SECURITIES & EXCHANGE COMMISSION EDGAR FILING

BK Technologies Corp

Form: 10-Q

Date Filed: 2020-11-12

Corporate Issuer CIK: 2186

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

FORM 10-Q

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

For the quarterly period ended **September 30, 2020**

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	**83-4064262**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

7100 Technology Drive
West Melbourne, Florida 32904
(Address of principal executive offices and 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 $.60 per share	BKTI	NYSE American

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

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

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

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☑	Smaller reporting company	☑
		Emerging growth company	☐

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

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

There were 12,511,966 shares of common stock, $0.60 par value, of the registrant outstanding at November 9, 2020.

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PART I - FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

BK TECHNOLOGIES CORPORATION
Condensed Consolidated Balance Sheets
(In thousands, except share data)

	September 30, 2020 (Unaudited)	December 31, 2019
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 6,381**	$ 4,676
Trade accounts receivable, net	**5,778**	3,964
Inventories, net	**8,426**	13,513
Prepaid expenses and other current assets	**1,455**	1,733
Total current assets	**22,040**	23,886
Property, plant and equipment, net	**3,701**	3,964
Right-of-use (ROU) asset	**3,013**	2,885
Investment in securities	**1,838**	2,635
Deferred tax assets, net	**4,272**	4,373
Other assets	**122**	197
Total assets	**$ 34,986**	$ 37,940
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	**$ 3,129**	$ 5,310
Accrued compensation and related taxes	**1,428**	1,271
Accrued warranty expense	**911**	1,248
Accrued other expenses and other current liabilities	**660**	479
Dividends payable	**250**	252
Short-term lease liability	**496**	369
Note payable-current portion	**81**	78
Deferred revenue	**667**	369
Total current liabilities	**7,622**	9,376
Note payable, net of current portion	**268**	328
Long-term lease liability	**2,829**	2,606
Deferred revenue	**2,622**	2,354
Total liabilities	**13,341**	14,664
Commitments and contingencies		
Stockholders' equity:		
Preferred stock; $1.00 par value; 1,000,000 authorized shares; none issued or outstanding	**—**	—
Common stock; $.60 par value; 20,000,000 authorized shares; 13,962,366 and 13,929,381 issued and 12,511,966 and 12,596,923 outstanding shares at September 30, 2020 and December 31, 2019, respectively	**8,377**	8,357
Additional paid-in capital	**26,281**	26,095
Accumulated deficit	**(7,611)**	(6,043)
Treasury stock, at cost, 1,450,400 and 1,332,458 shares at September 30, 2020 and December 31, 2019, respectively	**(5,402)**	(5,133)
Total stockholders' equity	**21,645**	23,276
Total liabilities and stockholders' equity	**$ 34,986**	$ 37,940

See notes to condensed consolidated financial statements.

BK TECHNOLOGIES CORPORATION

Condensed Consolidated Statements of Operations

(*In thousands, except share and per share data*) (*Unaudited*)

	Three Months Ended		Nine Months Ended	
	September 30, 2020	September 30, 2019	**September 30, 2020**	September 30, 2019
Sales, net	**$ 12,760**	$ 11,805	**$ 33,586**	$ 32,743
Expenses				
Cost of products	**7,560**	6,699	**20,163**	19,499
Selling, general and administrative	**4,158**	4,811	**13,265**	15,247
Total expenses	**11,718**	11,510	**33,428**	34,746
Operating income (loss)	**1,042**	295	**158**	(2,003)
Other (expense) income:				
Net interest (expense) income	**(6)**	33	**(4)**	134
(Loss) gain on investment in securities	**(291)**	(258)	**(797)**	186
Other expense	**(65)**	(85)	**(144)**	(98)
Total other (expense) income	**(362)**	(310)	**(945)**	222
Income (loss) before income taxes	**680**	(15)	**(787)**	(1,781)
Income tax (expense) benefit	**(2)**	253	**(30)**	454
Net income (loss)	**$ 678**	$ 238	**$ (817)**	$ (1,327)
Net income (loss) per share-basic and diluted:	**$ 0.05**	$ 0.02	**(0.07)**	$ (0.10)
Weighted average shares outstanding-basic	**12,505,096**	12,696,273	**12,518,587**	12,725,793
Weighted average shares outstanding-diluted	**12,517,493**	12,709,057	**12,518,587**	12,725,793

See notes to condensed consolidated financial statements.

BK TECHNOLOGIES CORPORATION

Condensed Consolidated Statements of Cash Flows

(*In thousands*) (*Unaudited*)

	Nine Months Ended	
	September 30, 2020	September 30, 2019
Operating activities		
Net loss	**$ (817)**	$ (1,327)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Inventories allowances	**117**	112
Deferred tax expense (benefit)	**101**	(416)
Depreciation and amortization	**1,005**	896
Share-based compensation expense-stock options	**94**	110
Share-based compensation expense-restricted stock units	**112**	85
Loss (gain) loss on investment in securities	**797**	(186)
Changes in operating assets and liabilities:		
Trade accounts receivable	**(1,814)**	2,850
Inventories	**4,970**	(3,096)
Prepaid expenses and other current assets	**278**	609
Other assets	**75**	(31)
Lease liability	**222**	—
Accounts payable	**(2,182)**	1,259
Accrued compensation and related taxes	**157**	(854)
Accrued warranty expense	**(337)**	(156)
Deferred revenue	**566**	924
Accrued other expenses and other current liabilities	**181**	220
Net cash provided by operating activities	**3,525**	999
Investing activities		
Purchases of property, plant and equipment	**(742)**	(2,301)
Net cash used in investing activities	**(742)**	(2,201)
Financing activities		
Proceeds from issuance of common stock	—	2
Cash dividends declared and paid	**(752)**	(765)
Repurchase of common stock	**(269)**	(803)
Proceeds from debt	**2,196**	425
Repayment of debt	**(2,253)**	—
Net cash used in financing activities	**(1,078)**	(1,141)
Net change in cash and cash equivalents	**1,705**	(2,443)
Cash and cash equivalents, beginning of period	**4,676**	11,268
Cash and cash equivalents, end of period	**$ 6,381**	8,825
Supplemental disclosure		
Cash paid for interest	**$ 18**	2
Non-cash financing activity		
Common stock issued under restricted stock units	**$ 128**	168

See notes to condensed consolidated financial statements.

1. Condensed Consolidated Financial Statements

Basis of Presentation

The condensed consolidated balance sheet as of September 30, 2020, the condensed consolidated statements of operations for the three and nine months ended September 30, 2020 and 2019, and the condensed consolidated statements of cash flows for the nine months ended September 30, 2020 and 2019 have been prepared by BK Technologies Corporation (the "Company" or "we"), and are unaudited. 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 "we" or 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. In the opinion of management, all adjustments, which include normal, recurring adjustments, necessary for a fair presentation, have been made. All intercompany transactions and balances have been eliminated in consolidation. The condensed consolidated balance sheet at December 31, 2019 has been derived from the Company's audited consolidated financial statements at that date.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") have been condensed or omitted. These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2019, as filed with the Securities and Exchange Commission ("SEC") on March 4, 2020. The results of operations for the three and nine months ended September 30, 2020 are not necessarily indicative of the operating results for a full year.

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.

Principles of 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.

The Company has an investment in 1347 Property Insurance Holdings, Inc., made through FGI 1347 Holdings, LP, a consolidated VIE.

Fair Value Measurement

The Company's financial instruments consist of cash and cash equivalents, trade accounts receivable, investment in securities, accounts payable, accrued expenses, notes payable, and other liabilities. As of September 30, 2020 and December 31, 2019, the carrying amount of cash and cash equivalents, trade accounts receivable, accounts payable, accrued expenses, notes payable, and other liabilities approximated their respective fair value due to the short-term nature and maturity of these instruments.

The Company uses observable market data assumptions (Level 1 inputs, as defined in accounting guidance) that it believes market participants would use in pricing investment in securities.

