authorized and unissued shares of Common Stock will be available for future issuance without stockholder approval. The Company may use additional shares for a variety of purposes, including future offerings to raise capital, to fund acquisitions and as employee and consultant compensation. The existence of authorized but unissued Common Stock could render more difficult, or discourage, an attempt to obtain control of the Company by means of a proxy contest, tender offer, merger or otherwise.

The Company’s Articles of Incorporation authorize the issuance of 1,000,000 shares of “blank check” preferred stock with such designations, rights and preferences as may be determined from time to time by the Company’s Board of Directors. Accordingly, the Board of Directors is empowered, without stockholder approval, to issue shares of preferred stock with dividend, liquidation, conversion, voting or other rights that could adversely affect the value, voting power or other rights of holders of Common Stock. In addition, the Board of Directors may, under certain circumstances, issue preferred stock in order to delay, defer, prevent or make more difficult a change of control transaction such as a merger, tender offer, business combination or proxy contest, assumption of control by a holder of a large block of the Company’s securities or the removal of incumbent management of the Company, even if those events were favorable to the interests of the Company’s stockholders. Although the Company’s Board of Directors has no present intention to issue any shares of preferred stock, there can be no assurance that it will not do so in the future.

Subsidiaries of the Registrant

Entity Name	Organized Under Laws of	Percentage Ownership
BK Technologies, Inc.	Nevada	100%
RELM Communications, Inc.	Florida	100%
Tactical Capital Investments, LLC	Delaware	100%

Consent of Independent Registered Public Accounting Firm

BK Technologies Corporation

West Melbourne, Florida

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Registration No. 333-218765 and Registration No. 333-147354) and Form S-3 (Registration No. 333-251307) of BK Technologies Corporation of our report dated March 16, 2023, relating to the consolidated financial statements, which appears in this annual report on Form 10-K.

/s/ **MSL, P.A.**

Orlando, Florida

March 16, 2023

**CERTIFICATION PURSUANT TO
SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002**

I, John M. Suzuki, Chief Executive Officer of BK Technologies Corporation, certify that:

1. I have reviewed this annual report on Form 10-K of BK Technologies Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 16, 2023

/s/ John M. Suzuki

John M. Suzuki
Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION PURSUANT TO
SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002**

I, Scott A. Malmanger, Chief Financial Officer of BK Technologies Corporation, certify that:

1. I have reviewed this annual report on Form 10-K of BK Technologies Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 16, 2023

/s/ Scott A. Malmanger

Scott A. Malmanger
Chief Financial Officer
(Principal Financial Officer)

BK TECHNOLOGIES CORPORATION

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of BK Technologies Corporation (the "Company") on Form 10-K for the year ended December 31, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John M. Suzuki, 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 to 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.

/s/ John M. Suzuki

John M. Suzuki
Chief Executive Officer

Date: March 16, 2023

BK TECHNOLOGIES CORPORATION

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of BK Technologies Corporation (the "Company") on Form 10-K for the year ended December 31, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Scott A. Malmanger, 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 to 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.

/s/ Scott A. Malmanger
Scott A. Malmanger
Chief Financial Officer

Date: March 16, 2023

EXECUTIVE OFFICERS AND DIRECTORS

John Suzuki

Director, Chief Executive Officer

Tim Vitou

President

Scott Malmanger

Chief Financial Officer

Henry R. (Randy) Willis

Chief Operations Officer

Branko Avanic

Chief Technology Officer

D. Kyle Cerminara

Chairman and Director, CEO, Partner and Co-Founder, Fundamental Global GP, LLC

Charles T. Lanktree

Director, Director Egglund's Best, Inc. and affiliated companies; Former President and CEO Egglund's Best, Inc. and Egglund's Best LLC

Eugene Gray Payne, Major General USMC (Ret)

Director, former Senior Vice President, The Columbia Group: Director, FG Financial Group

R. Joseph Jackson

Director, Founder & Managing Partner, Metrolina Capital; Chairman, Carolina Business Capital; Board Member, Community First Bancorp & Community First Bank

Michael C. Mitchell

Director, Director of FG Group Holdings Inc and former Director GreenFirst Forest Products Inc.

Lloyd R. Sams

Director, Former Managing Principal of BIA Digital Partners

STOCKHOLDER INFORMATION

Corporate Offices

BK Technologies Corporation
7100 Technology Drive
West Melbourne, FL 32904
Phone: (321) 984-1414

Common Stock

BK Technologies Common Stock is traded on the NYSE American under the Symbol "BKTI"

Transfer Agent

American Stock Transfer & Trust
Company, LLC
40 Wall Street, 46th Floor
New York, NY 10005
Phone: (718) 921-8208

Independent Accountants

Moore Stephens Lovelace, P.A.
500 E. Broward Boulevard, Suite 1550
Ft. Lauderdale, FL 33394
Phone: (305) 819-9555

Legal Counsel

Holland & Hart LLP
222 South Main Street, Suite 2200
Salt Lake City, UT 84101
(801) 799-5769



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