

# 2022 ANNUAL REPORT



ELECTRONIC SYSTEMS TECHNOLOGY, INC.  
415 NORTH ROOSEVELT STREET, STE B1  
KENNEWICK, WA 99336



**April 24, 2023**

Dear Shareholders,

2022 was an exciting year of growth, changes and challenges for Electronic Systems Technology, Inc. I am pleased to report that revenues increased to \$1,910,061 from \$1,512,028 in 2021, or 26%, as we continued to experience a strong resurgence in demand from our customers. Our investment in inventory enabled us to successfully navigate the volatile supply chain shortages and keep sellable products available for this increased demand. As a result of increased sales, operating profit was \$78,314 in 2022, compared to an operating loss of \$189,872 a year earlier. After the one-time gain on employee retention credit in 2022, and after the one-time gain on forgiveness of our CARES Act loan in 2021, net income was \$146,531 in 2022 vs. \$92,989 in 2021.

As we transitioned through 2022, trade shows continued to rebound with strong attendance numbers and customers continued to accept additional in-person sales calls. Evolving from the Covid-19 pandemic, the use of virtual meetings has become an important tool to expand our sales reach and shorten the sales cycle. We will continue to strategically invest in our sales force and review expenses to drive profitability and increase our market share.

Our R&D efforts remained focused on our current product offerings by improving the operation, manufacturability, and customer-benefitting features. We will continue to look at new technologies in 2023 that support our emphasis on delivering exceptional products to the Industrial Automation market.

We are committed to leveraging our success in 2022 into 2023 and beyond. We continue our dedication to supplying a distinctive blend of innovative wireless products and exceptional support to our customers.

As a result of Michael Eller's resignation as President, I assumed that role on July 1. Mike continues as Chief Financial Officer and Director. His years of leadership are greatly appreciated, and we look forward to his continuing contributions and service. Another change in our board of directors occurred as a result of Tom Kirchner's resignation as a director in February. Tom was the original founder of our Company, and we thank him for his years of service. I was appointed as a new director designated as Mr. Kirchner's replacement.

On behalf of the Company and our employees, I would like to thank you for your continuing support.



Daniel M. Tolley  
President & CEO

**Cautionary Note Regarding Forward-Looking Statements**

This letter contains "forward-looking statements" within the meaning of the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. Examples of forward-looking statements include, among others, statements we make regarding our strategies, expectations about new and existing products, market demand, acceptance of new and existing products, technologies and opportunities, market size and growth, and return on investments in products and market. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict and many of which are outside of our control. More details about these and other risks that may impact our business are included in our Form 10-K for the fiscal year ended December 31, 2022 and in our other SEC filings. You can locate these reports through our website at [www.esteem.com](http://www.esteem.com). We undertake no obligation to publicly update any forward-looking statement, whether written or oral, that may be made from time to time, whether as a result of new information, future developments or otherwise.

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

**Form 10-K**

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
**For the fiscal year ended: December 31, 2022**

**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: **000-27793**

**ELECTRONIC SYSTEMS TECHNOLOGY INC.**

(Exact name of registrant as specified in its charter)

**Washington**

**91-1238077**

(State or other jurisdiction of incorporation or organization)

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

**415 N. Roosevelt St., STE B1, Kennewick, Washington**

**99336**

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code: **(509) 735-9092**

Securities registered under Section 12(b) of the Exchange Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
None	N/A	N/A

Securities registered under Section 12(g) of the Exchange Act:

Common

(Title of Class)

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

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

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

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

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

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

The aggregate market value of the registrant’s common stock held by non-affiliates was \$861,449, based on the reported last sale price of common stock on June 30, 2022, which was the last business day of the registrant’s most recently completed second fiscal quarter. For purposes of this computation, all executive officers and directors were deemed affiliates.

The number of shares outstanding of the registrant’s common stock as of February 15, 2023: 4,946,502 shares.

**ELECTRONIC SYSTEMS TECHNOLOGY INC.  
FORM 10-K**

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## PART I

### FORWARD LOOKING STATEMENTS:

This Annual Report on Form 10-K and the exhibits attached hereto contain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, as amended. Such forward-looking statements concern the Company’s anticipated results and developments in the Company’s operations in future periods, planned exploration and development of its properties, plans related to its business and other matters that may occur in the future. These statements relate to analyses and other information that are based on forecasts of future results, estimates of amounts not yet determinable and assumptions of management.

Any statement that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always using words or phrases such as “believes”, “expects” or “does not expect”, “is expected”, “anticipates” or “does not anticipate”, “plans”, “estimates”, or “intends”, or stating that certain actions, events or results “may” or “could”, “would”, “might” or “will” be taken, occur or be achieved) are not statements of historical fact and may be forward-looking statements. Forward-looking statements are subject to a variety of known and unknown risks, uncertainties and other factors which could cause actual events or results to differ from those expressed or implied by the forward-looking statements.

The Company cautions readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made. The Company disclaims any obligation subsequently to revise any forward-looking statements to reflect events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events, except as required by law. The Company advises readers to carefully review the reports and documents filed from time to time with the Securities and Exchange Commission (the “SEC”), particularly the Company’s Quarterly Reports on Form 10-Q and Current Reports on Form 8-K.

Management’s Discussion and Analysis is intended to be read in conjunction with the Company’s financial statements and the integral notes (“Notes”) thereto for the fiscal year ending December 31, 2022. The following statements may be forward-looking in nature and actual results may differ materially. All dollar amounts in this Annual Report are expressed in U.S. dollars, unless otherwise indicated.

#### **Item 1. Business.**

For over 35 years, Electronic Systems Technology, Inc. (“EST”, “us”, “we”, “our” or the “Company”) has specialized in the development and manufacturing of digital data (non-voice) radio transceivers for use in industrial wireless networking applications. With reliance on wireless communication in the modern world, the global modernization of industrial control systems now requires the benefits gained by use of wireless technology. EST designs, manufactures, develops and produces these specialized, hardened products uniquely designed to operate and survive in these difficult environments in which these systems must perform.

The Company’s ESTeem® line of products provide innovative communication solutions for harsh environment applications not served or that are underutilized by conventional, commercial grade communication systems. Our products are part of the ESTeem® Industrial Wireless Solutions for commercial, industrial, and government arenas both domestically and internationally. We market through direct sales, sales representatives, resellers and system integrators

EST was incorporated in the State of Washington in February 1984 and was granted a United States Patent for the “Wireless Computer Modem” in May 1987, and Canadian patent in October 1988. We registered and commenced building brand recognition on the trade name of “ESTeem® Wireless Modems” in 2007. After reviewing for marketability and profitability, our strategy is to provide product improvements and enhancements that incorporate technological developments in response to customer needs and market opportunities arising from changes in FCC regulations or technological developments.

Development efforts in 2022 were focused primarily on software enhancements and hardware maintenance for the ESTeem® Horizon Series. These next generation industrial wireless products will improve our networking capability with higher data rates, improved security, improved support features and updates to the latest wireless standards.

In an effort to maintain and expand our customer base in the industrial control marketplace, we team with major automation hardware vendors such as Rockwell Automation. Our 30-year relationship with Rockwell Automation’s Encompass Program delivers significant benefits via increased exposure to markets that would not otherwise be available to us. Rockwell Automation has the largest market share in the United States and is a major entity in the world-wide automation and controls marketplace.

## PRODUCTS AND MARKETS

ESTeem® industrial wireless products provide communication links between computer networks, network enabled devices and mobile devices without cables. The widespread use of networked computer systems in business, industry and public service and the adoption of mobile devices in all aspects of modern life has created an environment where the wireless network is no longer a convenience but a necessity. As wireless networking proliferates through the modernization of the industrial sector the need for our products, which are specifically designed for rigors of operation in harsh environments, is increasing dramatically. Wireless networks are the backbone connections to the Internet for cloud-based services such as the Internet of Things (“IoT”) and Industrial Internet of Things (“IIoT”).

All of the ESTeem® models come with industry standard Ethernet (Internet) communication ports and legacy serial ports to provide the broadest range of connections for both new and legacy hardware. The combined features such as AES 128 or AES 256 security encryption, self-healing repeaters, mesh networking, long range operation and outdoor weatherproof cases make the ESTeem® products unique in our market space.

### PRODUCT APPLICATIONS

Major applications and industries in which ESTeem® products are being utilized are as follows:

Water/Wastewater	Mining
Oil/Gas	Industrial Automation

### PRODUCT LINES

We manufacture nine (9) models of the ESTeem® industrial wireless modems that operate in frequency from 150 MHz to 5.8 GHz. A wireless modem is a hardware device for sending and receiving data over a radio carrier and is the foundation of our industrial wireless solution. Each model will fit best in a specific application based upon several factors such as distance, required data rate and Federal Communication Commission (“FCC”) licensing requirements. Each wireless network is discussed in detail with the end customer to determine the best overall solution for their application. No single model or frequency band can solve all applications and having a diverse product selection is critical for expanding our customer base. The following is a summary of our product offering.

ESTeem Model	Type	Frequency (MHz)	RF Power (Watts)	RF Data Rate	LOS Range (Miles)	Interface
210M	Narrow Band Licensed	150 to 174	2	64.8 Kbps	15	Ethernet/RS-232
195M	Narrow Band Licensed	150 to 174	4	12.5 Kbps	15	Ethernet/RS-232/422/485
195C	Narrow Band Licensed	450 to 470	4	12.5 Kbps	15	Ethernet/RS-232/422/485
195H	Narrow Band Licensed	217 to 220	2	50 Kbps	15	Ethernet/RS-232/422/485
Horizon900	Unlicensed	900	1	72.2 Mbps	10	Ethernet/ RS-232
Horizon2.4MIMO	Unlicensed	2400	.5 (Dual Stream)	300 Mbps	5-7	Ethernet/ RS-232
Horizon4.9	Licensed	4900	1	72.2 Mbps	5-7	Ethernet/ RS-232
Horizon5.8	Unlicensed	5800	.250 (Dual Stream)	300 Mbps	5-7	Ethernet/ RS-232
Edge900	Unlicensed	900	.25	1 Mbps	10	Ethernet/ RS-232

### ADDITIONAL PRODUCTS AND SERVICES

Various accessories to support the above products, e.g., antennas, power supplies and cable assemblies, are purchased from other manufacturers and resold by us to support the application of our industrial wireless modems for repairs and upgrades. To assist in the application of ESTeem industrial wireless modems, we also offer professional services, including site survey testing, system start-up, and custom engineering.



