

# SECURITIES & EXCHANGE COMMISSION EDGAR FILING

## RELM WIRELESS CORP

**Form: 10-Q**

**Date Filed: 2016-08-03**

Corporate Issuer CIK: 2186

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

FORM 10-Q

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

For the quarterly period ended **June 30, 2016**

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 001-32644

**RELM WIRELESS CORPORATION**

(Exact name of registrant as specified in its charter)

**Nevada**  
State or other jurisdiction of  
Incorporation or organization

**59-3486297**  
(I.R.S. Employer  
Identification No.)

**7100 Technology Drive**  
**West Melbourne, Florida 32904**  
(Address of principal executive offices and Zip Code)

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

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

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

(Do not check if a smaller reporting company)

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

There were 13,741,749 shares of common stock, \$0.60 par value, of the registrant outstanding at July 29, 2016.

PART I - FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

RELW WIRELESS CORPORATION  
Condensed Consolidated Balance Sheets  
(In thousands, except share data)

	June 30, 2016	December 31, 2015
	(Unaudited)	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 9,080	\$ 4,669
Trade accounts receivable, net	5,916	4,122
Inventories, net	15,898	16,282
Prepaid expenses and other current assets	1,906	3,081
Total current assets	32,800	28,154
Property, plant and equipment, net	2,452	1,840
Available-for-sale securities	5,086	3,402
Deferred tax assets, net	4,421	5,461
Capitalized software, net	264	370
Other assets	205	222
Total assets	\$ 45,228	\$ 39,449
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 4,560	\$ 2,285
Accrued compensation and related taxes	1,812	1,136
Accrued warranty expense	518	538
Customer deposits	989	—
Accrued other expenses and other current liabilities	234	168
Deferred revenue	142	136
Total current liabilities	8,255	4,263
Deferred revenue	344	366
Total liabilities	8,599	4,629
Commitments and contingencies		
Stockholders' equity:		
Preferred stock; \$1.00 par value; 1,000,000 authorized shares; none issued or outstanding	—	—
Common stock; \$.60 par value; 20,000,000 authorized shares; 13,741,749 and 13,730,562 issued and outstanding shares at June 30, 2016 and December 31, 2015, respectively	8,245	8,238
Additional paid-in capital	25,335	24,926
Retained earnings	1,901	1,259
Accumulated other comprehensive income	1,170	397
Treasury stock, at cost	(22)	—
Total stockholders' equity	36,629	34,820
Total liabilities and stockholders' equity	\$ 45,228	\$ 39,449

See notes to condensed consolidated financial statements.

**RELM WIRELESS CORPORATION**  
**Condensed Consolidated Statements of Income**  
(In thousands, except share and per share data) (Unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Sales, net	\$ 16,664	\$ 6,589	\$ 28,733	\$ 15,166
Expenses				
Cost of products	11,073	4,204	19,313	9,097
Selling, general and administrative	3,497	2,278	6,560	5,221
Total expenses	14,570	6,482	25,873	14,318
Operating income	2,094	107	2,860	848
Other income:				
Interest income	1	-	2	-
Other income	7	39	8	41
Total other income	8	39	10	41
Income before income taxes	2,102	146	2,870	889
Income tax expense	(737)	(68)	(992)	(272)
Net income	\$ 1,365	\$ 78	\$ 1,878	\$ 617
Net earnings per share-basic:	\$ 0.10	\$ 0.01	\$ 0.14	\$ 0.05
Net earnings per share-diluted:	\$ 0.10	\$ 0.01	\$ 0.14	\$ 0.04
Weighted average shares outstanding-basic	13,734,286	13,707,716	13,732,424	13,689,676
Weighted average shares outstanding-diluted	13,841,208	13,921,241	13,819,700	13,889,324

See notes to condensed consolidated financial statements.

**RELM WIRELESS CORPORATION**  
**Condensed Consolidated Statements of Comprehensive Income**  
*(In thousands) (Unaudited)*

	Three Months Ended		Six Months Ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Net Income	\$ 1,365	\$ 78	\$ 1,878	\$ 617
Unrealized gain on available- for-sale securities, net of tax	480	-	773	-
Total comprehensive income	<u>\$ 1,845</u>	<u>\$ 78</u>	<u>\$ 2,651</u>	<u>\$ 617</u>

*See notes to condensed consolidated financial statements.*

**RELM WIRELESS CORPORATION**  
**Condensed Consolidated Statements of Cash Flows**  
*(In thousands) (Unaudited)*

	Six Months Ended	
	June 30, 2016	June 30, 2015
<b>Operating activities</b>		
Net income	\$ 1,878	\$ 617
Adjustments to reconcile net income to net cash provided by operating activities:		
Inventories reserve	64	(41)
Deferred tax expense	610	248
Depreciation and amortization	456	443
Shared-based compensation expense	26	16
Realized tax benefit from stock option exercise	380	-
Changes in operating assets and liabilities:		
Accounts receivable	(1,794)	(118)
Inventories	320	(186)
Prepaid expenses and other current assets	1,175	(615)
Other assets	17	11
Accounts payable	2,275	487
Accrued compensation and related taxes	676	(309)
Accrued warranty expense	(20)	78
Deferred revenue	(16)	(14)
Customer deposits	989	-
Accrued other expenses and other current liabilities	66	(36)
<b>Net cash provided by operating activities</b>	<b>7,102</b>	<b>581</b>
<b>Investing activities</b>		
Purchases of property, plant and equipment	(962)	(342)
Investment in securities	(481)	-
<b>Net cash used in investing activities</b>	<b>(1,443)</b>	<b>(342)</b>
<b>Financing activities</b>		
Cash dividends paid	(1,236)	-
Repurchase of common stock	(22)	-
Proceeds from issuance of common stock	10	76
<b>Cash (used in) provided by financing activities</b>	<b>(1,248)</b>	<b>76</b>
Net change in cash and cash equivalents	4,411	315
Cash and cash equivalents, beginning of period	4,669	11,363
Cash and cash equivalents, end of period	<u>\$ 9,080</u>	<u>\$ 11,678</u>
<b>Supplemental disclosure</b>		
Cash paid for interest	\$ -	\$ -
Income tax paid	\$ -	\$ 25
<b>Non-cash financing activity</b>		
Cashless exercise of stock options and related conversion of net shares to stockholders' equity	<u>\$ 4</u>	<u>\$ 15</u>

See notes to condensed consolidated financial statements.