Recently Adopted Accounting Pronouncements

In August 2018, the FASB issued ASU 2018-13, "Disclosure Framework–Changes to the Disclosure Requirements for Fair Value Measurement," which modifies the disclosure requirements on fair value measurements in Topic 820, Fair Value Measurement, including the removal of certain disclosure requirements. The amendments in the ASU are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early adoption is permitted upon issuance of the ASU. The Company adopted this guidance as of January 1, 2020, and the adoption did not have an impact on its consolidated financial statements.

Recent Accounting Pronouncements

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

2. Significant Events and Transactions

In October 2020, the Company announced that its operating subsidiary received an order totaling approximately $1.5 million from an agency of the U.S. Department of the Interior (DoI). The order was for BK's KNG 2 Series Digital P-25 portable radios and KNG Series mobile radios with related accessories. The order is anticipated to be fulfilled during the fourth quarter of 2020.

In October 2020, the Company announced that its operating subsidiary received an order totaling approximately $1.1 million from an agency of the state of Tennessee. The order was for BK's new BKR 5000 Digital P-25 portable radio with related accessories and is anticipated to be fulfilled during the fourth quarter of 2020.

Pursuant to the Company's capital return program, the Company's Board of Directors declared a quarterly dividend of $0.02 per share of the Company's common stock on September 17, 2020 to stockholders of record as of October 5, 2020. These dividends were paid on October 19, 2020.

In August 2020, the Company's operating subsidiary announced the market introduction of the BKR 5000 portable radio; the first model in the new BKR Series of APCO Project 25 land mobile radio products and solutions.

In August 2020, the Company's operating subsidiary announced the engagement of a national investor relations firm to launch a comprehensive investor relations program.

In August 2020, the Company announced that its operating subsidiary received an order totaling approximately $1.1 million from the National Interagency Fire Center (NIFC). The order was for BK's KNG2-Series Digital P-25 portable radios with related accessories. This order was fulfilled during the third quarter of 2020.

In August 2020, the Company announced that its operating subsidiary was awarded a contract for up to $4.2 million dollars from an electric utility agency of the U.S. Department of Energy (DoE). The contract was for BK's KNG2 and KNG Digital P-25 portable and mobile radios with related accessories for deployment at more than 35 sites in the United States. The contract covers a period of one year, which commenced on June 24, 2020 and will expire on June 23, 2021, providing for purchases of equipment up to $4.2 million. It does not specify precise delivery dates or quantities. Shortly after awarding the contract, the DoE issued firm purchase orders for equipment totaling approximately $3.1 million, which were fulfilled in the third quarter of 2020.

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. The challenges posed by the COVID-19 pandemic on the global economy increased significantly as the year 2020 progressed, and the Company anticipates the effects of COVID-19 may continue to have an adverse impact on the Company going forward. In response to COVID-19, national and local governments around the world have 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. In response to the COVID-19 pandemic, the Company has undertaken certain measures in an effort to mitigate the impact of the COVID-19 pandemic on the Company, including implementing employee safety measures and taking steps to reduce expenses, including workforce reductions. The ultimate impact of COVID-19 on the Company's business, results of operations, financial condition and cash flows is dependent on future developments, including the duration of the pandemic and the related length of its impact on the global economy, which are uncertain and, given the daily evolution of the COVID-19 pandemic and the global responses to curb its spread, cannot be predicted at this time. Even after the COVID-19 pandemic has subsided, the Company may continue to experience an adverse impact to its business as a result of the pandemic's national and, to some extent, global economic impact, including any recession that has occurred or may occur in the future.

3. Allowance for Doubtful Accounts

The allowance for doubtful accounts on trade receivables was approximately $50 on gross trade receivables of $5,828 and $4,014 at September 30, 2020 and December 31, 2019, respectively. This allowance is used to state trade receivables at a net realizable value or the amount that the Company estimates will be collected of the Company's gross trade receivables.

4. Inventories, net

The components of inventories, net of allowances for slow-moving, excess or obsolete inventory, consisted of the following:

	September 30, 2020	December 31, 2019
Finished goods	**$ 1,817**	$ 3,864
Work in process	**2,994**	6,122
Raw materials	**3,615**	3,527
	$ 8,426	$ 13,513

Allowances for slow-moving, excess, or obsolete inventory are used to state the Company's inventories at the lower of cost or net realizable value. The allowances were approximately $511 at September 30, 2020, compared with approximately $823 at December 31, 2019.

5. Income Taxes

The Company recorded an income tax expense of $2 for the three months ended September 30, 2020, compared with an income tax benefit of approximately $253 for the same period last year. For the nine months ended September 30, 2020, the Company recorded an income tax expense of $30 of which $28 derived from the change in valuation allowance related to net operating loss carryforwards for the state of Florida that are anticipated to expire unutilized in 2020, compared with an income tax benefit of approximately $454 for the nine months period last year.

The Company's income tax provision is based on management's estimate of the effective tax rate for the full year. The tax provision (benefit) in any period will 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, the Company may experience significant fluctuations in the effective book tax rate (that is, tax expense divided by pre-tax book income) from period to period.

As of September 30, 2020, the Company's net deferred tax assets totaled approximately $4,272 and were primarily derived from research and development tax credits, deferred revenue, and net operating loss carryforwards.

In order to fully utilize the net deferred tax assets, the Company will need to generate sufficient taxable income in future years. The Company analyzed all positive and negative evidence to determine if, based on the weight of available evidence, it is 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 the Company's 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 the analysis of all available evidence, both positive and negative, the Company has concluded that it does not have the ability to generate sufficient taxable income in the necessary period to utilize the entire benefit for the deferred tax assets. Accordingly, the Company established a valuation allowance of $28 related to state of Florida net operating loss carryforwards that are anticipated to expire unutilized in 2020. The Company cannot presently estimate what, if any, changes to the valuation of its deferred tax assets may be deemed appropriate in the future. If the Company incurs future losses, it may be necessary to record additional valuation allowance related to the deferred tax assets recognized as of September 30, 2020.

6. Investment in Securities

The Company has an investment in a limited partnership, FGI 1347 Holdings, LP, of which the Company is the sole limited partner. FGI 1347 Holdings, LP was established for the purpose of investing in securities.

As of September 30, 2020, the Company indirectly held approximately $128 in cash and 477,282 shares of 1347 Property Insurance Holdings, Inc. (Nasdaq: PIH) ("PIH") with fair value of $1,838, through an investment in FGI 1347 Holdings, LP. These shares were purchased in March and May 2018 for approximately $3,741. For the three months ended September 30, 2020, the Company recognized an unrealized loss on the investment of approximately $291, compared with an unrealized loss of $258 for the same period last year. For the nine months ended September 30, 2020, the Company recognized an unrealized loss on the investment of approximately $797, compared with an unrealized gain of $186 for the same period last year.

Affiliates of Fundamental Global Investors, LLC ("Fundamental Global") serve as the general partner and the investment manager, and the Company is the sole limited partner, of FGI 1347 Holdings, LP. As of September 30, 2020, the Company and the affiliates of Fundamental Global, including, without limitation, Ballantyne Strong, Inc. ("Ballantyne Strong"), beneficially owned in the aggregate 3,045,593 shares of PIH's common stock, including 100,000 shares of common stock subject to a call option, representing approximately 50.2% of PIH's outstanding shares. In addition, Capital Wealth Advisors, Inc., an affiliate of Fundamental Global, held 61,250 shares of PIH's common stock for the accounts of individual investors, which represents approximately 1.0% of PIH's outstanding shares. Fundamental Global with its affiliates is the largest stockholder of the Company. Mr. Kyle Cerminara, a director of the Company, is Chief Executive Officer, Co-Founder and Partner of Fundamental Global and serves as Chairman of the Board of Directors of Ballantyne Strong and of PIH. Mr. Lewis M. Johnson, a director of the Company, is President, Co-Founder and Partner of Fundamental Global and serves as Co-Chairman of the Board of Directors of Ballantyne Strong and of PIH. Mr. John Struble, the Chairman of the Company's Board of Directors, serves as a consultant to an affiliate of Fundamental Global.