## RESEARCH AND DEVELOPMENT AND NEW PRODUCTS

Our products compete in an environment of rapidly changing technology which results in the necessity for continuous updates and enhancements. Research and development expenditures for new product development and improvements of existing products for 2022 and 2021 were \$163,189 and \$212,397 respectively. None of our research and development expenses were paid directly by any of our customers. We contract with third parties for software development and hardware design as needed. Development efforts during 2022 were focused primarily on software enhancements for the ESTeem® Horizon Series and the redesign of the Horizon900. Research and development expenditures will continue, in order to meet our customers' evolving needs.

## MARKETING, CUSTOMERS AND SUPPORT

The majority of our products sold during 2022 were through the reselling efforts of non-exclusive, non-stocking distributors and resellers, and the remainder our sales were direct to end-users. Orders are generally placed on an "as needed basis". Shipping of products is usually completed 1 to 15 working days after receipt of a customer order, with the exception of ongoing scheduled projects and custom designed equipment for specific applications. Our sales order backlog at year end was \$49,173.

We advertise in trade publications and attend trade shows specifically targeting industrial automation systems. We provide support personnel and maintain an internet web site to provide access to product and technical information for customers. We provide technical support and service for our products and installations through phone support, field technicians and internet sources. High quality customer support is vital to differentiate ourselves in our marketplace. We intend to maintain this high level of customer support by investing in our customer service programs.

## COMPETITION

All of our markets are highly competitive as there are approximately twenty major automation hardware manufacturers worldwide. Listed below are major competitors in the markets in which we compete.

Major Market	Major Competitors
Industrial Automation	FreeWave Technologies, GE/Microwave Data Systems, Data-Linc and Cal Amp
Computer networking, inter and intra building, and remote internet access	Cisco, Digital Wireless, D-link, Linksys, P-Com and Proxim

We believe our products compete favorably based on performance, price, and adaptability of the products to a wide range of applications, as well as world class service and support.

## PATENTS, TRADEMARKS, AND PROPRIETARY INFORMATION

To protect the Company against unauthorized disclosure of proprietary information belonging to the Company, all employees, dealers, distributors, original equipment manufacturers, sales representatives and other persons having access to confidential information regarding Company products or technology are bound by nondisclosure agreements. Rights to the ESTeem® Wireless Modems, trademark were renewed in 2014. The initial patents granted in 1987 and 1988 have expired and we currently have no patents on any of our products.

## GOVERNMENT REGULATION

For operation in the United States, the ESTeem® industrial wireless products require FCC type acceptance which is granted for devices demonstrating operation within mandated and tested performance criteria. All of our products requiring FCC type acceptance have been granted such acceptance, and all except the Horizon4.9 have been granted such acceptance in Canada.

The ESTeem® industrial wireless products that operate in the FCC licensed frequency band require licensing under Part 90 of the FCC Rules and Regulations which must be applied for by the end user. We provide information to customers to assist in the application for FCC consumer licenses, although we cannot guarantee FCC licenses in a given frequency spectrum for a particular application will be received.

While there can be no assurance that future FCC regulations will not have material adverse effects on our operations, we are unaware of any such existing or proposed FCC regulations at this time.

## SOURCE OF SUPPLY AND MANUFACTURING

Components are purchased through a number of distributors and key component suppliers, such as Hitachi, Motorola, and others, some of which have long lead times. Although these components could be replaced or substituted by other products, if necessary, a significant interruption or delay in their availability could have a material adverse effect on our business.

Approximately 47% of the Company's inventory at December 31, 2022 consisted of parts having lead times ranging from 12 to 30 weeks. Some parts are maintained at high levels to assure availability to meet production requirements, thus, accounting for a significant portion of the Company's inventory value. Based on past experience with component availability, distributor relationships, and inventory levels, we do not foresee shortages of materials. However, developments in the electronic component marketplace, which are also used in cellular phones, personal technology devices and other technology devices, have the potential of creating negative availability and delivery issues for components used by us. Although we have been able to procure parts on a timely basis as of the date of this report, however procurement cannot be guaranteed in the future. If shortages were to occur, material interruption of production and product delivery to customers would result.

The Company contracts with multiple companies for manufacturing of sub-assemblies and some engineering assistance services as needed. By contracting with these companies, the Company is able to avoid staff fluctuations associated with operating its own manufacturing and reduced capital investments in specialized manufacturing equipment. We review the costs for the services provided by these companies and regularly submits Requests for Quotes (RFQ) to multiple suppliers of these operations. See "Management's Discussion and Analysis of Financial Condition and Results of Operations", and "Financial Statements".

## ACCESS TO COMPANY INFORMATION

The Registrant does not issue annual or quarterly reports to security holders other than the annual Form 10-K and quarterly Forms 10-Q as electronically filed with the Securities and Exchange Commission ("SEC") and available for viewing at [www.sec.gov](http://www.sec.gov). Electronically filed reports may be accessed at [www.sec.gov](http://www.sec.gov) or via the Company's website at [www.esteem.com](http://www.esteem.com). We make available on our website such reports as soon as reasonably practicable after they are filed with the SEC.

## EMPLOYEES

As of December 31, 2022, we employ 8 persons on a full-time basis (4 in sales/marketing, 3 in engineering/manufacturing, and 1 in finance and administration). The Company's operations are dependent upon key members of its engineering and management personnel, which, if lost to the Company, could have a material adverse effect on our business.

### **Item 1A. Risk Factors.**

Our common stock value and our business, results of operations, cash flows and financial condition are subject to various risks, including, but not limited to those set forth below. If any of the following risks actually occurs, our common stock, business, results of operations, cash flows and financial condition could be materially adversely affected. These risk factors should be carefully considered together with the other information in this Annual Report on Form 10-K, including the risks and uncertainties described under the heading "Forward-Looking Statements." This list is not exhaustive of the factors that may affect the Company's forward-looking statements. Some of the important risks and uncertainties that could affect forward-looking statements are described further under the sections titled "Risk Factors and Uncertainties", "Description of Business" and "Management's Discussion and Analysis" of this Annual Report. If any of the events described in the risk factors below actually occur, our business, financial condition or results of operations could suffer significantly. In such case, the value of your investment could decline and you may lose all or part of the money you paid to buy our common stock. Forward-looking statements are subject to a variety of known and unknown risks, uncertainties and other factors which could cause actual events or results to differ from those expressed or implied by the forward-looking statements, including, without limitation:

**We cannot predict whether we will be able to sustain revenue growth, profitability or positive cash flow.** Our products are sold in highly competitive markets. Our revenues and operating results may be negatively affected by technology changes in our markets, economic conditions in our markets, and the level of competition in our markets.

**Our marketing efforts may be unsuccessful due to limited marketing and sales capabilities.** Our limited national advertising and sales coverage may result in our markets not being fully penetrated. The lack of market penetration may result in an adverse effect on our revenues. We must continue to develop and maintain appropriate marketing, sales, technical, customer service and distribution capabilities, or enter into agreements with third parties to provide these services, to successfully market our products. A failure to develop these capabilities or obtain third-party agreements could adversely affect us.

**We may be unable to produce products for sale if we are unable to obtain component materials.** Our products require highly specialized components, which are subject to rapid obsolescence, limited availability and design change. Many of the components in our products are also used in cellular phone, pagers and other technology devices. If we cannot obtain material to produce products, our sales revenues will be negatively impacted.

**Our success depends on our ability to retain key management personnel.** The success of our Company depends in large part on our ability to attract and retain highly qualified management, administrative, manufacturing, sales, and research and development personnel. Due to the specialized nature of our business, it may be difficult to locate and hire qualified personnel. Our success is significantly dependent on the performance and continued service of key members of Management, such as Chief Executive Officer, Dan Tolley and Chief Financial Officer Michael Eller, and certain other key employees. If the services of any members of Management become unavailable for any reason, our business and prospects could be adversely affected. Although we have been successful in retaining highly capable and qualified management in the past, there can be no assurance that we will be able to do so in the future.

**We may be adversely affected by government regulation.** The Federal Communication Commission (FCC) governs use of the products we sell. If the FCC were to implement rules detrimental to our products and the markets in which they are offered, our operations would be negatively impacted.

**Rapid technological changes in our industry may adversely affect us if we do not keep pace with advancing technology.** The wireless communication market is characterized by rapidly advancing technology. Our success depends on our ability to keep pace with advancing technology, processes and standards, such as cellular telephone based technology. We intend to continue to develop and enhance our products to meet perceived market opportunities. However, our development efforts may be rendered obsolete by research efforts and technological advances made by others, and devices other than those we currently produce may prove more advantageous.

**The market for our common stock is limited and our shareholders may have difficulty reselling their shares when desired or at attractive market prices.** Our stock price and our listing may make it more difficult for our shareholders to resell shares when desired or at attractive prices. Our Company stock trades on the “over-the-counter” market and is listed on OTCQB tier of the OTC Markets. Our common stock has continued to trade in low volumes and at low prices. Some investors view low-priced stocks as unduly speculative and therefore not appropriate candidates for investment. Many institutional investors have internal policies prohibiting the purchase or maintenance of positions in low-priced stocks.

**Item 1B. Unresolved Staff Comments.**

None.

**Item 2. Properties.**

We do not own any real property, plants, mines, or any other materially important physical properties. The Company's administrative offices, inventory and laboratories are located in leased facilities at 415 N. Roosevelt Street, STE B1, Kennewick, Washington. The Company leases approximately 5,270 square feet of office and laboratory space by a lease agreement with the Port of Kennewick in Kennewick, Washington. As of December 31, 2022, the total monthly lease cost, including tax, is \$3,806. The lease initially covered a period of two years, expiring September 2024.

We also own miscellaneous assets, such as computer equipment, laboratory equipment, and furnishings. We maintain insurance in such amounts and covering such losses, contingencies and occurrences deemed adequate to protect our property. Insurance coverage includes a comprehensive liability policy covering legal liability for bodily injury or death of persons, and for property owned by, or under our control, as well as damage to the property of others. We also maintain fidelity insurance which provides coverage to the Company in the event of employee dishonesty.