**Notes to Condensed Consolidated Financial Statements**  
**Unaudited**  
*(in Thousands, Except Share and Per Share Data and Percentages)*

**1. Condensed Consolidated Financial Statements**

**Basis of Presentation**

The condensed consolidated balance sheets as of June 30, 2016, the condensed consolidated statements of income and comprehensive income for the three and six months ended June 30, 2016 and 2015 and the condensed consolidated statements of cash flows for the six months ended June 30, 2016 and 2015 have been prepared by RELM Wireless Corporation (the "Company"), and are unaudited. In the opinion of management, all adjustments, which include normal recurring adjustments, necessary for a fair presentation have been made. The condensed consolidated balance sheet at December 31, 2015 has been derived from the Company's audited consolidated financial statements at that date.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. It is suggested that these condensed consolidated financial statements be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2015, as filed with the Securities and Exchange Commission. The results of operations for the three and six months ended June 30, 2016 are not necessarily indicative of the operating results for a full year.

**Fair Value**

The Company's financial instruments consist of cash and cash equivalents, trade accounts receivable, available-for-sale securities, accounts payable, accrued expenses and other liabilities. As of June 30, 2016 and December 31, 2015, the carrying amount of cash and cash equivalents, trade accounts receivable, accounts payable, accrued expenses and other liabilities approximated their respective fair value due to the short-term nature and maturity of these instruments.

The Company uses observable market data or assumptions (Level 1 inputs as defined in accounting guidance) that it believes market participants would use in pricing the available-for-sale securities. There were no sales of available-for-sale securities, nor gains or losses reclassified out of accumulated other comprehensive income as a result of an other-than-temporary impairment of the available-for-sale securities. There were no transfers of available-for-sale securities between level 1 and level 2 during the six months ended June 30, 2016.

**Available-For-Sale Securities**

Investments reported on the June 30, 2016 balance sheet consist of marketable equity securities of a publicly held company. As of June 30, 2016 and December 31, 2015, the investment cost was \$3,242 and \$2,761, respectively. Management intends to hold such securities for a sufficient period in which to realize a reasonable return, which periods may range between one to several years, although there is no assurance that positive returns will be realized or that such securities will not be liquidated in a shorter-than-expected time frame to accommodate future liquidity requirements. Accordingly, investments were classified as non-current and available-for-sale. Investments are marked to market at each measurement date, with unrealized gains or losses presented as adjustments to accumulated other comprehensive income or loss.

**Other Comprehensive Income**

Other comprehensive income consists of net income and unrealized gain on available-for-sale securities, net of taxes.

## Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU ") 2014-09 on revenue recognition, which provides for a single, principles-based model for revenue recognition and replaces the existing revenue recognition guidance. In August 2015, the FASB issued ASU 2015-14, which delays the effective date of ASU 2014-09 by one year. The guidance is effective for annual and interim periods beginning on or after December 15, 2017, and will replace most existing revenue recognition guidance under U.S. GAAP when it becomes effective. It permits the use of either a retrospective or cumulative effect transition method and early adoption is not permitted. The Company is in the process of evaluating the effect this standard will have, if any, on its consolidated financial statements and related disclosures.

In July 2015, the FASB issued ASU 2015-11, " *Simplifying the Measurement of Inventory*," to simplify the guidance on the subsequent measurement of inventory, excluding inventory measured using last-in, first out or the retail inventory method. Under the new standard, inventory should be at the lower of cost and net realizable value. The new accounting guidance is effective for interim and annual periods beginning after December 15, 2016 with early adoption permitted. The Company is in the process of evaluating the effect this standard will have, if any, on its consolidated financial statements and related disclosures.

In November 2015, the FASB released ASU 2015-17, " *Balance Sheet Classification of Deferred Taxes*," which will require that deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position. This is part of the FASB's Simplification Initiative. For public business entities, the amendments in this update are effective for financial statements issued for annual periods after December 15, 2016, and interim periods within those annual periods. Earlier application is permitted for all entities as of the beginning of an interim or annual reporting period. The Company early adopted this standard as of December 31, 2015.

In January 2016, the FASB issued ASU 2016-01, which amends the guidance in U.S. GAAP on the classification and measurement of financial instruments. Changes to the current guidance primarily affect the accounting for equity investments, financial liabilities under the fair value option, and the presentation and disclosure requirements for financial instruments. In addition, the ASU clarifies guidance related to the valuation allowance assessment when recognizing deferred tax assets resulting from unrealized losses on available-for-sale debt securities. The new standard is effective for fiscal years and interim periods beginning after December 15, 2017, and upon adoption, an entity should apply the amendments by means of a cumulative-effect adjustment to the balance sheet at the beginning of the first reporting period in which the guidance is effective. Early adoption is not permitted except for the provision to record fair value changes for financial liabilities under the fair value option resulting from instrument-specific credit risk in other comprehensive income. The Company has not yet determined the potential effects of the adoption of ASU 2016-01 on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, " *Leases*," which amends leasing guidance by requiring companies to recognize a right-of-use asset and a lease liability for all operating and capital (finance) leases with lease terms of greater than twelve months. The lease liability will be equal to the present value of lease payments. The lease asset will be based on the lease liability, subject to adjustment, such as for initial direct costs. For income statement purposes, leases will continue to be classified as operating or capital (finance), with lease expense in both cases calculated substantially the same as under the prior leasing guidance. The updated guidance is effective for interim and annual periods beginning after December 15, 2018 with early adoption permitted. The Company has not yet determined the potential effects of the adoption of ASU 2016-02 on its consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, " *Improvements to Employee Share-Based Payment Accounting*". The guidance will be effective for annual reporting periods beginning after December 15, 2016 and interim periods within those fiscal years with early adoption permitted. The Company is evaluating the impact of the future adoption of this standard but the Company does not expect the adoption to have a material effect on its consolidated financial statements.