7. Stockholders' Equity

The changes in condensed consolidated stockholders' equity for the three and nine months ended September 30, 2020 and 2019 are as follows:

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Accumulated Deficit	Treasury Stock	Total
Balance at December 31, 2018	13,882,937	$ 8,330	$ 25,867	$ (2,393)	$ (4,092)	$ 27,712
Stock options exercised and issued	1,000	—	2	—	—	2
Share-based compensation expense	—	—	31	—	—	31
Restricted stock unit compensation expense	—	—	41	—	—	41
Dividends declared ($0.02 per share)	—	—	—	(254)	—	(254)
Net loss	—	—	—	(1,318)	—	(1,318)
Repurchase of common stock	—	—	—	—	(337)	(337)
Balance at March 31, 2019	13,883,937	8,330	25,941	(3,965)	(4,429)	25,877
Restricted stock units issued	38,353	23	(23)	—	—	—
Share-based compensation expense	—	—	37	—	—	37
Restricted stock unit compensation expense	—	—	33	—	—	33
Dividends declared ($0.02 per share)	—	—	—	(255)	—	(255)
Net loss	—	—	—	(247)	—	(247)
Repurchase of common stock	—	—	—	—	(213)	(213)
Balance at June 30, 2019	13,922,290	8,353	25,988	(4,467)	(4,642)	25,232
Restricted stock units issued	7,091	4	(4)	—	—	—
Share-based compensation expense	—	—	42	—	—	42
Restricted stock unit compensation expense	—	—	11	—	—	11
Dividends declared ($0.02 per share)	—	—	—	(253)	—	(253)
Net income	—	—	—	238	—	238
Repurchase of common stock	—	—	—	—	(253)	(253)
Balance at September 30, 2019	**13,929,381**	**$ 8,357**	**$ 26,037**	**$ (4,482)**	**$ (4,895)**	**$ 25,017**

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Accumulated Deficit	Treasury Stock	Total
Balance at December 31, 2019	13,929,381	$ 8,357	$ 26,095	$ (6,043)	$ (5,133)	$ 23,276
Share-based compensation expense-stock options	—	—	30	—	—	30
Share-based compensation expense-restricted stock units	—	—	21	—	—	21
Common stock dividends ($0.02 per share)	—	—	—	(250)	—	(250)
Net loss	—	—	—	(1,192)	—	(1,192)
Repurchase of common stock	—	—	—	—	(243)	(243)
Balance at March 31, 2020	13,929,381	8,357	26,146	(7,485)	(5,376)	21,642
Common stock issued under restricted stock units	14,439	9	(9)	—	—	—
Share-based compensation expense-stock options	—	—	30	—	—	30
Share-based compensation expense-restricted stock units	—	—	68	—	—	68
Common stock dividends ($0.02 per share)	—	—	—	(252)	—	(252)
Net loss	—	—	—	(302)	—	(302)
Repurchase of common stock	—	—	—	—	(26)	(26)
Balance at June 30, 2020	13,943,820	8.366	26,235	(8,039)	(5,402)	21,160
Common stock issued under restricted stock units	18,546	11	(11)	—	—	—
Share-based compensation expense-stock options	—	—	34	—	—	34
Share-based compensation expense-restricted stock units	—	—	23	—	—	23
Common stock dividends ($0.02 per share)	—	—	—	(250)	—	(250)
Net income	—	—	—	678	—	678
Balance at September 30, 2020	**13,962,366**	**$ 8,377**	**$ 26,281**	**$ (7,611)**	**$ (5,402)**	**$ 21,645**

8. Loss Per Share

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

	Three Months Ended		Nine months Ended	
	September 30, 2020	September 30, 2019	**September 30, 2020**	September 30, 2019
Numerator:				
Net income (loss) (for basic and diluted loss per share)	**$ 678**	$ 238	**$ (817)**	$ (1,327)
Denominator for basic loss per share weighted average shares	**12.505,096**	12,696,273	**12,518,587**	12,725,793
Effect of dilutive securities:				
Options and restricted stock units	**12,397**	12,784	—	—
Denominator for diluted loss per share weighted average shares	**12,517,493**	12,709,057	**12,518,587**	12,725,793
Basic loss per share	**$ 0.05**	$ 0.02	**$ (0.07)**	$ (0.10)
Diluted loss per share	**$ 0.05**	$ 0.02	**$ (0.07)**	$ (0.10)

Approximately 480,900 and 505,900 stock options and 0 and 147,038 restricted stock units for the three and nine months ended September 30, 2020, respectively, and 431,829 and 551,500 stock options and 0 and 101,073 restricted stock units for the three and nine months ended September 30, 2019, respectively, were excluded from the calculation because they were anti-dilutive.

9. Non-Cash Share-Based Employee Compensation

The Company has an employee and non-employee director share-based incentive compensation plan. Related to these programs, the Company recorded non-cash share-based employee compensation expense of $34 and $94 for the three and nine months ended September 30, 2020, respectively, compared with $42 and $110, respectively, for the same periods last year. The Company considers its non-cash share-based employee compensation expenses as a component of cost of products and selling, general and administrative expenses. There was no non-cash share-based employee compensation expense capitalized as part of capital expenditures or inventory for the periods presented.

The Company uses the Black-Scholes-Merton option valuation model to calculate the fair value of stock option grants under this plan. The non-cash share-based employee compensation expense recorded in the three and nine months ended September 30, 2020 was calculated using certain assumptions. Such assumptions are described more comprehensively in Note 10 (Share-Based Employee Compensation) of the Notes to the Company's consolidated financial statements included in its Annual Report on Form 10-K for the fiscal year ended December 31, 2019.

A summary of activity under the Company's stock option plans during the nine months ended September 30, 2020 is presented below:

As of January 1, 2020	**Stock Options**	**Wgt. Avg. Exercise Price ($) Per Share**	**Wgt. Avg. Remaining Contractual Life (Years)**	**Wgt. Avg. Grant Date Fair Value ($) Per Share**	**Aggregate Intrinsic Value ($)**
Outstanding	569,500	4.16	6.82	1.75	24,000
Vested	214,800	4.12	4.20	1.95	24,000
Nonvested	354,700	4.18	8.40	1.63	—
Period activity					
Issued	110,000	3.24	—	1.27	—
Exercised	—	—	—	—	—
Forfeited	103,600	4.12	—	1.71	—
Expired	70,000	4.11	—	2.79	—
As of September 30, 2020					
Outstanding	505,900	3.97	7.48	1.51	17,250
Vested	194,300	4.20	5.90	1.55	17,250
Nonvested	311,600	3.84	8.46	1.48	—

Restricted Stock Units

On August 24, 2020, 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 for election by stockholders, other than for good reason, as determined by the Board 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 April 24, 2020, upon the resignation of former director Ryan Turner, the Company, at the direction of the board of directors, accelerated the vesting of Mr. Turner's unvested restricted stock units granted September 6, 2019 and issued 10,389 shares of common stock.

On September 6, 2019, 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 $280), 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 for election by stockholders, other than for good reason, as determined by the Board 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 September 6, 2018, the Company granted to each non-employee director restricted stock units with a grant-date fair value of $20 per award (resulting in total aggregate grant-date fair value of $140), which 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 for election by stockholders, other than for good reason, as determined by the Board in its discretion, then the restricted stock units vest in full as of the director's last date of service as a director of the Company. On September 6, 2019, which was the first anniversary of the grant date, the first tranche of the September 2018 restricted stock units vested. On April 24, 2020, upon the resignation of Mr. Turner, the Company accelerated the vesting of Mr. Turner's unvested restricted stock units granted September 6, 2018 and issued 4,050 shares of common stock.

On June 4, 2018, the Company granted to each non-employee director restricted stock units with a grant fair value of $20 per award (resulting in total aggregate grant-date fair value of $140), which vested on June 4, 2019.