**Item 3. Legal Proceedings.**

EST is not a party to any material legal proceedings and, to management's knowledge, no such proceedings are threatened or contemplated.

**Item 4. Mine Safety Disclosure.**

Not Applicable

**PART II****Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.**

The closing price for our common stock on the OTCQB was \$0.28 on February 14, 2023.

There were 335 holders of record of our Common Stock as of February 14, 2023.

Our stock transfer agent is EQ Shareowner Services, 320 Cherry Creek Drive South, Suite 435, Denver CO 80209.

The Company does not maintain any form of Equity Compensation Plan.

## Stock Repurchases

On January 13, 2016, the Company's Board of Directors approved a resolution authorizing the repurchase of up to \$100,000 of the Company's common stock at the price of \$0.38 per share. The Company's share repurchase program does not obligate it to acquire any specific number of shares. On March 2, 2016 the Company's Board of Director approved a resolution authorizing the repurchase of an additional \$150,000 of the Company's common stock at the price of \$0.38 per share. Under the program (the "Stock Repurchase Plan"), shares may be repurchased in open market transactions, complying with Rule 10b5-1 and Rule 10b-18 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Shares repurchased are retired. On April 23, 2020, repurchases were suspended indefinitely.

The following table shows the Company's activity and related information under the Stock Repurchase Plan.

### ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Maximum number of shares that may yet be purchased under the plans or programs
January 1, 2017-January 31, 2017	98,764	\$ 0.38	98,764	559,130
February 1, 2017-February 28, 2017	-0-	-0-	-0-	559,130
March 1, 2017-March 31, 2017	7,725	\$ 0.38	106,489	551,405
April 1, 2017-April 30, 2017	45,601	\$ 0.38	152,090	505,804
May 1, 2017-June 30, 2017	-0-	-0-	-0-	505,804
July 1, 2017-July 31, 2017	8,642	\$ 0.38	160,732	497,162
August 1, 2017-August 31, 2017	11,887	\$ 0.38	172,619	485,275
September 1, 2017-December 31, 2017	-0-	-0-	-0-	485,275
January 1, 2018 – November 31, 2018	-0-	-0-	-0-	485,275
December 1, 2018 – December 31, 2018	300	\$ 0.38	172,919	484,975
January 1, 2019 – January 31, 2019	39,246	\$ 0.38	212,165	445,729
February 1, 2019 – December 31, 2019	-0-	-0-	-0-	445,729
Total	<u>212,165</u>	<u>\$ 0.38</u>	<u>212,165</u>	<u>445,729</u>

## Item 6. Selected Financial Data.

We are a "smaller reporting company" as defined by Regulation S-K and as such, are not required to provide this information.

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

Management's discussion and analysis is provided as supplement to, and is intended to be read in conjunction with, the Company's audited financial statements and the accompanying integral notes ("Notes") thereto. The following statements may be forward-looking in nature and actual results may differ materially.

### RESULTS OF OPERATIONS

**GENERAL:** We specialize in the manufacturing and development of data radio products. The Company offers product lines which provide innovative communication solutions for applications not served by existing conventional communication systems. We offer product lines in markets for process automation in commercial, industrial and government arenas domestically as well as internationally. We market our products through direct sales, sales representatives, and domestic, as well as foreign, resellers. Operations are sustained solely from revenues received through sales of its products and services.

## FISCAL YEAR 2022 vs. FISCAL YEAR 2021

**GROSS REVENUES:** Total revenues for the fiscal year 2022 were \$1,910,061 reflecting an increase of 26.3% from \$1,512,028 in gross revenues for fiscal year 2021. During the year ended December 31, 2022, two customers' sales accounted for more than 10% of the total sales revenues. The increase in total revenues is the result of increased product sales during 2022. Domestic Sales for the fiscal year were \$1,697,261 compared to \$1,341,287 in 2021. Sales to Foreign Customers for the fiscal year were \$212,800 compared to \$170,741 in 2021. Product sales increased to \$1,881,661 in 2022, as compared to 2021 sales of \$1,458,328 reflecting an increase of 29.0%.

Interest revenues during 2022 increased to \$5,217 from 2021 level of \$2,488 due to the increased interest rates for the certificates of deposit held by the Company and the reduction of the value of the certificates held during 2022. Other income decreased to \$63,000 for the gain on employee retention tax credit compared to 280,373 of gain on forgiveness of CARES Act loan in 2021.

As of December 31, 2022, the Company had sales backlog of \$49,173. The Company's customers generally place orders on an "as needed basis". Shipment of the Company's products is generally completed within 1 to 15 working days after receipt of customer orders, with the exception of ongoing, scheduled projects, and custom designed equipment for specific customer applications.

**COST OF SALES:** Cost of Sales, as a percentage of net sales, was 46.1% and 49.2% respectively, for 2022 and 2021. Cost of Sales variances are the result of differences in the product mix sold and occurrences of obsolete inventory expense, as well as differences in the price discounting structure for the mix of products sold during the period.

**INVENTORY:** The Company's year-end inventory values for 2022 and 2021 were as follows:

	2022	2021
Parts	\$ 172,190	\$ 92,751
Work in progress	336,298	171,705
Finished goods	216,990	237,377
<b>TOTAL</b>	<b>\$ 725,478</b>	<b>\$ 501,833</b>

The Company's objective is to maintain inventory levels as low as possible to provide maximum cash liquidity, while at the same time meet production and delivery requirements. Inventory levels were increased during the year due to concerns with regards to supply chain issues with long-lead time items.

**OPERATING EXPENSES:** Operating expenses decreased to \$950,338 in 2022 from 2021 levels of \$957,654. Significant changes in expenses are comprised of the following components: decreases in services purchased (\$35,375), professional services (\$47,261), travel (\$2,971), and depreciation (\$4,725) offset by increases in salaries and benefits (\$82,328) and taxes, licenses and health insurance costs (\$11,293).

## LIQUIDITY AND CAPITAL RESOURCES

The Company's revenues and expenses resulted in net income of \$146,531 for 2022, an increase from net income of \$92,989 for 2021. At December 31, 2022, the Company's working capital was \$1,747,472 compared with \$1,610,537 at December 31, 2021. The Company's operations rely solely on the income generated from sales. The Company's major capital resource requirements are payment of employee salaries and benefits and maintaining inventory levels adequate for production. Extended availability for components critical for production of the Company's products, ranging from 12 to 52 weeks, require the Company to maintain high inventory levels. It is management's opinion that the Company's working capital as of December 31, 2022 is adequate for expected resource requirements for the next twelve months. During the twelve month period ending December 31, 2022, the Company had positive cash flow of \$95,502.

The Company's current asset to current liability ratio at December 31, 2022 was 8.6:1 compared to 12.7:1 at December 31, 2021. The decrease in current asset ratio is the result of the Company having increased accounts payable for year-end 2022 when compared with year-end 2021. The Company's liquid resources at December 31, 2022, including cash and cash equivalent and certificates of deposits, were \$1,002,817, compared to \$1,055,616 at December 31, 2021. The decrease in liquid resources is the result increases in inventory levels in 2022. The Company's accounts receivable at December 31, 2022 were \$141,394, compared to \$166,303 at December 31, 2021. Management believes that all Company accounts receivable as of December 31, 2022 are collectible and does not have a reserve for uncollectable accounts.

The Company believes the level of risk associated with customer receipts on export sales is minimal. Foreign shipments are made only after payment has been received or on Net 30 day credit terms to established foreign companies with which the Company has distributor relationships. Foreign orders are generally filled as soon as they are received therefore; foreign exchange rate fluctuations do not impact the Company.

Inventories at December 31, 2022 were \$725,478, reflecting an increase from December 31, 2021 balance of \$501,833. The increase in inventory between December 31, 2022 and December 31, 2021 is due to management's decision to purchase more items crucial to manufacture goods with lead times in excess of 12 weeks.

We had capital expenditures \$0 during 2022. The Company intends on investing in additional capital equipment as deemed necessary to support development and manufacture of current and future products.

As of December 31, 2022, our current liabilities increased to \$228,652 from \$137,637 at December 31, 2021. The increase in current liabilities was impacted by an increase in accounts payable to \$138,996 from \$71,645.

We had no off-balance sheet arrangements for the year ended December 31, 2022.

Inflation had minimal adverse effect on the Company's operations during 2022. Minimal adverse effect is anticipated during 2023.

**FORWARD LOOKING STATEMENTS:** The above discussion may contain forward-looking statements that involve a number of risks and uncertainties. These factors are more fully described in the "Risk Factors" section of Item 1A of this Annual Report on Form 10-K. In addition to the factors discussed above, among other factors that could cause actual results to differ materially are the following: competitive factors such as rival wireless architectures and price pressures; availability of third party component products at reasonable prices; inventory risks due to shifts in market demand and/or price erosion of purchased components; change in product mix, rapid advances in competing technologies and risk factors that are listed in the Company's reports filed with the Securities and Exchange Commission.

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

Not Applicable.

**Item 8. Financial Statements and Supplementary Data.**

ELECTRONIC SYSTEMS TECHNOLOGY, INC.  
DBA ESTEEM WIRELESS MODEMS

FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULE  
AND  
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021  
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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

**To the Board of Directors and Stockholders  
Electronic Systems Technology, Inc.**

### **Opinion on the Financial Statements**

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

### **Basis for Opinion**

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

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

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

### **Critical Audit Matters**

Critical audit matters are matters arising from the current-period audit of the financial statements that were communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. We determined that there are no critical audit matters.

### **Supplemental Information**

The supplemental schedule of operating expenses for the years ended December 31, 2022 and 2021 (“the supplemental information”) has been subjected to audit procedures performed in conjunction with the audit of the Company’s financial statements. The supplemental information is the responsibility of the Company’s management. Our audit procedures included determining whether the supplemental information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental information. In forming our opinion on the supplemental information, we evaluated whether the supplemental information, including its form and content, is presented in conformity with accounting principles generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the financial statements as a whole.

/s/ Assure CPA, LLC.

We have served as the Company’s auditor since 2012.