## 2. Significant Events and Transactions

In September 2015, the Company received awards under the U.S. Department of Homeland Security (DHS) Tactical Communications Contract totaling approximately \$26.2 million for portable radios, repeaters, accessories and service. The equipment is in the process of being deployed by the U.S. Transportation Security Administration (TSA) at over 400 airports both inside and outside the continental United States. The awards were for a base term of one-year that commenced on September 28, 2015 with four one-year options. The first option year was partially exercised immediately, and the remainder of the first option year was exercised in June 2016. Approximately \$15.5 million, or almost 60% of the total amount, was specified in delivery orders. Shipments under the delivery orders totaled \$6.1 million and \$9.4 million for the three and six months ended June 30, 2016.. The remainder of the delivery orders is anticipated to be fulfilled on or before September 30, 2016. The exercise, if any, of the remaining option years, is not specified or guaranteed.

In February 2016, the Company received an additional order from the TSA totaling \$4.2 million for accessories. Shipments for this order totaled approximately \$2.5 million and \$3.2 million for the three and six months ended June 30, 2016. The remainder of the order is expected to be fulfilled on or before September 30, 2016.

In May 2016, the Company announced and began implementing a capital return program that included a stock repurchase program and a quarterly dividend. Under the program the Company's Board of Directors approved the repurchase of up to 500,000 shares of the Company's common stock, from time to time, pursuant to a stock repurchase plan in conformity with the provisions of Rule 10b5-1 and Rule 10b-18 promulgated under the Securities Exchange Act of 1934, as amended. The repurchase program has no termination date. Please refer to Part II, Item 2 of this report for additional details. The Company's Board of Directors also approved a quarterly dividend of \$0.09 per share of the Company's common stock that was paid on June 17, 2016 to shareholders of record as of June 1, 2016. On August 2, 2016, the Company's Board of Directors approved another quarterly dividend of \$0.09 per share of the Company's common stock to be paid on September 16, 2016 to shareholders of record as of September 1, 2016.

## 3. Allowance for Doubtful Accounts

The allowance for doubtful accounts on trade receivables was approximately \$49 on gross trade receivables of \$5,965 and \$4,171 at June 30, 2016 and December 31, 2015, respectively. This allowance is used to state trade receivables at a net realizable value or the amount that the Company estimates will be collected of the Company's gross trade receivables.

## 4. Inventories, net

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

	June 30, 2016	December 31, 2015
Finished goods	\$ 4,427	\$ 4,029
Work in process	7,405	8,497
Raw materials	4,066	3,756
	<u>\$ 15,898</u>	<u>\$ 16,282</u>

Allowances for slow-moving, excess, or obsolete inventory are used to state the Company's inventories at the lower of cost or market. The allowances were approximately \$1,749 at June 30, 2016, compared with approximately \$1,685 at December 31, 2015.

## 5. Income Taxes

Income tax expense totaling approximately \$737 and \$992 has been recorded for the three and six months ended June 30, 2016, respectively, compared with \$68 and \$272, respectively for the same period last year

As of June 30, 2016 and December 31, 2015, the Company's net deferred tax assets totaled approximately \$4,421 and \$5,461, respectively, and are primarily composed of net operating loss carryforwards ("NOLs"), and research and development costs and tax credits partially offset by deferred tax liabilities of \$673 and \$671, respectively, primarily derived from depreciation and the unrealized gain on available-for-sale securities. As of June 30, 2016, these NOLs total approximately \$2,029 for federal and \$12,435 for state purposes, with expirations starting in 2018 through 2030.

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

The Company has evaluated the available evidence and the likelihood of realizing the benefit of its net deferred tax assets. From its evaluation the Company has concluded that based on the weight of available evidence, it is more likely than not that the Company will realize the full benefit of its net deferred tax assets recorded at June 30, 2016. The Company cannot presently estimate what, if any, changes to the valuation of its deferred tax assets may be deemed appropriate in the future. If the Company incurs future losses, it may be necessary to record additional valuation allowance related to the deferred tax assets recognized as of June 30, 2016.

#### **6. Capitalized Software**

The Company accounts for the costs of software within its products whereby certain software costs incurred subsequent to the establishment of technological feasibility are capitalized and amortized over the estimated lives of the related products. The Company determines technological feasibility to be established upon the internal release of a detailed program design. Upon the general release of the product to customers, development costs for that product are amortized over periods not exceeding five years, based on current and future revenue of the product. For the three and six months ended June 30, 2016, the Company did not capitalize any software costs. For the three and six months ended June 30, 2015, the Company's amortization cost was approximately \$53 and \$106, respectively, compared with \$103 and \$205, respectively for the same periods last year. Net capitalized software costs totaled \$264 and \$370 as of June 30, 2016 and December 31, 2015, respectively.

#### **7. Investment in Securities**

As of June 30, 2016, the Company, through its wholly owned subsidiary, had purchased approximately 1.8 million shares of Iteris (NYSE MKT: ITI), which represented approximately 5.5% of Iteris's outstanding shares. At June 30, 2016, the corresponding unrealized gain of approximately \$773, net of tax of \$430, is included in accumulated other comprehensive income as a separate component of stockholders' equity. There was no impact to the Company's statement of income.