There were 147,038 and 101,073 restricted stock units outstanding as of September 30, 2020, and December 31, 2019, respectively.

The Company recorded non-cash restricted stock unit compensation expense of $23 and $112 for the three and nine months ended September 30, 2020, respectively, compared with $11 and $85, respectively, for the same periods last year.

10. Commitments and Contingencies

From time to time, the Company may be involved in various claims and legal actions arising in the ordinary course of its business. On a quarterly basis, the Company assesses its liabilities and contingencies in connection with outstanding legal proceedings utilizing the latest information available. Where it is probable that the Company will incur a loss and the amount of the loss can be reasonably estimated, it records a liability in its consolidated financial statements. These legal accruals may be increased or decreased to reflect any relevant developments on a quarterly basis. Where a loss is not probable or the amount of the loss is not estimable, the Company does not accrue legal reserves, consistent with applicable accounting guidance. There were no pending material claims or legal matters as of September 30, 2020.

On June 24, 2020, the Company entered into a Financial and Consulting Services Agreement (the "Itasca Agreement") with Itasca Financial LLC ("Itasca"), pursuant to which Itasca agreed to advise the Company on aspects of its strategic direction. In exchange for Itasca's services, the Company agreed to pay Itasca a retainer fee of $50,000, payable in two installments of $25,000, and a monthly fee of $20,000. The Itasca Agreement may not be terminated for a period of two months from June 24, 2020, after which time it may be terminated by either party at any time with prior written notice of at least 30 calendar days. As of the date of this report, the Company has paid $45,000 to Itasca and the parties have agreed to suspend the Itasca Agreement indefinitely. Upon termination of the Itasca Agreement by either party, the Company has agreed to pay Itasca a termination fee of $100,000, which can be payable in a combination of cash and stock at the Company's discretion, and if any such fee is paid in stock, then the Company has agreed to grant Itasca unlimited piggyback registration rights for such stock. The Itasca Agreement also includes expense reimbursement provisions and indemnification provisions in favor of Itasca and its affiliates. This description of the Agreement is a summary only and is qualified by reference to full text of Itasca Agreement, which is filed as exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed with the SEC on August 5, 2020.

Fundamental Global Investors, LLC, with its affiliates (collectively, "Fundamental Global"), is the largest stockholder of the Company. D. Kyle Cerminara, the Chief Executive Officer, Co-Founder and Partner of Fundamental Global, and Lewis M. Johnson, the President, Co-Founder and Partner of Fundamental Global, are both members of the Company's Board of Directors, and John W. Struble, Chairman of the Board of Directors, serves as a consultant to Fundamental Global Management, LLC, an affiliate of Fundamental Global. Fundamental Global is the controlling stockholder of PIH, and Larry G. Swets, Jr. serves as Interim Chief Executive Officer and principal executive officer of PIH and as a member of PIH's Board of Directors. In addition, Mr. Swets founded and serves as the managing member of Itasca, which provides services to the Company, as described above, as well as to other companies affiliated with Fundamental Global.

Purchase Commitments

As of September 30, 2020, the Company had purchase commitments for inventory totaling approximately $6,179.

Significant Customers

Sales to United States government agencies represented approximately $8,476 (66.4%) and $19,321 (57.5%) of the Company's net total sales for the three and nine months ended September 30, 2020, respectively, compared with approximately $8,585 (72.7%) and $18,006 (55.0%), respectively, for the same periods last year. Accounts receivable from agencies of the United States government were $3,261 as of September 30, 2020, compared with approximately $1,937 at the same date last year.

11. Debt

On January 30, 2020, BK Technologies, Inc., a wholly-owned subsidiary of the Company, entered into a $5,000 Credit Agreement and a related Line of Credit Note (the "Note" and collectively with the Credit Agreement, the "Credit Agreement") with JPMorgan Chase Bank, N.A. ("JPMC"). The Credit Agreement provides for a revolving line of credit of up to $5,000, with availability under the line of credit subject to a borrowing base calculated as a percentage of accounts receivable and inventory. The line of credit will expire on January 31, 2021. Proceeds of borrowings under the Credit Agreement may be used for general corporate purposes. The line of credit is collateralized by a blanket lien on all personal property of BK Technologies, Inc. pursuant to the terms of the Continuing Security Agreement with JPMC. The Company and each subsidiary of BK Technologies, Inc. are guarantors of BK Technologies, Inc.'s obligations under the Credit Agreement, in accordance with the terms of the Continuing Guaranty.

Borrowings under the Credit Agreement will bear interest at a rate per annum equal to one-month LIBOR (or zero if the LIBOR is less than zero) plus a margin of 1.90%. The line of credit is to be repaid in monthly payments of interest only, payable in arrears, commencing on February 1, 2020, with all outstanding principal and interest to be payable in full at maturity.

The Credit Agreement contains 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 contains one financial covenant requiring BK Technologies, Inc. to maintain a tangible net worth of at least $20,000 at any fiscal quarter end.

The Credit Agreement provides for customary events of default, including: (1) failure to pay principal, interest or fees under the Credit Agreement when due and payable; (2) failure to comply with other covenants and agreements contained in the Credit Agreement and the other documents executed in connection therewith; (3) the making of false or inaccurate representations and warranties; (4) defaults under other agreements with JPMC or under other debt or other obligations of BK Technologies, Inc.; (5) money judgments and material adverse changes; (6) a change in control or ceasing to operate business in the ordinary course; and (7) certain events of bankruptcy or insolvency. Upon the occurrence of an event of default, JPMC may declare the entire unpaid balance immediately due and payable and/or exercise any and all remedial and other rights under the Credit Agreement.

BK Technologies, Inc. was in compliance with all covenants under the Credit Agreement as of September 30, 2020 and the date of filing this report. As of September 30, 2020 and the date of filing this report, there were no borrowings outstanding under the Credit Agreement.

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 manufacturing equipment. The loan is collateralized by the equipment purchased using the proceeds. The Master Loan Agreement is payable in 60 equal monthly principal and interest payments of approximately $8 beginning on October 25, 2019, matures on September 25, 2024 and bears a fixed interest rate of 5.11%.

12. Leases

The Company adopted ASU No. 2016-02, “Leases” (Topic 842) on January 1, 2019 and applied the modified retrospective approach to adoption whereby the standard is applied only to the current and future periods. 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 September 30, 2027. Annual rental, maintenance and tax expenses for the facility are approximately $491.

The Company also leases 8,100 square feet (not in thousands) of office space in Lawrence, Kansas, to accommodate a portion of the Company’s engineering team. In November 2019, this lease was amended to extend the lease term until December 31, 2021. Annual rental, maintenance and tax expenses for the facility are approximately $121.

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 will be approximately $196 for the first year, increasing by approximately 3% for each subsequent twelve-month period

Lease costs consist of the following:

	Three Months Ended		Nine Months Ended	
	September 30, 2020	September 30, 2019	**September 30, 2020**	September 30, 2019
Operating lease cost	**$ 158**	$ 134	**$ 445**	$ 402
Short-term lease cost	**—**	6	**2**	16
Variable lease cost	**33**	31	**96**	94
Total lease cost	**$ 191**	$ 171	**$ 543**	$ 512

Supplemental cash flow information related to leases was as follows:

	Three Months Ended		Nine Months Ended	
	September 30, 2020	September 30, 2019	**September 30, 2020**	September 30, 2019
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash flows (fixed payments)	**$ 141**	$ 118	**$ 384**	$ 354
Operating cash flows (liability reduction)	**102**	78	**267**	234
ROU assets obtained in exchange for lease obligations:				
Operating leases	**419**	—	**454**	2,840

Other information related to operating leases was as follows:

	September 30, 2020
Weighted average remaining lease term (in years)	**6.20**
Weighted average discount rate	**5.50%**

Maturity of lease liabilities as of September 30, 2020 were as follows:

	September 30, 2020
Remaining three months of 2020	$ 141
2021	687
2022	579
2023	592
2024	604
Thereafter	1,336
Total payments	3,939
Less: imputed interest	614
Total liability	**$ 3,325**

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

SPECIAL NOTE CONCERNING FORWARD-LOOKING STATEMENTS

We believe that it is important to communicate our future expectations to our security holders and to the public. 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 and 21E of the Securities Exchange Act of 1934 (the "Exchange Act"), including the statements about our plans, objectives, expectations and prospects. 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. 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.