Spokane, Washington  
Firm ID is 444  
March 14, 2023

ELECTRONIC SYSTEMS TECHNOLOGY, INC.  
DBA ESTEEM WIRELESS MODEMS

BALANCE SHEETS  
DECEMBER 31, 2022 AND 2021

	2022	2021
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 751,118	\$ 655,616
Certificates of deposit	251,699	400,000
Accounts receivable - net	141,394	166,303
Inventories - net	725,478	501,833
Prepaid expenses	42,627	24,387
Employee retention tax credit receivable (Note 10)	63,000	—
Accrued interest receivable	808	35
<b>Total Current Assets</b>	<b>1,976,124</b>	<b>1,748,174</b>
<b>PROPERTY AND EQUIPMENT – NET</b>		
Right of use – asset, net of amortization (NOTE 8)	69,419	28,922
<b>TOTAL ASSETS</b>	<b>\$ 2,046,457</b>	<b>\$ 1,778,454</b>
<b><u>LIABILITIES AND STOCKHOLDERS' EQUITY</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 138,996	\$ 71,645
Accrued wages	24,777	9,114
Operating lease liability – current (NOTE 8)	39,120	28,438
Accrued vacation payable	16,846	13,613
Other accrued liabilities	8,913	14,827
<b>Total Current Liabilities</b>	<b>228,652</b>	<b>137,637</b>
Operating lease liability (NOTE 8)	30,457	—
<b>TOTAL LIABILITIES</b>	<b>259,109</b>	<b>137,637</b>
<b><u>STOCKHOLDERS' EQUITY</u></b>		
Common stock - \$.001 par value 50,000,000 shares authorized, 4,946,502 and 4,946,502 shares issued and outstanding, respectively	4,947	4,947
Additional paid-in capital	932,412	932,412
Retained earnings	849,989	703,458
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>1,787,348</b>	<b>1,640,817</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 2,046,457</b>	<b>\$ 1,778,454</b>

See accompanying notes to the financial statements.

ELECTRONIC SYSTEMS TECHNOLOGY, INC.  
DBA ESTEEM WIRELESS MODEMS

STATEMENTS OF OPERATIONS  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
SALES – NET	\$ 1,910,061	\$ 1,512,028
COST OF SALES	<u>881,409</u>	<u>744,246</u>
GROSS PROFIT	<u>1,028,652</u>	<u>767,782</u>
OPERATING EXPENSES	<u>950,338</u>	<u>957,654</u>
OPERATING INCOME/(LOSS)	<u>78,314</u>	<u>(189,872)</u>
OTHER INCOME:		
Interest income	5,217	2,488
Gain on Employee Retention Credit (Note 10)	63,000	—
Gain on forgiveness of CARES Act loan (Note 10)	<u>—</u>	<u>280,373</u>
TOTAL OTHER INCOME	<u>68,217</u>	<u>282,861</u>
NET INCOME BEFORE INCOME TAXES	146,531	92,989
INCOME TAX PROVISION (BENEFIT)	<u>—</u>	<u>—</u>
NET INCOME AFTER INCOME TAXES	<u>\$ 146,531</u>	<u>\$ 92,989</u>
NET INCOME PER SHARE, BASIC AND DILUTED	<u>\$ 0.03</u>	<u>\$ 0.02</u>
WEIGHTED AVERAGE SHARES OUTSTANDING, BASIC AND DILUTED	<u>4,946,502</u>	<u>4,946,502</u>

See accompanying notes to the financial statements.

ELECTRONIC SYSTEMS TECHNOLOGY, INC.  
DBA ESTEEM WIRELESS MODEMS

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>Common Stock</u>		<u>Additional Paid-In Capital</u>	<u>Retained Earnings</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>			
BALANCE AT DECEMBER 31, 2020	4,946,502	\$ 4,947	\$ 931,442	\$ 610,469	\$ 1,546,858
Net income	—	—	—	92,989	92,989
Share based compensation	—	—	970	—	970
BALANCE AT DECEMBER 31, 2021	4,946,502	\$ 4,947	\$ 932,412	\$ 703,458	\$ 1,640,817
Net income	—	—	—	146,531	146,531
BALANCE AT DECEMBER 31, 2022	4,946,502	\$ 4,947	\$ 932,412	\$ 849,989	\$ 1,787,348

See accompanying notes to the financial statements.

ELECTRONIC SYSTEMS TECHNOLOGY, INC.  
DBA ESTEEM WIRELESS MODEMS

STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 146,531	\$ 92,989
Noncash expenses included in net income:		
Depreciation and amortization	444	5,169
Share based compensation	—	970
Gain on forgiveness of CARES Act loan	—	(280,373)
Gain on employee retention tax credit	(63,000)	—
Changes in operating assets and liabilities:		
Accounts receivable	24,909	122,581
Inventories	(223,645)	129,873
Prepaid expenses	(18,241)	3,702
Accrued interest receivable	(773)	4,624
Accounts payable	67,351	49,572
Other accrued liabilities	21,581	2,865
Net Cash provided (used) by Operating Activities	<u>(44,843)</u>	<u>131,972</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Certificates of deposits purchased	(1,002,283)	(400,000)
Certificates of deposits redeemed	1,150,584	499,999
Purchase of equipment	—	(1,082)
Net Cash provided by Investing Activities	<u>148,301</u>	<u>98,917</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Principal payments on CARES Act loan payable (round 1)	(7,956)	(13,638)
Proceeds from CARES Act loan payable (rounds 1 and 2)	—	130,255
Net Cash provided (used) by Financing Activities	<u>(7,956)</u>	<u>116,617</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>95,502</b>	<b>347,506</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b><u>655,616</u></b>	<b><u>308,110</u></b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 751,118</u></b>	<b><u>\$ 655,616</u></b>
Non-cash investing and financing activities:		
Recognition of operating lease liability and right of use asset	\$ 78,757	\$ —

See accompanying notes to the financial statements.

**ELECTRONIC SYSTEMS TECHNOLOGY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**1. Organization and Summary of Significant Accounting Policies**

Business Organization

The Company was incorporated under the laws of the State of Washington on February 10, 1984, primarily to develop, produce, sell and distribute wireless modems that will allow communication between peripherals via radio frequency waves.

Effective September 13, 2007, the Company announced their establishment of a “doing business as” or dba structure, based on the Company’s registered trade name of ESTeem® Wireless Modems.

Basis of Presentation and Accounting Estimates

The preparation of financial statements are prepared in conformity with generally accepted accounting principles in the United States which requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Estimates used in the accompanying financial statements include the allowance for doubtful accounts receivable, inventory obsolescence, useful lives of depreciable assets, share-based compensation, and deferred income taxes. Actual results could differ from those estimates.

Concentrations and Credit Risks

The Company places its cash with three major financial institutions. During the period, the Company had cash balances that were in excess of federally insured limits.

The Company purchases certain key components necessary for the production of its products from a limited number of suppliers. The components provided by the suppliers could be replaced or substituted by other products. It is possible that if this action became necessary, an interruption of production and/or material cost expenditures could take place.

Revenue Recognition

The Company recognizes revenue when it has satisfied the performance obligation required under a contract with the customer. A performance obligation is a promise in a contract with a customer to transfer a distinct good or service to the customer. Our contracts with customers contain a single performance obligation. A contract’s transaction price is recognized as revenue when, or as, the performance obligation is satisfied.

Performance obligations for product sales are satisfied as of a point in time. Revenue is recognized when control of the product transfers to the customer, generally upon product shipment. Performance obligations for site support and engineering services are satisfied over-time if the customer receives the benefits as we perform work and we have a contractual right to payment. Revenue recognized on an over-time basis is based on costs incurred to date relative to milestones and total estimated costs at completion to measure progress.

The Company considers the contractual consideration payable by the customer when determining the transaction price of each contract. Revenue is recorded net of charges for certain sales incentives and discounts, and applicable state and local sales taxes, which represent components of the transaction price. Charges are estimated by us upon shipment of the product based on contractual terms, and actual charges typically do not vary materially from our estimates. Shipping estimates are determined by utilizing shipping costs provided by the various service providers websites based on number of packages, weight and destination. Shipping costs are included in the cost of goods sold as the revenue is captured in total sales.

**ELECTRONIC SYSTEMS TECHNOLOGY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

The Company receives payments from customers based on the terms established in our contracts. When amounts are billed and collected before the services are performed, they are included in deferred revenues. The Company does not generally sell its products with the right of return. Therefore, returns are accounted for when they occur and are accepted. Products sold to foreign customers are shipped after payment is received in U.S. funds, unless an established distributor relationship exists, or the customer is a foreign branch of a U.S. company.

The Company warrants its products as free of manufacturing defects and provides a refund of the purchase price, repair or replacement of the product for a period of one year from the date of installation by the first user/customer. No allowance for estimated warranty repairs or product returns has been recorded due to the Company's historical experience of repairs and product returns.

Financial Instruments

The Company's financial instruments are cash, money market funds, and certificates of deposit. The recorded values of cash, money market funds and certificates of deposit approximate their fair values based on their short-term nature.

Cash and Cash Equivalents

Cash and cash equivalents are cash and money market funds purchased with original maturities of three months or less.

Allowance for Uncollectible Accounts

The Company uses the allowance method to account for estimated uncollectible accounts receivable. Accounts receivable are presented net of an allowance for doubtful accounts. As of December 31, 2022 and 2021, the Company's estimate of doubtful accounts was zero. The Company's policy for writing off past due accounts receivable is based on the time past due and responses received from the subject customer.

Inventories

Inventories are stated at lower of direct cost or market. Cost is determined on an average cost basis that approximates the first-in, first-out (FIFO) method. Market is determined based on net realizable value and consideration is given to obsolescence.

Reclassifications

Certain prior year amounts have been reclassified for consistency with the current year presentation. Reclassifications had no effect on net income, stockholders' equity, or cash flows as previously reported.

Property and Equipment

Property and equipment are carried at cost. Major betterments are capitalized and de minimis purchases are expensed. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The useful life of property and equipment for purposes of computing depreciation is three to seven years. When the Company sells or otherwise disposes of property and equipment a gain or loss is recorded in the statement of operations. The cost of improvements that extend the life of property and equipment is capitalized. The Company periodically reviews its long-lived assets for impairment and, upon indication that the carrying value of such assets may not be recoverable, recognizes an impairment loss by a charge against current operations.

**ELECTRONIC SYSTEMS TECHNOLOGY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

Certificates of Deposit

Certificates of deposit with original maturities ranging from one month to twelve months were \$251,699 and \$400,000 at December 31, 2022 and 2021, respectively.