On July 29, 2016, the Company, one of the Company's significant stockholders, and certain of their affiliates entered into an agreement with Iteris. Pursuant to the agreement, a Director of the Company, who is an executive, co-founder and partner of the significant stockholder that is party to the agreement, was appointed to the Board of Directors of Iteris. As of July 29, 2016, the Company and the significant stockholder of the Company beneficially own in the aggregate 2,319,094 shares of Iteris, which represents approximately 7.2% of Iteris's outstanding shares.

# 8. Stockholders' Equity

The changes in consolidated stockholders' equity for the six months ended June 30, 2016 are as follows:

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Accumulated Other Comprehensive Income	Retained Earnings	Treasury Stock	Total
Balance at January 1, 2016	13,730,562	\$ 8,238	\$ 24,926	\$ 397	\$ 1,259	\$ –	\$ 34,820
Common stock option exercised and issued	11,187	7	3	–	–	–	10
Share-based compensation expense	–	–	26	–	–	–	26
Realized tax benefit from stock option exercise	–	–	380	–	–	–	380
Dividends paid	–	–	–	–	(1,236)	–	(1,236)
Net income	–	–	–	–	1,878	–	1,878
Unrealized gain on available-for-sales securities, net of tax	–	–	–	773	–	–	773
Repurchase of common stock	–	–	–	–	–	(22)	(22)
Balance at June 30, 2016	<u>13,741,749</u>	<u>\$ 8,245</u>	<u>\$ 25,335</u>	<u>\$ 1,170</u>	<u>\$ 1,901</u>	<u>\$ (22)</u>	<u>\$ 36,629</u>

## 9. Income per Share

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

	Three Months Ended		Six Months Ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Numerator:				
Net income (numerator for basic and diluted earnings per share)	\$ 1,365	\$ 78	\$ 1,878	\$ 617
Denominator:				
Denominator for basic earnings per share weighted average shares	13,734,286	13,707,716	13,732,424	13,689,676
Effect of dilutive securities:				
Options	106,922	213,525	87,276	199,648
Denominator				
Denominator for diluted earnings per share weighted average shares	13,841,208	13,921,241	13,819,700	13,889,324
Basic income per share	\$ 0.10	\$ 0.01	\$ 0.14	\$ 0.05
Diluted income per share	\$ 0.10	\$ 0.01	\$ 0.14	\$ 0.04

## 10. Non-Cash Share-Based Employee Compensation

The Company has employee and non-employee director stock option programs. Related to these programs, the Company recorded non-cash share-based employee compensation expense of \$14 and \$26, respectively, for the three and six months ended June 30, 2016, compared with \$9 and \$16, respectively, for the same periods last year. The Company considers its non-cash share-based employee compensation expenses as a component of selling, general and administrative expenses. There was no non-cash share-based employee compensation expense capitalized as part of capital expenditures or inventory for the periods presented.

The Company uses the Black-Scholes-Merton option valuation model to calculate the fair value of a stock option grant. The non-cash share-based employee compensation expense recorded in the three and six months ended June 30, 2016 was calculated using certain assumptions. Such assumptions are described more comprehensively in Note 10 (Share-Based Employee Compensation) of the Company's Consolidated Financial Statements included in its Annual Report on Form 10-K for the fiscal year ended December 31, 2015.

A summary of activity under the Company's stock option plans during the six months ended June 30, 2016 is presented below:

	Stock Options	Wgt. Avg. Exercise Price (\$) Per Share	Wgt. Avg. Remaining Contractual Life (Years)	Wgt. Avg. Grant Date Fair Value(\$) Per Share	Aggregate Intrinsic Value (\$)
<b>As of January 1, 2016</b>					
Outstanding	291,936	4.07	-	2.68	-
Vested	276,936	4.00	-	2.72	-
Nonvested	15,000	5.35	-	1.93	-
<b>Period activity</b>					
Issued	80,000	4.01	-	2.08	-
Exercised	15,000	2.08	-	0.87	-
Forfeited	-	-	-	-	-
Expired	32,936	11.40	-	9.16	-
<b>As of June 30, 2016</b>					
Outstanding	324,000	3.40	4.59	1.96	552,620
Vested	244,000	3.20	3.32	1.92	466,220
Nonvested	80,000	4.01	8.47	2.08	86,400

## 11. Commitments and Contingencies

### Legal Proceedings

From time to time the Company may be involved in various claims and legal actions arising in the ordinary course of its business. There were no pending material claims or legal matters as of June 30, 2016.

### Purchase Commitments

As of June 30, 2016, the Company had purchase orders to suppliers for inventory of approximately \$6,140.

### Significant Customers

Sales to United States government agencies represented approximately \$10,055 (60.3%) and \$16,785 (58.4%) of the Company's total sales for the three and six months ended June 30, 2016, respectively, compared with approximately \$2,070 (31.1%) and \$6,271 (41.2%), respectively, for the same periods last year. Accounts receivable from agencies of the United States government were \$2,765 as of June 30, 2016, compared with approximately \$601 at the same date last year.

## 12. Debt

The Company has a secured revolving credit facility with Silicon Valley Bank with maximum borrowing availability of \$2,000 (subject to a borrowing base) and a maturity date of December 28, 2016. As of June 30, 2016, the Company was in compliance with all covenants under the loan and security agreement governing this revolving credit facility. For a description of such covenants and the other terms and conditions of the loan and security agreement reference is made to Note 6 (Debt) of the Company's Consolidated Financial Statements included in its Annual Report on Form 10-K for the fiscal year ended December 31, 2015. As of June 30, 2016, there were no borrowings outstanding under the revolving credit facility and there was \$2,000 of borrowing available under the revolving credit facility.