Important factors that might cause our actual results to differ materially from the results contemplated by the forward-looking statements are contained in the "Risk Factors" section of and elsewhere in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019 and in our subsequent filings with the Securities and Exchange Commission, and include, among others, the following:

- changes or advances in technology;
- the success of our land mobile radio product line;
- successful introduction of new products and technologies, including our ability to successfully develop and sell our anticipated new multiband product and other related products in the planned new BKR Series product line;
- competition in the land mobile radio industry;
- general economic and business conditions, including federal, state and local government budget deficits and spending limitations, any impact from a prolonged shutdown of the U.S. Government, and the ongoing effects of the COVID-19 pandemic;
- 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 and consummate acquisition, disposition or investment transactions, and risks incumbent to being a noncontrolling interest stockholder in a corporation;
- the impact of the COVID-19 pandemic on the companies in which we hold investments;
- 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, as well as any further impact resulting from the COVID-19 pandemic;
- 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, such as the COVID-19 pandemic;
- 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.

Some of these factors and risks have been, and may further be, exacerbated by the COVID-19 pandemic. 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.

Reported dollar amounts in the management's discussion and analysis ("MD&A") are disclosed in millions or as whole dollar amounts.

The following discussion and analysis should be read in conjunction with our condensed consolidated financial statements and notes thereto appearing elsewhere in this report and the MD&A, consolidated financial statements and notes thereto appearing in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019, filed with the SEC on March 4, 2020.

Executive Overview

BK Technologies Corporation is a holding company, with a wholly-owned operating subsidiary, BK Technologies, Inc. We design, manufacture and market two-way land mobile radios, repeaters, base stations and related components and subsystems.

Two-way land mobile radios can be hand-held (portable) or installed in vehicles (mobile). Repeaters expand the range of two-way land mobile radios, enabling them to operate over a wider area. Base station components and subsystems are installed at radio transmitter sites to improve performance by enhancing the signal and reducing or eliminating signal interference and enabling the use of one antenna for both transmission and reception. We incorporate both analog and digital technologies in our products. Our digital technology is compliant with the Project 25 standard of the Association of Public-Safety Communications Officials. We offer products under two brand names: BK Radio and RELM. Generally, BK Radio-branded products serve the government and public safety market, while RELM-branded products serve the business and industrial market.

Holding Company Reorganization

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. The holding company reorganization was intended to create a more efficient corporate structure and increase operational flexibility. We did not incur any material operational or financial impacts. The holding company reorganization was effected through a merger transaction that was a tax-free transaction for U.S. federal income tax purposes for our stockholders. No stockholder vote was required to effect the merger transaction.

As part of the holding company reorganization, stockholders of our predecessor, BK Technologies, Inc., became stockholders of BK Technologies Corporation, on a one-for-one basis, with the same number of shares and same ownership percentage of common stock that they held immediately prior to the holding company reorganization. Following the reorganization, BK Technologies Corporation replaced BK Technologies, Inc. as the publicly traded entity, and shares of BK Technologies Corporation were listed on the NYSE American under the symbol “BKTI,” which is the same symbol as previously used by BK Technologies, Inc. In addition, the common stock of BK Technologies Corporation was assigned a new CUSIP Number: 05587G 104. The holding company has the same directors and executive officers as its predecessor, BK Technologies, Inc.

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.

Impact of COVID-19 Pandemic

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. The challenges posed by the COVID-19 pandemic on the global economy increased significantly as the first quarter of 2020 progressed. 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. Accordingly, we have 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. One staff member tested positive for COVID-19 to date. This employee was quarantined and worked remotely in accordance with accepted safety practices until after passing subsequent testing.

In planning for the possible disruption of our business, we have taken 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 second quarter of 2020, decreasing employment and related expenses by approximately 18%. During the first nine months, impact to customer orders was limited as reflected by our sales, which increased compared with the same period last year. Also, while some of our supply chain partners were temporarily closed during the early stages of the pandemic, most of these partners resumed operations and we have been able to procure the materials necessary to manufacture products and fulfill customer orders. Depending on the progression of the pandemic, our ability to obtain necessary supplies and ship finished products to customers may be partly or completely disrupted. Continued progression of the pandemic 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 year to year. 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 whether there is a “second wave,” and the related length of its impact on the global economy, which are uncertain and, given the daily evolution of the COVID-19 pandemic and the global responses to curb its spread, 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, including any recession that has occurred or may occur in the future. Furthermore, the extent to which our mitigation efforts are successful, if at all, is not presently ascertainable. However, we anticipate that 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.

On March 27, 2020, President Trump signed into law the Coronavirus Aid, Relief and Economic Security Act (the “CARES Act”). Among other things, the CARES Act includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations and technical corrections to tax depreciation methods for qualified improvement property. On April 13, 2020, we received an unsecured Loan (as defined below) in the amount of $2,196,335 under the Paycheck Protection Program (or “PPP”) established under the CARES Act, as further discussed below under “Liquidity and Capital Resources.” We intended to use the Loan for qualifying expenses in accordance with the terms of the CARES Act. At the time of application, we believed we qualified to receive the funds pursuant to the PPP.

On April 23, 2020, the SBA, in consultation with the Department of Treasury, issued new guidance that created uncertainty regarding the qualification requirements for a PPP loan. In April 2020, out of an abundance of caution, we repaid the loan in full.

On May 4, 2020, the Company implemented workforce reductions of approximately 18% to reduce costs and to better position the Company in an uncertain business environment resulting from the COVID-19 pandemic. The Company incurred approximately $221,000 in severance costs relating to these workforce reductions, which were recognized in the second quarter of 2020 and was paid according to our normal payroll practices through September 2020.

Our stock repurchase program terminated in April 2020 and was not renewed.

Third Quarter and Nine Months Summary

Overall, our financial and operating results for the three and nine months ended September 30, 2020 improved compared with the same periods of last year. Sales for the third quarter and nine-month period ended September 30, 2020 increased compared with the same periods for the prior year, while selling, general and administrative expenses for both periods decreased. Consequently, operating income for the three and nine months ended September 30, 2020 increased significantly compared with the same periods last year. Furthermore, during the first nine months of 2020, we reduced inventory by over $5.0 million, or 37.6% from the start of the year, which was a primary factor enabling us to generate positive cash flow from operations.

For the third quarter of 2020, our sales increased 8.1% to approximately $12.8 million, compared with approximately $11.8 million for the same quarter last year. For the nine months ended September 30, 2020, sales increased 2.6% to approximately $33.6 million, compared with approximately $32.7 million for the same period last year.

Gross profit margins as a percentage of sales for the third quarter of 2020 were approximately 40.8%, compared with 43.3% for the third quarter last year. For the nine-month period ended September 30, 2020, gross profit margins as a percentage of sales were approximately 40.0%, compared with 40.3% for the same period last year.

Selling, general and administrative expenses (“SG&A”) for the third quarter of 2020 decreased 13.6% to approximately $4.2 million, compared with approximately $4.8 million for the same quarter last year. SG&A expenses for the nine months ended September 30, 2020 decreased 13.0% to approximately $13.3 million, compared with approximately $15.2 million for the nine-month period last year.

For the third quarter of 2020, our operating income increased 253.2% to approximately $1.0 million, compared with approximately $0.3 million for the third quarter last year. For the nine-month period ended September 30, 2020, operating income increased to approximately $158,000, compared with an operating loss of approximately $2.0 million for the nine-month period last year.