Software Costs

Software purchased and used by the Company is capitalized as property and equipment based on its cost, and amortized over its useful life, usually not exceeding five years.

The Company capitalizes the costs of creating a software product to be sold, leased or otherwise marketed, for which technological feasibility has been established. Amortization of the software product, on a product-by-product basis, begins on the date the product is available for distribution to customers and continues over the estimated revenue-producing life, not to exceed five years.

Leases

Contracts that meet the definition of a lease are classified as operating or financing leases and are recorded on the balance sheet as both a right-of-use asset and lease liability, calculated by discounting fixed lease payments over the lease term at the rate implicit in the lease or the Company's incremental borrowing rate. Lease liabilities are increased by interest and reduced by payments each period, and the right-of-use asset is amortized over the lease term. For operating leases, interest on the lease liability and the amortization of the right-of-use asset result in straight-line rent expense over the lease term. Variable lease expenses are recorded when incurred.

Income Taxes

The provision (benefit) for income taxes is computed on the pretax income (loss) based on the current tax law. Deferred income taxes are recognized for the tax consequences in future years of differences between the tax basis of assets and liabilities and their financial reporting amounts at each year-end based on enacted tax laws and statutory tax rates. The Company evaluates positive and negative information when estimating the valuation allowance for deferred tax assets. For tax positions that meet the more likely than not recognition threshold a deferred tax asset is recognized.

Research and Development

Research and development costs are recognized as operating expenses when incurred. Research and development expenditures for new product development and improvements of existing products by the Company for 2022 and 2021 were \$163,189 and \$212,397, respectively.

Advertising Costs

Costs incurred for producing and communicating advertising are recognized as operating expenses when incurred. Advertising costs for the years ended December 31, 2022 and 2021 were \$8,895 and \$7,979, respectively.

Earnings Per Share

The Company is required to have dual presentation of basic earnings per share ("EPS") and diluted EPS. Basic EPS is computed as net income (loss) divided by the weighted average number of common shares outstanding for the period. Diluted EPS is calculated based on the weighted average number of common shares outstanding during the period plus the effect of potentially dilutive common stock equivalents.

Potentially dilutive common stock equivalents consist of 180,000 and 240,000 stock options outstanding as of December 31, 2022 and 2021, respectively. As of December 31, 2022 and 2021, the potentially dilutive stock options were not included in the calculation of the diluted weighted average number of shares outstanding or diluted EPS as their effect would have been anti-dilutive.



**ELECTRONIC SYSTEMS TECHNOLOGY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

Share-Based Compensation

Share-based payments to employees, including grants of employee stock options, are measured at fair value and expensed in the statement of operations over the vesting period. In addition to the recognition of expense in the financial statements, any excess tax benefits received upon exercise of options will be presented as a financing activity inflow rather than an adjustment of operating activity in the statement of cash flows.

Fair Value Measurements

When required to measure assets or liabilities at fair value, the Company uses a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used. The Company determines the level within the fair value hierarchy in which the fair value measurements in their entirety fall. The categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Level 1 uses quoted prices in active markets for identical assets or liabilities, Level 2 uses significant other observable inputs, and Level 3 uses significant unobservable inputs. The amount of the total gains or losses for the period are included in earnings that are attributable to the change in unrealized gains or losses relating to those assets and liabilities still held at the reporting date. At December 31, 2022 and 2021, the Company has no assets or liabilities subject to fair value measurements on a recurring basis.

New Accounting Pronouncements

Accounting standards issued by the Financial Accounting Standards Board that do not require adoption until a future date are not expected to have a material impact on the financial statements upon adoption.

**2. Inventories**

Inventories consist of the following:

	<u>2022</u>	<u>2021</u>
Parts	\$ 172,190	\$ 92,751
Work in progress	336,298	171,705
Finished goods	216,990	237,377
	<u>\$ 725,478</u>	<u>\$ 501,833</u>

Included in the above amounts are reserves for obsolete inventories of \$8,716 and \$5,829 at December 31, 2022 and 2021, respectively.

**3. Property and Equipment**

Property and equipment consist of the following:

	<u>2022</u>	<u>2021</u>
Laboratory equipment	\$ 522,575	\$ 522,575
Software	35,028	35,028
Furniture and fixtures	16,344	16,344
Dies and molds	73,607	73,607
	<u>647,554</u>	<u>647,554</u>
Accumulated depreciation and amortization	(646,640)	(646,196)
	<u>\$ 914</u>	<u>\$ 1,358</u>

**ELECTRONIC SYSTEMS TECHNOLOGY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**4. Income Taxes**

For the years ended December 31, 2022 and 2021, the Company did not have an income tax benefit nor provision because of continuing losses.

The components of net deferred tax assets are as follows:

	December 31,	
	2022	2021
Deferred tax assets:		
Net operating loss carryforwards	\$ 280,300	\$ 293,200
Accrued liabilities	3,500	2,900
Inventories	10,500	16,000
Other	1,200	1,400
Federal income tax credits	67,000	67,000
Total deferred tax assets	<u>362,500</u>	<u>380,500</u>
Less valuation allowance	<u>(362,500)</u>	<u>(380,500)</u>
Total deferred tax assets, net	<u>\$ —</u>	<u>\$ —</u>

Realization of the deferred tax asset is dependent on generating sufficient taxable income prior to expiration of the loss carryforwards and the income tax carryforwards. Management determined that it does not believe it is more likely than not that all of the net deferred tax assets will be realized. Therefore, a valuation allowance has been recorded for the full net deferred tax asset at December 31, 2022 and 2021.

At December 31, 2022, the Company had approximately \$67,000 of research and development income tax credits available to reduce federal income taxes in future periods. The credits expire from 2036-2041. In addition, at December 31, 2022, the Company had approximately \$1,335,000 of net operating loss carryforwards, \$685,000 of which will expire between 2035 and 2038. The remaining balance of \$650,000 will never expire but whose utilization is limited to 80% of taxable income in any future year.

The differences between the provision (benefit) for federal income taxes and federal income taxes computed using the U.S. statutory federal income tax rate of 21% were as follows:

	2022	2021
Amount computed using the statutory rate	\$ 30,800	\$ 19,500
Non-deductible (taxable) items, net	(12,900)	(58,500)
Change in estimates	200	(200)
Change in valuation allowance	18,000	39,200
Provision (benefit) for federal income taxes	<u>\$ —</u>	<u>\$ —</u>

Should the Company have future accrued interest expense and penalties related to uncertain income tax positions, they will recognize those expenses in income tax expense.

The Company files federal income tax returns in the United States only. The Company is no longer subject to federal income tax examination by tax authorities for years before 2019. The Company has evaluated all tax positions for open years and has concluded that they have no material unrecognized tax benefits or penalties.

**5. Profit Sharing Salary Deferral 401-K Plan**

The Company sponsors a Profit-Sharing Plan and Salary Deferral 401-K Plan and Trust. All employees over the age of twenty-one are eligible. On January 1, 2006, the Company adopted a four percent salary matching provision. The Company contributed \$20,886 and \$16,660 to the plan for the years ended December 31, 2022 and 2021, respectively.

**ELECTRONIC SYSTEMS TECHNOLOGY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**6. Employee Bonus Program**

The Board of Directors establishes Sales and Net Income thresholds at the start of each year that are used in calculating the amount of bonuses that may be awarded. If these thresholds are not achieved, there will be no bonus issued. Bonus expenses of \$17,719 and nil was recognized during the years ended December 31, 2022 and 2021, respectively. At December 31, 2022 and 2021, accrued wages on the balance sheet includes \$17,719 and nil, respectively, for accrued bonus payable.

**7. Share-Based Compensation**

The Company grants stock options to individual employees and directors. After termination of employment, stock options may be exercised within ninety days, after which they are subject to forfeiture. On September 1, 2021, the Board of Directors granted 60,000 options to employees. The new options have an exercise price of \$0.40, a term of 5 years, and vested immediately. The fair value of the options was determined using the Black-Scholes model using the following variables: stock price of \$0.40, volatility of 107.69%, expected term of 5 years with a forfeiture rate of 95%, and a discount factor of 0.77%. Share based compensation of \$970 was recognized in 2021.

In the years ended December 31, 2022 and 2021, the Company recognized \$- and \$970 respectively, in share-based compensation expense. No non-vested share-based compensation arrangements existed as of December 31, 2022 and 2021.

A summary of option activity follows:

	Number Outstanding	Weighted Average Exercise Price Per Option	Weighted Average Remaining Contractual Term (Years)
Balance at December 31, 2020	180,000	0.40	4.2
Granted	60,000	0.40	
Balance at December 31, 2021	240,000	\$ 0.40	3.6
Canceled	(60,000)	0.40	
Balance at December 31, 2022	<u>180,000</u>	<u>\$ 0.40</u>	<u>2.5</u>
Outstanding and Exercisable at December 31, 2022	<u>180,000</u>	<u>\$ 0.40</u>	<u>2.5</u>

The aggregate intrinsic value of the options outstanding and exercisable at December 31, 2022 was nil.

**ELECTRONIC SYSTEMS TECHNOLOGY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**8. Leases**

On September 19, 2022, the Company signed a new two-year lease for its facilities. The base lease is \$3,373 and \$3,478 per month for years one and two, respectively. There is a leasehold tax applied to the base lease at 12.84%. The Company has the right to terminate the lease with 90 days' notice. There is no renewal clause contained in the current lease. Upon signing the lease, the Company recognized a lease liability and a right of use asset of \$78,757 based on the two-year payment stream discounted using an estimated incremental borrowing rate of 4.125%. At December 31, 2022, the remaining lease term is twenty-one months.

Prior to the new lease in September 19, 2022, the Company's lease for its facilities was for \$3,806 per month.