Reported dollar amounts in management's discussion and analysis are disclosed in millions or as whole dollar amounts. The management's discussion and analysis should be read in conjunction with the condensed consolidated financial statements and related notes thereto of RELM Wireless Corporation (the "Company," "we," "our," or "us") for the three and six months ended June 30, 2016 and 2015, as well our consolidated financial statements and related notes thereto and management's discussion and analysis of financial condition and results of operations in our Annual Report on Form 10-K for the fiscal year ended December 31, 2015.

#### SPECIAL NOTE CONCERNING FORWARD-LOOKING STATEMENTS

We believe that it is important to communicate our future expectations to our security holders and to the public. This report, therefore, contains statements about future events and expectations which are "forward-looking statements" within the meaning of Sections 27A of the Securities Act of 1933 and 21E of the Securities Exchange Act of 1934, including the statements about our plans, objectives, expectations and prospects under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations." You can expect to identify these statements by forward-looking words such as "may," "might," "could," "would," "will," "anticipate," "believe," "plan," "estimate," "project," "expect," "intend," "seek" and other similar expressions. Any statement contained in this report that is not a statement of historical fact may be deemed to be a forward-looking statement. Although we believe that the plans, objectives, expectations and prospects reflected in or suggested by our forward-looking statements are reasonable, those statements involve risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements, and we can give no assurance that our plans, objectives, expectations and prospects will be achieved.

Important factors that might cause our actual results to differ materially from the results contemplated by the forward-looking statements are contained in the "Risk Factors" section of and elsewhere in our Annual Report on Form 10-K for the fiscal year ended December 31, 2015 and in our subsequent filings with the Securities and Exchange Commission, and include, among others, the following:

- changes or advances in technology;
- the success of our Land Mobile Radio ("LMR") product line;
- competition in the land mobile radio industry;
- general economic and business conditions, including federal, state and local government budget deficits and spending limitations;
- the availability, terms and deployment of capital;
- reliance on contract manufacturers and suppliers;
- heavy reliance on sales to agencies of the United States government;
- our ability to utilize deferred tax assets;
- retention of executive officers and key personnel;
- our ability to manage our growth;
- our ability to identify potential candidates for, and consummate, acquisition or investment transactions, and risks incumbent to being a minority interest stockholder in a corporation;

- impact of our investment strategy;
- government regulation;
- our business with manufacturers located in other countries;
- our inventory and debt levels;
- protection of our intellectual property rights;
- fluctuation in our operating results;
- acts of war or terrorism, natural disasters and other catastrophic events;
- any infringement claims;
- data security breaches and other factors impacting our technology systems;
- availability of adequate insurance coverage;
- maintenance of our NYSE MKT listing; and
- the effect on our stock price and ability to raise equity capital of future sales of shares of our common stock.

We assume no obligation to publicly update or revise any forward-looking statements made in this report, whether as a result of new information, future events, changes in assumptions or otherwise, after the date of this report. Readers are cautioned not to place undue reliance on these forward-looking statements.

## **Executive Overview**

### **Our Business**

We design, manufacture and market two-way land mobile radios, repeaters, base stations, and related components and subsystems.

Two-way land mobile radios can be hand-held (portable) or installed in vehicles (mobile). Repeaters expand the range of two-way land mobile radios, enabling them to operate over a wider area. Base station components and subsystems are installed at radio transmitter sites to improve performance by enhancing the signal and reducing or eliminating signal interference and enabling the use of one antenna for both transmission and reception. We incorporate both analog and digital technologies in our products. Our digital technology is compliant with the Project 25 standard of the Association of Public Communications Officials ("APCO Project 25," or "P-25").

We offer products under two brand names: BK Radio and RELM. Generally, BK Radio-branded products serve the government and public safety market, while RELM-branded products serve the business and industrial market.

### **Second Quarter and Six Months Summary**

For the three and six months ended June 30, 2016, our financial and operating results improved compared with the same periods last year. Total sales and sales of digital products for both periods increased significantly, which was attributed primarily to our contract with the U.S. Transportation Security Administration ("TSA"). Growth in sales was the primary catalyst behind improved operating income and positive cash flow. Also, in the second quarter we announced and began implementing a capital return program. As part of the program we paid a quarterly dividend of \$0.09 per share in June and repurchased 3,900 of our shares.

For the three months ended June 30, 2016, total sales increased 152.9% to approximately \$16.7 million, compared with approximately \$6.6 million for the same quarter last year. Sales of P25 digital products for the second quarter of 2016 increased 156.8% to approximately \$10.5 million (63.0% of total sales) compared with approximately \$4.1 million (62.0% of total sales) for the same quarter last year.

For the six months ended June 30, 2016, total sales increased 89.5% to approximately \$28.7 million, compared with approximately \$15.2 million for the same period last year. Sales of P25 digital products for the six months ended June 30, 2016 increased 76.2% to approximately \$18.4 million (64.0% of total sales) compared with approximately \$10.4 million (68.9% of total sales) for the same period last year.

Gross profit margins as a percentage of sales for the second quarter and six months ended June 30, 2016 totaled approximately 33.6% and 32.8%, respectively, compared with 36.2% and 40.0% for the same periods last year. The comparative change in gross profit margins was attributed primarily to competitive factors associated with the TSA contract and delivery orders.

For the three months ended June 30, 2016, selling, general and administrative expenses ("SG&A") totaled approximately \$3.5 million (21.0% of sales), compared with approximately \$2.3 million (34.6% of sales) for the same quarter last year. For the six months ended June 30, 2016 SG&A totaled approximately \$6.6 million (22.8% of sales), compared with approximately \$5.2 million (34.4% of sales) for the same period last year.