Outside of our core public safety land mobile radio operations, for the third quarter of 2020, we recognized an unrealized loss totaling $291,000 on our investment in 1347 Property Insurance Holdings, Inc. (“PIH”), made through FGI 1347 Holdings, LP, a consolidated variable interest entity. This compares with an unrealized loss of $258,000 on the investment for the third quarter last year. For the nine-month period ended September 30, 2020, we recognized an unrealized loss of approximately $797,000, compared with an unrealized gain of $186,000 for last year’s nine-month period.

Net income for the three months ended September 30, 2020 increased 184.5% to approximately $678,000 ($0.05 per basic and diluted share), compared with approximately $238,000 ($0.02 per basic and diluted share) for the same quarter last year. For the nine months ended September 30, 2020, our net loss narrowed by 38.4% to approximately $0.8 million ($0.07 per basic and diluted share), compared with approximately $1.3 million ($0.10 per basic and diluted share) for the same period last year.

As of September 30, 2020, working capital totaled approximately $14.4 million, of which approximately $12.2 million was comprised of cash, cash equivalents and trade receivables. As of December 31, 2019, working capital totaled approximately $14.5 million, of which approximately $8.6 million was comprised of cash, cash equivalents and trade receivables.

Results of Operations

As an aid to understanding our operating results for the periods covered by this report, the following table shows selected items from our condensed consolidated statements of operations expressed as a percentage of sales:

	Percentage of Sales Three Months Ended		**Percentage of Sales Nine Months Ended**	
	September 30, 2020	September 30, 2019	**September 30, 2020**	September 30, 2019
Sales	**100.0%**	100.0%	**100.0%**	100.0%
Cost of products	**(59.2)**	(56.7)	**(60.0)**	(59.6)
Gross margin	**40.8**	43.3	**40.0**	40.4
Selling, general and administrative expenses	**(32.6)**	(40.8)	**(39.5)**	(46.6)
Other (expense) income	**(2.8)**	(2.6)	**(2.8)**	0.7
Income (loss) before income taxes	**5.3**	(0.1)	**(2.3)**	(5.5)
Income tax (expense) benefit	**(0.0)**	2.1	**(0.1)**	1.4
Net income (loss)	**5.3%**	2.0%	**(2.4)%**	(4.1)%

Net Sales

For the third quarter ended September 30, 2020, net sales increased 8.1% to approximately $12.8 million, compared with approximately $11.8 million for the same quarter last year. Sales for the nine months ended September 30, 2020 increased 2.6% to approximately $33.6 million, compared with approximately $32.7 million for the nine-month period last year.

The increase in sales for the three and nine months ended September 30, 2020 was attributed primarily to new customers and demand from certain existing federal and state customers as well as dealers. Also, last year's nine-month period was adversely impacted by the federal government shutdown early in the year. Although the precise impact to sales cannot be quantified, procurement activities of some customers were likely affected by the COVID-19 pandemic during the nine-month period ended September 30, 2020. Despite any such impact, we realized sales increases for the third quarter and nine-month periods, compared with the same periods last year.

During the third quarter of 2020 we launched the BKR 5000, the first model in the new BKR Series of APCO Project 25 land mobile radio products and solutions. The BKR Series is envisioned as a comprehensive line of new products with additional new models planned for next year, including products with multi-band capability. The timing of developing additional BKR Series products and bringing them to market could be impacted by various factors, including potential impacts related to the COVID-19 pandemic. BKR Series products, we believe, should increase our addressable market by expanding the number of federal and other 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.

Earlier in 2020, we reorganized our sales resources to more effectively focus on target markets and customers where we believe we can maximize our sales success. Our funnel of sales prospects for coming quarters includes potential new customers in federal, state and local public safety agencies. We believe the reorganization and our current sales funnel better position us to capture new sales opportunities moving forward.

While the potential impacts of the COVID-19 pandemic in coming months and quarters remain uncertain, such effects have the potential to adversely impact our customers and our supply chain. Such negative effects on our customers and suppliers could adversely affect our future business, operations and financial results.

Cost of Products and Gross Profit Margin

Gross profit margins as a percentage of sales for the third quarter ended September 30, 2020 were approximately 40.8%, compared with 43.3% for the same quarter last year. For the nine-month period ended September 30, 2020, gross profit margins were approximately 40.0%, compared with 40.4% for the same period last 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 third quarter of 2020 decreased compared with the same period last year primarily due to a less favorable mix of sales revenues. For the nine months ended September 30, 2020, gross profit margins decreased slightly compared with the nine-month period last year, having been impacted primarily by the first quarter during which more customer orders were fulfilled with on-hand inventory in concert with our inventory reduction program resulting in lower manufacturing volumes and suboptimal utilization and absorption of manufacturing and support expenses.

During the second quarter of 2020, we reduced manufacturing operations employment by approximately 21%, as well as other related expenses. These reductions have improved our utilization and absorption of manufacturing and support expenses, favorably impacting gross profit margins.

We utilize a combination of internal manufacturing capabilities and contract manufacturing relationships for production efficiencies and to manage material and labor costs, and anticipate continuing to do so in the future. 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.

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 third quarter ended September 30, 2020 decreased by $653,000, or 13.6%, to approximately $4.2 million (32.6% of sales), compared with approximately $4.8 million (40.8% of sales) for the same quarter last year. For the nine months ended September 30, 2020, SG&A expenses decreased by $2.0 million, or 13.0%, to approximately $13.3 million (39.5% of sales), compared with approximately $15.2 million (46.6% of sales), for the nine-month period last year. Consistent with employment and expense reductions in our manufacturing operations, during the second quarter of 2020, we reduced SG&A employment by approximately 15%, as well as other expenses in sales, go-to-market, engineering and headquarters.

Engineering and product development expenses for the third quarter of 2020 decreased $359,000, or 15.1%, to approximately $2.0 million (15.8% of sales), compared with approximately $2.4 million (20.1% of sales) for the same quarter of last year. For the nine months ended September 30, 2020, engineering and product development expenses decreased $1.6 million (20.4%) to approximately $6.1 million (18.1% of sales), compared with approximately $7.6 million (23.3% of sales) for the nine-month period last year. Product development expenses related to an anticipated new line of portable and mobile radios with enhanced features, the BKR Series, continued to decrease as development activities migrated away from external resources to our new internal engineering team. This team is primarily involved with development of the BKR Series, including our planned multiband product. The precise date for developing and introducing new products is uncertain and can be impacted by, among other things, the potential effects of the COVID-19 pandemic in coming months.

Marketing and selling expenses for the third quarter of 2020 declined by approximately $436,000, or 32.1%, to approximately $922,000 (7.3% of sales), compared with approximately $1.4 million (11.5% of sales) for the third quarter last year. For the nine months ended September 30, 2020, marketing and selling expenses declined approximately $654,000, or 16.2%, to approximately $3.4 million (10.1% of sales), compared with approximately $4.0 million (12.3% of sales). The decreases are attributed to reductions in sales and go-to-market employment, as well as other sales and marketing related expenses.

Other general and administrative expenses for the third quarter 2020 totaled approximately $1.2 million (9.6% of sales), compared with approximately $1.1 million (9.1% of sales) for the same quarter last year. For the nine months ended September 30, 2020, general and administrative expenses totaled approximately $3.8 million (11.4% of sales), compared with approximately $3.6 million (11.0% of sales) for the nine-month period last year. Decreases in employment and other headquarters expenses were more than offset by non-recurring severance costs recognized in the second quarter of 2020 related to our reduction in employment.

Operating Income (Loss)

Operating income for the third quarter ended September 30, 2020 increased approximately $747,000 (253.2%) to approximately $1.0 million (8.2% of sales), compared with $295,000 (2.5% of sales) for last year's third quarter. For the nine months ended September 30, 2020, our operating income of approximately $158,000 (0.5% of sales) improved 107.8% from an operating loss of $2.0 million (6.1% of sales) for the nine-month period last year. The improved operating income for the nine months ended September 30, 2020 was primarily attributed to sales growth combine with reduced employment and other operating expenses.