As of December 31, 2022, total future lease payments are as follows:

For the 12 months ended		
December 31, 2023	\$	40,790
December 31, 2024		31,304
Total		<u>72,094</u>
Less imputed interest		<u>(2,517)</u>
Net lease liability		69,577
Current portion		39,120
Long-term portion	\$	<u><u>30,457</u></u>

For the years ended December 31, 2022 and 2021, costs relating to the operating lease were recognized in the statement of operations as follows:

	<u>2022</u>			<u>2021</u>		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Base rent pursuant to lease agreement	\$ 23,002	\$ 18,104	\$ 41,106	\$ 21,587	\$ 16,989	\$ 38,576
Variable lease costs	2,976	2,342	5,319	2,749	2,164	4,913
Total lease costs	<u>\$ 25,978</u>	<u>\$ 20,446</u>	<u>\$ 46,425</u>	<u>\$ 24,336</u>	<u>\$ 19,153</u>	<u>\$ 43,489</u>

**ELECTRONIC SYSTEMS TECHNOLOGY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**9. Revenue**

The Company derives revenues from the sales of industrial wireless products and accessories such as antennas, power supplies and cable assemblies. The Company also provides direct site support and engineering services to customers, such as repair and upgrade of its products. The Company's customers, to which trade credit terms are extended, consist of United States and local governments and foreign and domestic companies.

	For the years ending December 31,					
	2022			2021		
	Domestic Sales	Foreign Sales	Total Sales	Domestic Sales	Foreign Sales	Total Sales
Product Sales	\$ 1,668,861	\$ 212,800	\$ 1,881,661	\$ 1,287,587	\$ 170,741	\$1,458,328
Site Support Sales	28,400	-	28,400	53,700	-	53,700
<b>Total Sales</b>	<b>\$ 1,697,261</b>	<b>\$ 212,800</b>	<b>\$ 1,910,061</b>	<b>\$ 1,341,287</b>	<b>\$ 170,741</b>	<b>\$1,512,028</b>

For the year ended December 31, 2022 and 2021, sales to customers that are more than 10% of total revenue are as follows:

	2022 Sales	2022 % age	2021 Sales	2021 % age
		of Total Sales		of Total Sales
Domestic customer A	\$ 397,671	20.8%	\$ 242,451	16.0%
Domestic customer B	\$ 201,459	10.5%	160,385	10.6%

As of December 31, 2022 and 2021, accounts receivable from customers that are more than 10% of the total accounts receivable balance are as follows:

	December 31, 2022		December 31, 2021	
	Accounts Receivable Balance	% age of Total Accounts Receivable	Accounts Receivable Balance	% age of Total Accounts Receivable
Domestic customer A	\$ 95,724	67.7%	\$ 35,421	21.3%
Domestic customer B	\$ 16,037	11.3%	\$ 30,587	18.4%

As of December 31, 2022 and 2021, the Company had a sales order backlog of \$49,173 and \$81,293, respectively.

**10. Cares Act Loan and Retention Credit**

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security (the "CARES Act") Act was signed into United States law.

In April 2020, the Company received a loan of \$171,712 pursuant to the Paycheck Protection Program (the "PPP") under Division A, Title I, Section 1102 and 1106 of the CARES Act. In June 2021, \$150,118 of this loan was forgiven and recognized as a gain on forgiveness of CARES Act loan in 2021. A balance of \$21,594 remained after the forgiveness which has been fully paid as of December 31, 2022. In February 2021, the Company received a second loan of \$130,255 pursuant to the PPP. The second loan was forgiven and the Company recognized a gain on forgiveness of CARES Act loan of \$130,255 during 2021.

As at December 31, 2022, the Company has an employee retention tax credit due for \$63,000. The amount to be received is a refund of qualified payroll taxes the Company paid in connection with employee payroll during the COVID 19 pandemic. The Company expects to receive the credit in 2023.

**ELECTRONIC SYSTEMS TECHNOLOGY, INC.  
NOTES TO FINANCIAL STATEMENTS**

**Supplemental Information**

**ELECTRONIC SYSTEMS TECHNOLOGY, INC.  
DBA ESTEEM WIRELESS MODEMS**

**SUPPLEMENTAL SCHEDULE OF OPERATING EXPENSES  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
Advertising	\$ 8,895	\$ 7,979
Dues and subscriptions	3,547	2,011
Depreciation	444	5,169
Insurance	13,485	13,242
Materials and supplies	10,370	12,668
Office and administration	4,890	4,097
Printing	2,658	3,318
Professional services	91,096	138,357
Services purchased in lieu of payroll	45,875	81,250
Rent and utilities	50,308	49,662
Repair and maintenance	4,259	8,096
Salaries and benefits	696,665	614,337
Taxes, licenses & health insurance	194,839	183,546
Telephone	5,372	5,968
Warranty expense	2,897	2,867
Trade shows	12,199	7,631
Travel expenses	15,984	18,955
	<u>1,163,783</u>	<u>1,159,153</u>
Expenses allocated to cost of sales	<u>(213,445)</u>	<u>(201,499)</u>
Total Operating Expenses	<u>\$ 950,338</u>	<u>\$ 957,654</u>

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

None

**Item 9A. Controls and Procedures.**

***Disclosure Controls and Procedures.***

Under the supervision and with the participation of our Management, including the Chief Executive Officer and Principal Accounting Officer, we have evaluated the effectiveness of our disclosure controls and procedures (as such terms are defined under Rule 13a-15(e) and Rule 15d-15(e) promulgated under the Exchange Act) as of the end of the period covered by this report. Based on this evaluation our principal executive officer and principal financial officer concluded that the Company's disclosure controls and procedures were effective at December 31, 2022.

***Management's Annual Report on Internal Control over Financial Reporting.***

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. The Company's internal control over financial reporting is a process to provide reasonable assurance regarding the reliability of our financial reporting for external purposes in accordance with accounting principles generally accepted in the United States of America. Internal control over financial reporting includes maintaining records that in reasonable detail accurately and fairly reflect our transactions; providing reasonable assurance that transactions are recorded as necessary for preparation of our financial statements; providing reasonable assurance that receipts and expenditures of company assets are made in accordance with management authorization; and providing reasonable assurance that unauthorized acquisition, use or disposition of company assets that could have a material effect on our financial statements would be prevented or detected on a timely basis. Because of its inherent limitations, internal control over financial reporting is not intended to provide absolute assurance that a misstatement of our financial statements would be prevented or detected.

As of December 31, 2022, management conducted an assessment of the effectiveness of the Company's internal control over financial reporting based on the criteria for effective internal control over financial reporting established in "Internal Control — Integrated Framework," (2013) issued by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission. Management, under the supervision and with the participation of the Company's Chief Executive Officer and Principal Accounting Officer, assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2022 and concluded that we have maintained effective internal control over financial reporting at December 31, 2022, based on the COSO criteria.

There have been no changes in the company's internal control over financial reporting during the most recently completed quarter that have materially affected or are reasonably likely to materially affect, the Company's internal control over financial reporting.

**Item 9B. Other Information.**

None

## PART III

### Item 10. Directors, Executive Officers and Corporate Governance.

#### IDENTIFICATION OF DIRECTORS:

The following table sets forth the names and ages of all directors of the Company as of December 31, 2022 as well as the term in office and principal occupation of each director.

<b>Name of Director</b>	<b>Term in Office</b>	<b>Age</b>	<b>Principal Occupation</b>
Daniel Tolley	04/03/2022 – 06/02/23	54	President of Electronic Systems Technology
Vern Kornelsen	06/05/20 – 06/02/23	90	General Partner of EDCO
Thomas Schaefer	06/01/21– 06/01/24	62	Vice President of Online Development Inc.
Donald Siecke	06/01/21 – 06/01/24	82	President of Kelmore Development Corp.
Michael W. Eller	06/07/2019-06/03/2022	62	Principle Accounting Officer of Electronic Systems Technology, Inc.

Management believes that there are no agreements or understanding between the directors and suppliers or contractors of the Company.

#### Audit Committee

The Audit Committee of the Board of Directors as of December 31, 2022 is comprised of Don Siecke (Chairman) and Tom Schaefer. The Audit Committee met on one occasion in 2022. The Board of Directors has determined that Mr. Siecke is an “audit committee financial expert” as defined in Item 407(d)(5) of Regulation S-K promulgated by the SEC. The Board’s conclusions regarding the qualifications of Mr. Siecke as an audit committee financial expert were based on his experience as a certified public accountant and his degree in accounting.

The Board has also adopted a charter for the Audit Committee. The charter for the audit committee is available on our website at [www.esteem.com](http://www.esteem.com). The audit committee charter is also available in print to any shareholder who requests it.

#### Compensation Committee

There is no Compensation Committee of the Board of Directors. The Board of Directors did establish an Employee/Director Stock Option Committee consisting of all Directors. The committee existed for the sole purpose of recommending the recipients and amounts of the Company awarded stock options during 2022. There is no charter for the Employee/Director Stock Option Committee.

#### Code of Ethics

On September 22, 2020, the Company’s Board of Directors adopted a Code of Ethics for the Company. The Codes of Ethics, and any subsequent amendments thereto, (other than technical, administrative, or non-substantive amendments), and any waivers of a provision of the Code of Ethics for directors or executive officers, are available on our website at [www.esteem.com](http://www.esteem.com).



## IDENTIFICATION OF EXECUTIVE OFFICERS

The following table sets forth the names and ages of all executive officers of the Company as of December 31, 2022; all positions by such persons; term of office and the period during which he has served as such; and any arrangement or understanding between him and any other person(s) pursuant to which he was elected as an officer:

<b>Name of Officer</b>	<b>Age</b>	<b>Position</b>	<b>Term of Office</b>	<b>Period of Service</b>
Daniel Tolley	54	President and CEO	Employed at will	3/3/2003-Present
Michael Eller	62	CFO/Principal Accounting Officer	Employed at will	9/7/12- Present

The following is a brief description of the business experience during the last five years of each director and/or executive officer of the Company.

**DANIEL M. TOLLEY.** Mr. Tolley has been employed by the company for more than 19 years. Mr. Tolley's duties and responsibilities have increased over that time. Most recently he was the Director of Business Development.

**VERN D. KORNELSEN.** Mr. Kornelsen is the General Partner of EDCO Partners LLLP. Mr. Kornelsen formerly practiced as a certified public accountant in Denver, CO for many years and is a financial consultant to several early stage companies. He was a director of Valleylab for 10 years and led an investor group that provided a portion of its initial funding. Mr. Kornelsen has been a director and participated in the capitalizing of a number of early stage companies, and is currently a director and audit-committee member of a publicly-held company, Encision Inc. of Boulder, CO. He is also the Chairman, Secretary, Director, and CFO of Lifeloc Technologies, Inc., a publicly-held company located in Wheat Ridge, CO.