Pretax income for the three months ended June 30, 2016 totaled approximately \$2.1 million, an increase of almost \$2.0 million, compared with approximately \$146,000 for the same quarter last year. For the six month period, pretax income increased approximately 222.8% to \$2.9 million compared with \$889,000 for the same period last year.

For the three and six months ended June 30, 2016, income tax expense totaled approximately \$737,000 and \$992,000, respectively, compared with \$68,000 and \$272,000, respectively, for the same periods last year. Our income tax expense is largely non-cash due to utilization of our net operating loss carryforwards.

Net income for the three months ended June 30, 2016 totaled approximately \$1.4 million (\$0.10 per basic and diluted share), an increase of \$1.3 million compared with same quarter last year. For the six months ended June 30, 2016 net income totaled approximately \$1.9 million (\$0.14 per basic and diluted share), an increase of \$1.3 million from the same period last year.

As of June 30, 2016, working capital totaled approximately \$24.5 million, of which approximately \$15.0 million was comprised of cash and cash equivalents, and trade receivables. As of December 31, 2015, working capital totaled approximately \$23.9 million, of which approximately \$8.8 million was comprised of cash and cash equivalents, and trade receivables.



## Results of Operations

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

	Percentage of Sales Three Months Ended		Percentage of Sales Six months Ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Sales	100.0%	100.0%	100.0%	100.0%
Cost of products	(66.4)	(63.8)	(67.2)	(60.0)
Gross margin	33.6	36.2	32.8	40.0
Selling, general and administrative expenses	(21.0)	(34.6)	(22.8)	(34.4)
Net interest income	0.0	0.0	0.0	0.0
Other income	0.0	0.6	0.0	0.3
Income before income taxes	12.6	2.2	10.0	5.9
Income tax expense	(4.4)	(1.0)	(3.4)	(1.8)
Net income	8.2%	1.2%	6.6%	4.1%

### Net Sales

For the second quarter ended June 30, 2016, net sales increased 152.9% to approximately \$16.7 million, compared with approximately \$6.6 million for the same quarter last year. Sales of P-25 digital products for the quarter increased 156.8% to approximately \$10.5 million (63.0% of total sales), compared with approximately \$4.1 million (62.0% of total sales) for the same quarter last year.

For the six months ended June 30, 2016, net sales increased 89.5% to approximately \$28.7 million, compared with approximately \$15.2 million for the same period last year. Sales of P-25 digital products for the quarter increased 76.2% to approximately \$18.4 million (64.0% of total sales), compared with approximately \$10.4 million (68.9% of total sales) for the same period last year.

The comparative increase in total sales and sales of digital products for the second quarter was attributed primarily to previously announced orders from the TSA. Product shipments related to these orders commenced in the first quarter 2016 and increased during the second quarter. As of June 30, 2016, we shipped \$12.6 million to the TSA, and we anticipate that all TSA orders will be fulfilled prior to September 30, 2016. In the second quarter our sales were supplemented by state agencies and legacy federal customers, fueled in part by wildland fire suppression efforts. Looking forward, requests for quotes from prospective new customers and our funnel of sales prospects remain encouraging.

### Cost of Products and Gross Profit Margin

Gross profit margin as a percentage of sales for the second quarter ended June 30, 2016 was 33.6%, compared with 36.2% for last year's second quarter, and 31.7% for the first quarter this year. For the six months ended June 30, 2016, gross profit margin as a percentage of sales was 32.8% compared with 40.0% for the same period last year.

Our cost of products and gross profit margin are derived primarily from material, labor and overhead costs, product mix, manufacturing volumes and pricing. Compared to the same periods last year, the decrease in gross margins for the second quarter and six months ended June 30, 2016 is attributed primarily to competitive factors associated with the TSA orders, which comprised a significant portion of our sales for both periods. During the second quarter our gross margins improved from the first quarter, reflecting product cost reductions and better manufacturing efficiencies. Also, increased production volumes continued to yield more optimal utilization and absorption of our manufacturing and support expenses. The gross profit margins realized from our product sales to customers other than TSA were relatively consistent with previous quarters.

We continue to utilize contract manufacturing relationships to maximize production efficiencies and minimize material and labor costs. We also regularly consider manufacturing alternatives to improve quality, speed and costs. We anticipate that our current contract manufacturing relationships or comparable alternatives will be available to us in the future. We believe gross margin improvements can be realized by leveraging increased sales volumes and manufacturing efficiencies. We may, however, encounter product cost and competitive pricing pressures in the future. The extent of their impact on gross margins, if any, is uncertain.

#### **Selling, General and Administrative Expenses**

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

SG&A expenses for the second quarter ended June 30, 2016 were approximately \$3.5 million (21.0% of sales), compared with \$2.3 million (34.6% of sales) for the same quarter last year. For the six months ended June 30, 2016, SG&A expenses totaled approximately \$6.6 million (22.8% of sales), compared with \$5.2 million (34.4% of sales) for the same period last year.

Engineering and product development expenses for the second quarter of 2016 totaled approximately \$1.1 million (6.9% of total sales), compared with approximately \$1.0 million (14.5% of total sales) for the same quarter last year. For the six month period engineering and product development expenses totaled approximately \$2.0 million (7.1% of sales), compared with approximately \$1.8 million (11.9% of sales) for the same period last year. Additional staff-related expenses and new product development projects were partially offset by decreases in amortization of capitalized software.

Marketing and selling expenses for the second quarter of 2016 totaled approximately \$1.5 million (9.0% of sales), compared with \$697,000 (10.5% of sales) for the second quarter last year. For the six month period, marketing and selling expenses totaled approximately \$2.8 million (9.8% of sales), compared with \$2.0 million (13.0% of sales) for the same period last year. The increase for both periods was attributed primarily to incentive compensation, which correlates to sales performance. We have also invested in sales staff and initiatives to capture more new opportunities and drive sales growth.