Other (Expense) Income

We recorded net interest expense of approximately $6,000 for the third quarter ended September 30, 2020, compared with net interest income of approximately $33,000 for the third quarter last year. For the nine months ended September 30, 2020, net interest expense totaled approximately $4,000, compared with net interest income of approximately $134,000 for the nine-month period last year. Reduced interest income was primarily the result of lower interest rates.

Additionally, on September 25, 2019, through a wholly-owned subsidiary, we entered into a Master Loan Agreement with U.S. Bank Equipment Finance, a division of U.S. Bank National Association, in the amount of $425,000, to finance various items of equipment. The loan is collateralized by equipment. The agreement has a term of five years and bears a fixed interest rate of 5.11%.

For the third quarter ended September 30, 2020, we recognized an unrealized loss of $291,000 on our investment in PIH, compared with $258,000 for the third quarter last year. For the nine months ended September 30, 2020, we recognized an unrealized loss of approximately $797,000 on our investment in PIH, compared with an unrealized gain of $186,000 for the same period last year.

Income Taxes

We recorded an income tax expense of $2,000 for the three months ended September 30, 2020, compared with an income tax benefit of approximately $253,000 for the same period last year. For the nine months ended September 30, 2020, we recorded an income tax expense of $30,000 of which $28,000 derived from the change in valuation allowance related to net operating loss carryforwards for the state of Florida that are anticipated to expire unutilized in 2020, compared with an income tax benefit of approximately $454,000 for the nine-month period last year.

Our income tax provision is based on management's estimate of the effective tax rate for the full year. The tax provision (benefit) in any period will 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 significant fluctuations in the effective book tax rate (that is, tax expense divided by pre-tax book income) from period to period.

As of September 30, 2020, our net deferred tax assets totaled approximately $4.3 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 $28,000 related to state of Florida NOLs that are anticipated to expire unutilized in 2020. 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 September 30, 2020.

Liquidity and Capital Resources

For the nine months ended September 30, 2020, net cash provided by operating activities totaled approximately $3.5 million, compared with cash used in operating activities of approximately $1.0 million for the same period of last year. Cash provided by operating activities for the nine months ended September 30, 2020, was primarily related to a decrease in inventory, combined with increases in depreciation and amortization and deferred revenue, as well as an unrealized loss on our investment in PIH. These items were partially offset by a net loss, increases in accounts receivable, and decreases in accounts payable, and accrued warranty expenses.

For the nine months ended September 30, 2020, we had a net loss of approximately $0.8 million, compared with approximately $1.3 million for the same period last year. Net inventories decreased during the nine months ended September 30, 2020 by approximately $5.0 million, compared with an increase of approximately $3.1 million for the same period last of year. The decrease for the first nine months of 2020 was primarily attributable to product sales combined with our inventory reduction program. Depreciation and amortization totaled approximately $1.0 million for the nine months ended September 30, 2020, compared with approximately $0.9 million for the same period last year, primarily due to capital expenditures related to manufacturing and engineering equipment. Deferred revenue for the nine months ended September 30, 2020 increased approximately $566,000, compared with approximately $924,000 for the same period last year, which was attributed primarily to the sales of extended warranties. Unrealized losses on securities for the nine months ended September 30, 2020 totaled approximately $797,000, compared with gains of approximately $186,000 for last year's nine-month period. For additional information pertaining to our investment in securities, refer to Notes 1 (Condensed Consolidated Financial Statements) and 6 (Investment in Securities) to the condensed consolidated financial statements included in this report. The increase in accounts receivable was attributable to the timing of sales later during the quarter that had not yet completed their collection cycle. Accounts payable for the nine months ended September 30, 2020, decreased approximately $2.2 million, compared with an increase of approximately $1.3 million for the same period last year, primarily due to payments to suppliers. Accrued warranty expenses for the nine months ended September 30, 2020 decreased approximately $337,000, compared with approximately $156,000 for the same period last year. The decreases are attributed primarily to manufacturing operations and quality improvements.

Cash used in investing activities for the nine months ended September 30, 2020 totaled approximately $742,000 and was attributed to purchases of property, plant and equipment. For the same period last year, cash used in investing activities totaled approximately $2.3 million, and was also attributed to purchases of property, plant and equipment.

For the nine months ended September 30, 2020, cash of approximately $1.1 million was used in financing activities. During the period we received proceeds totaling approximately $2.2 million under the PPP, which were repaid in full within the same period. We also used cash for our capital return program, which included quarterly dividends totaling approximately $752,000 and stock repurchases totaling approximately $269,000. Our stock repurchase program terminated in April 2020 and was not renewed. For the nine-month period last year, approximately $765,000 was used to pay dividends and approximately $803,000 was used for stock repurchases. For last year's nine-month period, we received $0.4 million from U.S. Bank Equipment Finance for the purchase of manufacturing equipment items, pursuant to the Master Loan Agreement, described below.

On April 13, 2020, BK Technologies, Inc., our wholly-owned operating subsidiary, received approval and funding pursuant to a promissory note (the "PPP Note") evidencing an unsecured loan in the amount of $2,196,335 (the "Loan") under the PPP. The PPP was established under the CARES Act and is administered by the U.S. Small Business Administration ("SBA"). The Loan was made through JPMorgan Chase Bank, N.A. ("JPMC"). We intended to use the Loan for qualifying expenses in accordance with the terms of the CARES Act. At the time of application, we believed we qualified to receive the funds pursuant to the PPP.

On April 23, 2020, the SBA, in consultation with the Department of Treasury, issued new guidance that created uncertainty regarding the qualification requirements for a PPP loan. In April 2020, out of an abundance of caution, the Company repaid the loan in full.

On May 4, 2020, the Company implemented workforce reductions of approximately 18% to reduce costs and to better position the Company in an uncertain business environment resulting from the COVID-19 pandemic. The Company incurred approximately $221,000 in severance costs relating to these workforce reductions, which were recognized in the second quarter of 2020 and paid under our customary payroll practices through September 2020.

On January 30, 2020, BK Technologies, Inc., our wholly-owned subsidiary, entered into a $5.0 million Credit Agreement and a related Line of Credit Note (the "Note" and collectively with the Credit Agreement, the "Credit Agreement") with JPMC. The Credit Agreement provides for a revolving line of credit of up to $5.0 million, with availability under the line of credit subject to a borrowing base calculated as a percentage of accounts receivable and inventory. The line of credit will expire on January 31, 2021. Proceeds of borrowings under the Credit Agreement may be used for general corporate purposes. The line of credit is collateralized by a blanket lien on all personal property of BK Technologies, Inc. pursuant to the terms of the Continuing Security Agreement with JPMC. We and each subsidiary of BK Technologies, Inc. are guarantors of BK Technologies, Inc.'s obligations under the Credit Agreement, in accordance with the terms of the Continuing Guaranty.

Borrowings under the Credit Agreement will bear interest at a rate per annum equal to one-month LIBOR (or zero if the LIBOR is less than zero) plus a margin of 1.90%. The line of credit is to be repaid in monthly payments of interest only, payable in arrears, commencing on February 1, 2020, with all outstanding principal and interest to be payable in full at maturity.

The Credit Agreement contains 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 contains one financial covenant requiring BK Technologies, Inc. to maintain a tangible net worth of at least $20.0 million at any fiscal quarter end.

The Credit Agreement provides for customary events of default, including: (1) failure to pay principal, interest or fees under the Credit Agreement when due and payable; (2) failure to comply with other covenants and agreements contained in the Credit Agreement and the other documents executed in connection therewith; (3) the making of false or inaccurate representations and warranties; (4) defaults under other agreements with JPMC or under other debt or other obligations of BK Technologies, Inc.; (5) money judgments and material adverse changes; (6) a change in control or ceasing to operate business in the ordinary course; and (7) certain events of bankruptcy or insolvency. Upon the occurrence of an event of default, JPMC may declare the entire unpaid balance immediately due and payable and/or exercise any and all remedial and other rights under the Credit Agreement.