**THOMAS J. SCHAEFER:** Mr. Schaefer is Vice President of Online Development Inc. a division of Softing AG based in Munich, Germany. He is responsible for business development activities and the integration of new business acquisitions. Prior to his current position Tom was President of Phoenix Digital Corporation a privately held company based in Scottsdale, AZ that provides redundant mission critical networking technology for industrial automation systems. Mr. Schaefer also spent 30 years at Rockwell Automation. His last assignment, at Rockwell, was the Global Industry Manager for Rockwell's Water Industry focus. During Mr. Schaefer's tenure at Rockwell he held various positions that included P&L responsibility for the Service business unit, Sales and Marketing for Software/MES, and Sales and Application responsibility for the Drive Systems/Power Products group.

**DONALD E. SIECKE.** Mr. Siecke practiced as a certified public accountant in the state of Colorado from 1963 to 1976. He has been president of Kelmore Development Corp., a real estate development company, since 1981, and serves as the chairman of Redstone Bank, a Colorado bank of which he was a founding director. He is a director of several privately held companies, metropolitan districts, and charitable organizations. He received a BS degree in business administration from the University of Denver in 1961, having majored in accounting.

**MICHAEL W. ELLER.** Mr. Eller is the CFO and Principal Accounting Officer. During the last five years Mr. Eller has been a full-time employee of the Company. Until July 1, 2022 Mr. Eller served as President and CEO. Prior to joining EST Mr. Eller was employed at Macys Logistics and Operations where he was employed as the Vice President of Operations and Director of Finances. Mr. Eller does not serve as a director for any other company registered under the Securities Exchange Act.

### **Family Relationships**

None.

### **Section 16(A) Beneficial Ownership Reporting Compliance**

During the year ended December 31, 2022 to the knowledge of Management, there was no director, officer, or beneficial owner of more than 10% any class of equity securities of the registrant who failed to file on a timely basis the required disclosure form as required by Section 16(a) of the Securities and Exchange Act of 1934.

## Indemnification

The Company's By-Laws address indemnification of Directors and Officers. Washington Law provides that Washington corporations may include within their Articles of Incorporation provisions eliminating or limiting the personal liability of their directors and officers in shareholder actions brought to obtain damages for alleged breaches of fiduciary duties, as long as the alleged acts or omissions did not involve intentional misconduct, fraud, a knowing violation of law or payment of dividends in violation of the Washington statutes. Washington law also allows Washington corporations to include in their Articles of Incorporation or Bylaws provisions to the effect that expenses of officers and directors incurred in defending a civil or criminal action must be paid by the corporation as they are incurred, subject to an undertaking on behalf of the officer or director that he or she will repay such expenses if it is ultimately determined by a court of competent jurisdiction that such officer or director is not entitled to be indemnified by the corporation because such officer or director did not act in good faith and in a manner reasonably believed to be in or not opposed to the best interests of the corporation. The Company's Articles of Incorporation provide that a director or officer is not personally liable to the Company or its shareholders for damages for any breach of fiduciary duty as a director or officer, except for liability for (i) acts or omissions which involve intentional misconduct, fraud or a knowing violation of law, or (ii) the payment of distribution in violation of Washington Business Corporation Act.

## Related Person Transactions Policy and Procedures

As set forth in the written charter of the Audit Committee, any related person transaction involving a Company director or executive officer must be reviewed and approved by the Audit Committee. Any member of the Audit Committee who is a related person with respect to a transaction under review may not participate in the deliberations or vote on the approval or ratification of the transaction. Related persons include any director or executive officer, certain shareholders and any of their "immediate family members" (as defined by SEC regulations).

## Item 11. Executive Compensation.

The Company's principal executive officer is Daniel M. Tolley and principal accounting officer is Michael W. Eller.

Information concerning the compensation of the Company's principal executive officer and principal accounting officer, as well as any other compensated employees of the Registrant's whose total compensation exceeded \$100,000 during 2022 and 2021 is provided in the following Summary Compensation Table (collectively, the "Named Executive Officers" or "NEOs"):

SUMMARY COMPENSATION TABLE

Name and Principal Position (a)	Year (b)	Salary (\$) (c)	Bonus (\$) (1) (d)	Stock Awards (\$) (e)	Option Awards (\$) (2) (f)	Non-Equity Incentive Plan Compensation (\$) (g)	Change in Pension Value and Non-qualified Deferred Compensation Earnings (\$) (h)	All Other Compensation (\$) (3) (i)	Total (\$) (j)
Daniel Tolley	2022	\$117,851	\$4,430	—	—	—	—	\$ 17,186	\$139,467
President CEO 2021		\$ 94,450	—	—	—	—	—	\$ 19,272	\$113,772
Michael W. Eller	2022	\$ 99,650	\$4,405	—	—	—	—	\$ 18,827	\$122,882
CFO/Principal Accounting Officer 2021		\$123,500	—	—	—	—	—	\$ 27,074	\$150,574

- (1) Includes amounts paid under the Non-qualified Employee Profit Sharing Bonus.
- (2) Amount represents the dollar amount recognized for financial statement reporting purposes.
- (3) All Other Compensation consists of Group Health Insurance, Accrued Vacation Pay and Company paid 401(k) matching amounts.

The information specified concerning the stock options of the named executive officers during the fiscal years ended December 31, 2021 and 2022 is provided in the following Option/SAR Grants in the Last Fiscal Year Table:

**OPTION/SAR GRANTS IN 2022**

(a)	(b)	(c)	(d)	(e)
Name	Number of Securities Underlying Options/SARs Granted # (5)	Individual Grants (5) % of Total Options/SARs Granted to Employees in Fiscal Year	Exercise or base price (\$/Share)	Expiration Date
Daniel Tolley	-0-	0%	\$0.00	n/a
Michael W. Eller	-0-	0%	\$0.00	n/a

(5) This table does not include Stock Options granted previously.

Compensation to outside directors is limited to reimbursement of out-of-pocket expenses that are incurred in connection with the directors' duties associated with the Company's business. The Board of Directors approved a stipend for members that are not employed by the Company in the amount of \$375 per quarter of service on the Board of Directors. There is currently no other compensation arrangements for the Company's directors. (See "Security Ownership of Certain Beneficial Owners and Management" for Stock Options granted in previous years.) The information specified concerning items of Director Compensation for the fiscal year ended December 31, 2022 is provided in the following Director Compensation Table:

**DIRECTOR COMPENSATION**

Name (1)	Fees Earned or Paid in Cash \$(2)	Stock Awards (\$)	Option Awards \$(3)	Non-Equity Incentive Plan Compensation (\$)	Nonqualified Deferred Compensation (\$)	All Other Compensation \$(4)	Total (\$)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
T.L. Kirchner	\$625	\$0	\$0	\$0	\$0	\$0	\$525
Vern Kornelsen	\$1,500	\$0	\$0	\$0	\$0	\$0	\$1,500
Thomas Schaefer	\$1,500	\$0	\$0	\$0	\$0	\$0	\$1,500
Donald Siecke	\$1,500	\$0	\$0	\$0	\$0	\$0	\$1,500
Michael W. Eller	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Daniel M. Tolley	\$0	\$0	\$0	\$0	\$0	\$0	\$0

(1) Compensation information for Dan Tolley, President and CEO and Michael Eller, CFO and Principal Accounting Officer is contained in the Executive Compensation Summary Compensation Table.

(2) Amount represents the Director Stipend paid in 2022.

(3) Amount represents the dollar amount recognized for financial statement reporting purposes. Assumptions made in the valuation of stock option awards are disclosed in Note 7 of the Notes to the Financial Statements in this Form 10-K.

(4) Amounts represent reimbursement of out-of-pocket expenses related to directors' duties associated with the Company's business (ie. travel expenses for attending Company Director's Meetings).

The Company currently does not hold any Employment Contracts or Change of Control Arrangements with any parties.

**Option Exercises**

During our fiscal year ended December 31, 2022, there were no options exercised by our executive officer or Directors.

**Summary of Executive Employment Agreements**

There are no executive employment agreements with any officer.

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

### SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

The following table sets forth, as of December 31, 2022, the amount and percentage of the Common Stock of the Company, which according to information supplied by the Company, is beneficially owned by each person who, to the best knowledge of the Company, is the beneficial owner (as defined below) of more than five (5%) of the outstanding common stock.

Title of Class	Name & Address of Beneficial Owner (1)	Amount & Nature of Beneficial Ownership	Percent of Class
Common	EDCO Partners LLLP 4605 Denice Drive Englewood CO 80111	1,797,700	36.3%

- (1) Under Rule 13d-3, issued by the Securities and Exchange Commission, a person is, in general, deemed to “Beneficially own” any shares if such person directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise, has or shares (a) voting power, which includes the power to vote or to direct the voting of those shares and/or (b) investment power, which included the power to dispose, or to direct the disposition of those securities. The foregoing table gives effect to shares deemed beneficially owned under Rule 13d-3 based on the information supplied to the Company. To the knowledge of the Company, the persons named in the table have sole voting power and investment power with respect to all shares of Common Stock beneficially owned by them.

### SECURITY OWNERSHIP OF MANAGEMENT

The following table sets forth, as of February 13, 2023, amount and percentage of the Common Stock of the Company, which according to information supplied by the Company, is beneficially owned by Management, including officers and directors of the Company.

Name/Address of Beneficial Owner (1)	Title of Class	Amount & Nature of Beneficial Ownership	Percent of Class
Daniel Tolley (Officer)/415 N. Roosevelt St., STE B1 Kennewick, WA	Common	32,200(3)	0.7%
Vern Kornelsen (Director)/415 N. Roosevelt St., STE B1 Kennewick, WA	Common	1,797,700	36.3%
Thomas Schaefer (Director)/415 N. Roosevelt St., STE B1 Kennewick, WA	Common	-	-
Donald Siecke (Director)/415 N. Roosevelt St., STE B1 Kennewick, WA	Common	-(2)	-
Michael W. Eller (Officer)/415 N. Roosevelt St., STE B1 Kennewick, WA	Common	40,000 <sup>(1)</sup>	0.8%
All Officers and Directors as a group	Common	2,241,188	37.8%

- (1) Includes 40,000 stock options issued 3/15/2020.

- (2) Mr. Siecke does not own any shares directly. However, EDCO Partners LLLC, of which Mr. Siecke is a limited partner, holds 498,916 shares on his behalf.