General and administrative expenses for the second quarter of 2016 totaled approximately \$861,000 (5.2% of total sales), compared with approximately \$623,000 (9.5% of total sales) for the same quarter last year. For the six month period, general and administrative expenses totaled approximately \$1.7 million (5.9% of sales), compared with \$1.4 million (9.5% of sales) for the same period last year. The increase for both periods was related primarily to incentive compensation and other headquarters expenses.

#### **Operating Income**

Operating income increased for the second quarter ended June 30, 2016, totaling approximately \$2.1 million (12.6% of sales), compared with \$107,000 (1.6% of sales) for the same quarter last year. For the six month period, operating income increased to approximately \$2.9 million (10.0% of sales), from \$848 during the same period last year. Increased operating income for the both the second quarter and six month periods of 2016 was primarily the product of sales growth and reduced gross profit margins pertaining to the TSA delivery orders.

### **Net Interest Income (Expense)**

We realized minimal net interest income for the second quarter and six months ended June 30, 2016, and for the comparable prior year periods. Interest expense may be incurred from time to time on outstanding borrowings under our revolving credit facility, and we earn interest income on our cash balances. The interest rate on such revolving credit facility as of June 30, 2016 was 4.00% per annum. This rate is variable based on the lender's prime rate and our adjusted quick ratio.

### **Income Taxes**

We recorded income tax expense of approximately \$737,000 and \$992,000 for the first quarter and six months ended June 30, 2016, respectively, compared with \$68,000 and \$272,000, respectively, for the same periods last year. Our income tax expense is primarily non-cash.

As of June 30, 2016 and 2015, our net deferred tax assets totaled approximately \$4.4 million and \$5.5 million, respectively, and are primarily composed of net operating loss carryforwards ("NOLs"), offset by deferred tax liabilities of \$673,000 and \$671,000, respectively, primarily derived from depreciation and the unrealized gain on available-for-sale securities. These NOLs total \$2.0 million for federal and \$12.4 million for state purposes, with expirations starting in 2018 through 2030.

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

We have evaluated the available evidence and the likelihood of realizing the benefit of our net deferred tax assets. From our evaluation we have concluded that based on the weight of available evidence, it is more likely than not that we will realize the benefit of our net deferred tax assets recorded at June 30, 2016. We cannot presently estimate what, if any, changes to the valuation of our deferred tax assets may be deemed appropriate in the future. If we incur future losses, it may be necessary to record additional valuation allowance related to the deferred tax assets recognized as of June 30, 2016.

### **Liquidity and Capital Resources**

For the six months ended June 30, 2016, net cash provided by operating activities totaled approximately \$7.1 million, compared with approximately \$0.6 million for the same period last year. Cash provided by operating activities was primarily related to net income, accounts payable, prepaid expenses and other current assets, customer deposits and depreciation and amortization, partially offset by accounts receivable. For the six months ended June 30, 2016, we realized net income of approximately \$1.9 million compared with approximately \$617,000 for the same period last year. Accounts payable for the six months ended June 30, 2016 increased approximately \$2.3 million compared with approximately \$500,000 for the same period last year due to increasing volume and material purchases related in large part to the TSA. Prepaid expenses and other current assets decreased approximately \$1.2 million related to our production and delivery of a portion of the TSA delivery orders. For the same period last year, prepaid expenses and other current assets increased by approximately \$615,000. Customer deposits for the six months ended June 30, 2016 totaling approximately \$1.0 million resulted from the prepayment of an accessory order from the TSA. There were no customer deposits for the six month period last year. Depreciation and amortization totaled approximately \$456,000 for the six months ended June 30, 2016, compared with approximately \$443,000 for the same period last year reflecting depreciation of new equipment purchases. Accounts receivable increased approximately \$1.8 million during the six months ended June 30, 2016, compared with \$118,000 for the same period last year, reflecting sales that were consummated later in the quarter that had not yet completed their collection cycle.

Cash used in investing activities for the six months ended June 30, 2016 totaled approximately \$1.4 million, \$481,000 of which was related to the investment in Iteris common stock (see note 7 to our Consolidated Financial Statements in this report), and \$962,000 that was utilized for the purchase of manufacturing and engineering equipment. For the same period last year approximately \$342,000 was used primarily for engineering and manufacturing related equipment. We anticipate that future capital expenditures will be funded through our existing cash balance and operating cash flow.

For the six months ended June 30, 2016, approximately \$1.2 million was used in financing activities, primarily related to the previously announced capital return program, which included a payment of a quarterly dividend of \$0.09 per share totaling \$1.2 million and stock repurchases totaling \$22,000. We also received approximately \$10,000 provided by the issuance of common stock upon the exercise of stock options. For the same quarter last year, approximately \$76,000 was provided by financing activities, representing proceeds from the issuance of common stock upon the exercise of stock options.

We have a secured revolving credit facility with Silicon Valley Bank with maximum borrowing availability of \$2 million and a maturity date of December 28, 2016.

As of June 30, 2016 and the date of this report, we were in compliance with all covenants under the loan and security agreement governing the revolving credit facility. For a description of such covenants and the other terms and conditions of the loan and security agreement, reference is made to Note 6 (Debt) of our Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2015.

As of June 30, 2016 and the date of this report, there were no borrowings outstanding under the revolving credit facility. As of June 30, 2016 and the date of this report, there was \$2.0 million of borrowing available under the revolving credit facility.

Our cash and cash equivalents balance at June 30, 2016 was approximately \$9.1 million. We believe these funds combined with anticipated cash generated from operations and borrowing availability under our revolving credit facility are sufficient to meet our working capital requirements for the foreseeable future. However, the current financial and economic conditions could limit our access to credit and impair our ability to raise capital, if needed, on acceptable terms or at all. We also face other risks that could impact our business, liquidity and financial condition. For a description of these risks, see "Item 1A. Risk Factors" set forth in our Annual Report on Form 10-K for the fiscal year ended December 31, 2015.