BK Technologies, Inc. was in compliance with all covenants under the Credit Agreement as of September 30, 2020 and the date of filing this report. As of September 30, 2020 and the date of filing this report, there were no borrowings outstanding under the Credit Agreement and there was approximately $2.8 million of borrowing available under the Credit Agreement.

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 $425,000 to finance items of manufacturing equipment. The loan is collateralized by the equipment purchased using the proceeds. The Master Loan Agreement has a term of five years and bears a fixed interest rate of 5.11%.

Our cash and cash equivalents balance at September 30, 2020 was approximately $6.4 million. We believe these funds, combined with our cost-saving initiatives, anticipated cash generated from operations and borrowing availability under our Credit Agreement, 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 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 our Annual Report on Form 10-K for the fiscal year ended December 31, 2019 and “Item 1A. Risk Factors” below in this report.

Critical Accounting Policies

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 revenue recognition, 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 quarter ended September 30, 2020, as described in Item 7 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2019.

Item 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as defined in Rules 13a-15(c) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) that are designed to ensure that information required to be disclosed in our reports under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our management, including our President (who serves as our principal executive officer) and Chief Financial Officer (who serves as our principal financial and accounting officer), as appropriate, to allow timely decisions regarding required disclosure.

We carried out an evaluation, under the supervision and with the participation of our management, including our President (principal executive officer) and Chief Financial Officer (principal financial officer), of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act), as of the end of the period covered by this Quarterly Report. Based upon that evaluation, our President and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this Quarterly Report to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities Exchange Commission’s rules and forms, and that such information is accumulated and communicated to our management, including each of such officers as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

During the three months ended September 30, 2020, 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 have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 1A. RISK FACTORS

Item 1A “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2019 includes a detailed discussion of the Company’s risk factors. There have been no material changes to the risk factors as disclosed in our Annual Report, except as set forth below. However, many of the risk factors disclosed in Item 1A of our Annual Report have been, and we expect will continue to be further, heightened or exacerbated by the impact of the COVID-19 pandemic.

The COVID-19 pandemic and ensuing governmental responses have negatively impacted, and could further materially adversely affect, our business, financial condition, results of operations and cash flow.

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. Although we believe the pandemic has not had a material adverse impact on our business through the first three quarters of 2020, it may have the potential of doing so in the future. The extent of the potential impact of the COVID-19 pandemic on our business and financial performance will depend on future developments, which are uncertain and, given the continuing evolution of the COVID-19 pandemic and the global responses to curb its spread, cannot be predicted. In addition, the pandemic has significantly increased economic uncertainty and caused a worldwide economic downturn. 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, including any recession that may occur in the future.

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. Although many governmental measures have had specific expiration dates, some of those measures have already been extended more than once or re-implemented as cases of COVID-19 increased in certain areas; as a result, there is considerable uncertainty regarding the duration of such measures and potential future measures. Measures providing for business shutdowns generally exclude certain essential services, and those essential services commonly include critical infrastructure and the businesses that support that critical infrastructure, which includes our business. While our manufacturing operations have remained open, these measures have impacted and may further impact our workforce and operations, as well as those of our customers, vendors and suppliers.

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. Many of our suppliers, vendors and service providers have made similar modifications. If necessary, we may take further actions in the best interests of our employees, customers, partners and suppliers. In light of the economic downturn generated by the COVID-19 pandemic, we have taken steps to reduce expenses throughout the Company. These reductions have, at various junctures, included limiting Company travel, discontinuing participation in trade shows and other business meetings, instituting strict inventory control and decreasing expenditures. We restructured our operations to, among other things, reduce our workforce by approximately 18% during the second quarter of 2020. We incurred costs as a result of the workforce reduction, including approximately $221,000 in severance costs, which were recognized in the second quarter of 2020. There is no certainty that such measures will be sufficient to mitigate the risks posed by COVID-19, in which case our employees may become sick, our ability to perform critical functions could be harmed, and our business and operations could be negatively impacted. We have had one employee test positive for COVID-19 to date. The employee was quarantined in accordance with accepted safety practices and returned to work only after clearing accepted health protocols. There was no disruption of our operations as a result of this occurance. The resumption of normal business operations after such interruptions may be delayed or constrained by lingering effects of COVID-19 on our suppliers, third-party service providers, and/or customers.

In addition, we have experienced delays and cost increases, and may continue to do so, in obtaining and transporting materials. Since the outbreak, some of our supply chain partners were temporarily closed for a period of time. These facilities have since reopened. Although we have in some cases experienced delays and increased freight costs, we have, to date, been able to procure the materials necessary to manufacture products and fulfill customer orders, which may not continue to be the case in the event the pandemic worsens or continues for an extended period of time. Depending on the continued progression of the pandemic, our ability to obtain necessary supplies, manufacture our products and ship finished products to customers may be disrupted.

Further, our current and potential customers' businesses could be disrupted or they could seek to limit spending, including shifting purchases to lower-priced or other perceived value offerings or reducing their purchases and inventories due to decreased budgets, reduced access to credit or various other factors, any of which could negatively impact the willingness or ability of such customers to place new, or any, orders with us and ultimately adversely affect our revenues, as well as negatively impact the payment of accounts receivable and collections and potentially lead to write-downs or write-offs.

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 of the pandemic and the related length of its impact on the global economy, which remain uncertain and cannot be predicted at this time. Furthermore, the extent to which our mitigation efforts are successful, if at all, is not presently ascertainable.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Dividend Restrictions

On January 30, 2020, BK Technologies, Inc., our wholly-owned operating subsidiary, entered into the Credit Agreement with JPMC. The Credit Agreement contains limitations and covenants that may limit BK Technologies, Inc.'s ability to take certain actions, including pay dividends to the Company.

Item 6. EXHIBITS

Exhibits required to be filed by Item 601 of Regulation S-K are listed in the Exhibit Index below.

Exhibit Index

Exhibit Number	Description
Exhibit 31.1	Certification of Principal Executive Officer Pursuant to Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
Exhibit 31.2	Certification of Principal Financial Officer Pursuant to Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
Exhibit 32.1	Certification of Principal Executive Officer 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)
Exhibit 32.2	Certification of Principal Financial Officer 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)
Exhibit 101.INS	XBRL Instance Document
Exhibit 101.SCH	XBRL Taxonomy Extension Schema Document
Exhibit 101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
Exhibit 101.LAB	XBRL Taxonomy Extension Label Linkbase Document
Exhibit 101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
Exhibit 101.DEF	XBRL Taxonomy Definition Linkbase Document

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

BK TECHNOLOGIES CORPORATION
(The "Registrant")

Date: November 12, 2020

By:/s/ Timothy A. Vitou
Timothy A. Vitou
President
(Principal executive officer and duly authorized officer)

Date: November 12, 2020

By:/s/ William P. Kelly
William P. Kelly
Executive Vice President and Chief Financial Officer
(Principal financial and accounting officer and duly authorized officer)

Exhibit 31.1

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

I, Timothy A. Vitou, President of BK Technologies Corporation, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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: November 12, 2020

/s/ Timothy A. Vitou
Timothy A. Vitou
President

Exhibit 31.2

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

I, William P. Kelly, Executive Vice President and Chief Financial Officer of BK Technologies Corporation, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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: November 12, 2020

/s/ William P. Kelly
William P. Kelly
Executive Vice President and
Chief Financial Officer

Exhibit 32.1

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 Quarterly Report of BK Technologies Corporation (the “Company”) on Form 10-Q for the quarterly period ended September 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Timothy A. Vitou, President 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/ Timothy A. Vitou
Timothy A. Vitou
President

November 12, 2020

Exhibit 32.2

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 Quarterly Report of BK Technologies Corporation (the "Company") on Form 10-Q for the quarterly period ended September 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, William P. Kelly, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that 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/ William P. Kelly
William P. Kelly
Executive Vice President and Chief Financial Officer

November 12, 2020