- (3) Includes 30,000 stock options issued 3/15/2020.

On various dates, the Company’s Board of Directors has approved Stock Option Bonuses for Directors and Employees. The following is a summary of the Stock Option bonuses currently outstanding: Options are exercisable at fixed prices. Options may not be exercised in blocks of less than 5,000 shares. Options not exercised expire five years after approval date or 30 days following termination of employment/board membership, whichever occurs first. In the event of acquisition, merger, recapitalization or similar events of the Company, the optionee will receive equivalent shares if one of the foregoing events occurs or will have a 10-day window in which to exercise the options. Option grants are not transferable or assignable except to the optionee’s estate in the event of the optionee’s death.

Recipients of Stock Options currently unexpired as of December 31, 2022 were as follows:

Name	Option Shares	Exercise Price Per Share (\$)
Grant Date: 3-15-2020		
Alan B. Cook	25,000	0.40
Neil Helfeldt	25,000	0.40
Eric P. Marske	30,000	0.40
Dan Tolley	30,000	0.40
Michael Eller	40,000	0.40
<b>Total</b>	<b>150,000</b>	<b>0.40</b>

Name	Option Shares	Exercise Price Per Share (\$)
Grant Date: 9-1-2021		
Peri M. Olson	30,000	0.40
<b>Total</b>	<b>30,000</b>	<b>0.40</b>

Stock options must be exercised within 90 days after termination of employment/board membership. On September 1, 2021, the Board of Directors granted 60,000 options to employees. The new options have an exercise price of \$0.40, a term of 5 years, and vested immediately.

On March 13, 2020, the Board of Directors canceled all 120,000 outstanding stock options that were granted on August 7, 2017 and were due to expire on August 6, 2020. In addition, the Board of Directors granted 180,000 options to employees. The new options have an exercise price of \$0.40, a term of 5 years, and vested immediately. At December 31, 2020, there were 180,000 options outstanding and exercisable.

**Changes in Control:**

The Board of Directors is aware of no circumstances which may result in a change of control of the Company.

**Certain Business Relationships:**

There have been no unusual business relationships during the last fiscal year of the Registrant between the Company and affiliates as described in Item 404 (b) (1-6) of Regulation S-K.

**Indebtedness of Management:**

No Director or executive officer or nominee for Director, or any member of the immediate family of such has been indebted to the Company during the past year.

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

**TRANSACTIONS WITH MANAGEMENT AND OTHERS**

None.

## Item 14. Principal Accounting Fees and Services.

### AUDIT AND NON-AUDIT FEES

The following table presents fees billed to us during December 31, 2022 and 2021 for professional services provided by Assure CPA.

Year Ended	December 31, 2022	December 31, 2021
Audit fees (1)	\$ 43,100	\$ 39,450
Audit-related fees (2)	—	—
Tax fees (3)	3,000	3,000
All other fees (4)	—	—
<b>Total Fees</b>	<b>\$ 46,100</b>	<b>\$ 42,450</b>

- (1) Audit fees consist of fees billed for professional services provided in connection with the audit of the Company's financial statements and reviews of our quarterly financial statements.
- (2) Audit-related fees consist of assurance and related services that include, but are not limited to, internal control reviews, attest services not required by statute or regulation and consultation concerning financial accounting and reporting standards.
- (3) Tax fees consist of the aggregate fees billed for professional services for tax compliance, tax advice, and tax planning. These services include preparation of federal income tax returns.
- (4) All other fees consist of fees billed for products and services other than the services reported above.

Our Audit Committee reviewed the audit and tax services rendered by Assure CPA and concluded that such services were compatible with maintaining the auditors' independence. All audit, non-audit, tax services, and other services performed by our independent accountants are pre-approved by our Audit Committee to assure that such services do not impair the auditors' independence from us. We do not use Assure CPA for financial information system design and implementation. These services, which include designing or implementing a system that aggregates source data underlying the financial statements or generates information that is significant to our financial statements, are provided internally. We do not engage Assure CPA to provide compliance outsourcing services.

## PART IV

### Item 15. Exhibits and Financial Statement Schedules.

Documents filed as part of this report on Form 10-K or incorporated by reference:

- (1) Our financial statements can be found in Item 8 of this report.
- (2) Financial Statement Schedules (omitted because they are either not required, are not applicable, or the required information is disclosed in the notes to the financial statements or related notes).

The following exhibits are filed with this Annual Report on Form 10-K. Certain exhibits have been previously filed with the Securities and Exchange Commission and are incorporated by reference.

EXHIBIT NUMBER	DESCRIPTION
3.1	Articles of Incorporation filed as Exhibit 2.1 to Form S-18, Registration Statement No. 2-92949-S, filed November 5, 1984 **
3.2	Amended Articles of Incorporation of the Registrant, filed as Exhibit (c) to Form 8-K, filed March 15, 1985 **
3.3	By-Laws filed as Exhibit 2.1 to Form S-18, Registration Statement No. 2-92949-S, filed November 5, 1984 **
3.4	Amendments to By-Laws filed as Exhibit (c) to Form 8-K, filed March 15, 1985 **
4	<a href="#">Instrument defining the rights of security holders including indentures.</a> Exhibit II Form S-18 Registration Statement No. 2-92949-S is incorporated herein by reference. Form 8A Registration Statement, 000-27793, dated October 25, 1999 **
31.1	<a href="#">Section 302 Certification, CEO</a>
31.2	<a href="#">Section 302 Certification, CFO</a>
32.1	<a href="#">Section 906 Certification, CEO</a>
32.2	<a href="#">Section 906 Certification, CFO</a>
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

\*\* Incorporated by reference

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the Registrant has caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

ELECTRONIC SYSTEMS TECHNOLOGY, INC.

By: /s/ Daniel M. Tolley  
Daniel M. Tolley, President  
(Principal Executive Officer, Director)

Date: March 15, 2023

By: /s/ Michael W. Eller  
Michael W. Eller, President  
(Principal Accounting Officer)

Date: March 15, 2023

In accordance with the Exchange Act, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ VERN KORNELSEN</u> Vern D. Kornelsen	Director	March 15, 2023
<u>/s/ THOMAS SCHAEFER</u> Thomas Schaefer	Director	March 15, 2023
<u>/s/ DONALD SIECKE</u> Don Siecke	Director	March 15, 2023



### Certification

I, Daniel M. Tolley, certify that:

1. I have reviewed this annual report on Form 10-K of Electronic Systems Technology, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects, the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report.
4. The registrant's other certifying officer(s) 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 (fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
  - (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.

By: /s/ Daniel M. Tolley  
 Daniel M. Tolley, President  
 (Principal Executive Officer)

Date: March 15, 2023

A signed original of this written statement has been provided to the registrant and will be retained by the registrant to be furnished to the Securities and Exchange Commission or its staff upon request.

Certification

I, Michael Eller, certify that:

1. I have reviewed this annual report on Form 10-K of Electronic Systems Technology, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects, the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report.
4. The registrant's other certifying officer(s) 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 (fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
  - (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.

By: /s/ Michael W. Eller  
Michael W. Eller, CFO  
(Principal Accounting Officer)

Date: March 15, 2023

A signed original of this written statement has been provided to the registrant and will be retained by the registrant to be furnished to the Securities and Exchange Commission or its staff upon request.

## CERTIFICATION

PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002  
(18 U.S.C. 1350)

In connection with the Annual Report of Electronic Systems Technology Inc. (the "Company") on Form 10K for the year ended December 31, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Daniel M. Tolley, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

By: /s/ Daniel M. Tolley  
Daniel M. Tolley, President  
(Principal Executive Officer)

Date: March 15, 2023

This certification is being furnished to the Securities and Exchange Commission as an exhibit to the Annual Report and shall not be deemed filed by the Company for purposes of § 18 of the Securities Exchange Act of 1934, as amended; and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing..

A signed original of this written statement has been provided to the Registrant and will be retained by the Registrant to be furnished to the Securities and Exchange Commission or its staff upon request.

## CERTIFICATION

PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002  
(18 U.S.C. 1350)

In connection with the Annual Report of Electronic Systems Technology Inc. (the "Company") on Form 10K for the year ended December 31, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael W. Eller, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

By: /s/ Michael W. Eller  
Michael W. Eller, CFO  
(Principal Accounting Officer)

Date: March 15, 2023

This certification is being furnished to the Securities and Exchange Commission as an exhibit to the Annual Report and shall not be deemed filed by the Company for purposes of § 18 of the Securities Exchange Act of 1934, as amended.; and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

A signed original of this written statement has been provided to the Registrant and will be retained by the Registrant to be furnished to the Securities and Exchange Commission or its staff upon request.



**ELECTRONIC SYSTEMS TECHNOLOGY**

**2022 ANNUAL REPORT**

**CORPORATE DIRECTORY**

**DIRECTORS**

Daniel M. Tolley  
President  
Electronic Systems Technology, Inc

Michael W. Eller  
CFO  
Electronic Systems Technology, Inc

Vern D. Kornelsen  
General Partner  
EDCO Partners LLLP

Thomas J. Schaefer  
Vice President  
Online Development Inc. a division of Softing AG

Donald E. Siecke  
President, Kelmore Development Corp

**INDEPENDENT AUDITORS**

Assure CPA, LLC  
7307 N. Division, Ste. 222  
Spokane Washington 99208

**Transfer Agent**

EQ Shareowner Services  
1110 Centre Point Curve, Suite 101  
Mendota Heights, MN, 5120

The Transfer Agent should be contacted for questions regarding changes in address, name, or ownership, lost certificates, and consolidation of accounts. When corresponding with the Transfer Agent, shareholders should state the exact name(s) in which the stock is registered and certificate number of the certificate(s).

**CORPORATE AND INVESTOR INFORMATION**

**EXECUTIVE OFFICERS**

Daniel M. Tolley  
President  
Chief Executive Officer

Michael W. Eller  
Chief Financial Officer  
Principal Accounting Officer

Vern D. Kornelsen  
Secretary

Please direct inquiries to:  
Investor Relations Department  
Electronic Systems Technology, Inc.  
415 N. Roosevelt Street, STE. B1  
Kennewick, Washington 99336

**CORPORATE HEADQUARTERS**

Electronic Systems Technology, Inc  
415 N. Roosevelt Street, STE B1  
Kennewick, Washington 99336  
(509) 735-9092