#### **Critical Accounting Policies**

In response to the SEC's financial reporting release, FR-60, Cautionary Advice Regarding Disclosure About Critical Accounting Policies, we have selected for disclosure our revenue recognition process and our accounting processes involving significant judgments, estimates and assumptions. These processes affect our reported revenues and current assets and are therefore critical in assessing our financial and operating status. We regularly evaluate these processes in preparing our financial statements. The processes for revenue recognition, allowance for collection of trade receivables, allowance for excess or obsolete inventory, software development and income taxes involve certain assumptions and estimates that we believe to be reasonable under present facts and circumstances. These estimates and assumptions, if incorrect, could adversely impact our operations and financial position. There were no changes during the quarter ended June 30, 2016 to our critical accounting policies as described in Item 7 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2015.

**Item 4. CONTROLS AND PROCEDURES****Evaluation of Disclosure Controls and Procedures**

Our Chief Executive Officer and Chief Financial Officer (who serves as our principal financial and accounting officer) have evaluated the effectiveness of our disclosure controls and procedures (as defined in the Securities Exchange Act of 1934 (Securities Exchange Act) Rules 13a-15(e) and 15d-15(e)) as of June 30, 2016. Based on this evaluation, they have concluded that our disclosure controls and procedures were effective as of June 30, 2016.

**Changes in Internal Control over Financial Reporting**

During the three months ended June 30, 2016, there were no changes in our internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Securities Exchange Act Rules 13a-15 or 15d-15 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**PART II-OTHER INFORMATION****Item 1. LEGAL PROCEEDINGS**

Reference is made to Note 11 (Commitments and Contingencies) of the Company's Condensed Consolidated Financial Statements included elsewhere in this report for the information required by this Item.

**Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS****Issuer Purchases of Equity Securities**

Period	Total Number of Shares Purchased	Average Price Paid Per Share (1)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (2)	Maximum Number of Shares that May Yet Be Purchased Under Publicly Announced Plans or Programs (2)
04/01/16 - 04/30/16	—	—	—	—
05/01/16 - 05/31/16	—	—	—	500,000
06/01/16 - 06/30/16	3,900	5.54	3,900	496,100
Total	<u>3,900</u>	<u>\$ 5.54</u>	<u>3,900</u>	<u>496,100</u>

(1) Average price paid per share of common stock repurchased is the executed price, including commissions paid to brokers.

(2) On May 19, 2016, the Company announced that on May 18, 2016, its Board of Directors approved the repurchase of up to 500,000 shares of the Company's common stock, from time to time, pursuant to a stock repurchase plan in conformity with the provisions of Rule 10b5-1 and Rule 10b-18 promulgated under the Securities Exchange Act of 1934, as amended (the "Repurchase Program"). The Repurchase Program has no termination date.

**Item 6. EXHIBITS**

Exhibits required to be filed by item 601 of Regulation S-K are listed in the Exhibit Index attached hereto, which is incorporated herein by this reference.

**SIGNATURES**

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

**RELM WIRELESS CORPORATION**  
**(The “Registrant”)**

Date: August 3, 2016

By: /s/ David P. Storey  
David P. Storey  
President and Chief Executive Officer  
(Principal executive officer and duly authorized officer)

Date: August 3, 2016

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

**Exhibit Index**

<b>Exhibit Number</b>	<b>Description</b>
Exhibit 3(i)	Articles of Incorporation(1)
Exhibit 3(ii)	Certificate of Amendment to Articles of Incorporation(2)
Exhibit 3(iii)	Amended and Restated By-Laws(3)
Exhibit 3(iv)	Amendment to By-Laws, dated December 9, 2015(4)
Exhibit 31.1	Certification Pursuant to Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
Exhibit 31.2	Certification Pursuant to Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
Exhibit 32.1	Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished pursuant to Item 601(b)(32) of Regulation S-K)
Exhibit 32.2	Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished pursuant to Item 601(b)(32) of Regulation S-K)
Exhibit 101.INS	XBRL Instance Document
Exhibit 101.SCH	XBRL Taxonomy Extension Schema Document
Exhibit 101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
Exhibit 101.LAB	XBRL Taxonomy Extension Label Linkbase Document
Exhibit 101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
Exhibit 101.DEF	XBRL Taxonomy Definition Linkbase Document

(1) Incorporated by reference from Exhibit 3(i) to the Company's Annual Report on Form 10-K for the year ended December 31, 1997.

(2) Incorporated by reference from Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2001.

(3) Incorporated by reference from Exhibit 3(iii) to the Company's Current Report on Form 8-K filed May 29, 2013.

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

I, David P. Storey, President and Chief Executive Officer of RELM Wireless Corporation, certify that:

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

Date: August 3, 2016

/s/ David P. Storey

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David P. Storey  
President and Chief Executive Officer



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

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

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

Date: August 3, 2016

/s/ William P. Kelly

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William P. Kelly  
Executive Vice President and  
Chief Financial Officer

## RELM WIRELESS CORPORATION

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

In connection with the Quarterly Report of RELM Wireless Corporation (the "Company") on Form 10-Q for the quarterly period ended June 30, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David P. Storey, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

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

/s/ David P. Storey

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David P. Storey  
President and Chief Executive Officer

August 3, 2016

## RELM WIRELESS CORPORATION

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

In connection with the Quarterly Report of RELM Wireless Corporation (the "Company") on Form 10-Q for the quarterly period ended June 30, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, William P. Kelly, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

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

/s/ William P. Kelly

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William P. Kelly  
Executive Vice President and Chief Financial Officer

August 3, 2016