

SECURITIES & EXCHANGE COMMISSION EDGAR FILING

RELM WIRELESS CORP

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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 **March 31, 2017**

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	(Do not check if a smaller reporting company)	
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 Exchange Act). Yes No ☒

There were 13,844,584 shares of common stock, \$0.60 par value, of the registrant outstanding at May 1, 2017.

Item 1. FINANCIAL STATEMENTS

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

	March 31, 2017	December 31, 2016
	<i>(Unaudited)</i>	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 8,325	\$ 10,910
Trade accounts receivable, net	3,288	3,448
Inventories, net	14,751	13,999
Prepaid expenses and other current assets	1,042	1,410
Total current assets	27,406	29,767
Property, plant and equipment, net	2,506	2,486
Available-for-sale securities	9,673	6,472
Deferred tax assets, net	2,398	3,418
Other assets	371	401
Total assets	<u>\$ 42,354</u>	<u>\$ 42,544</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 2,647	\$ 1,973
Accrued compensation and related taxes	1,280	2,193
Accrued warranty expense	846	650
Accrued other expenses and other current liabilities	402	169
Dividends payable	1,242	1,235
Deferred revenue	144	142
Total current liabilities	6,561	6,362
Deferred revenue	382	408
Total liabilities	\$ 6,943	\$ 6,770
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; 13,844,584 and 13,754,749 issued and outstanding shares at March 31, 2017 and December 31, 2016, respectively	8,307	8,253
Additional paid-in capital	25,513	25,382
Accumulated earnings (deficit)	(2,270)	240
Accumulated other comprehensive income	4,120	2,061
Treasury stock, at cost, 49,722 and 30,422 at March 31, 2017 and December 31, 2016 respectively	(259)	(162)
Total stockholders' equity	35,411	35,774
Total liabilities and stockholders' equity	<u>\$ 42,354</u>	<u>\$ 42,544</u>

See notes to condensed consolidated financial statements.

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

	Three Months Ended	
	March 31, 2017	March 31, 2016
Sales, net	\$ 7,380	\$ 12,069
Expenses		
Cost of products	5,143	8,240
Selling, general and administrative	3,443	3,063
Total expenses	8,586	11,303
Operating (loss) income	(1,206)	766
Other (expense) income:		
Net interest income	8	1
Other (expense) income	(87)	1
Loss on disposal of property, plant and equipment	(104)	—
Total other (expense) income	(183)	2
(Loss) income before taxes	(1,389)	768
Income tax benefit (expense)	121	(255)
Net (loss) income	\$ (1,268)	\$ 513
Net (loss) earnings per share-basic	\$ (0.09)	\$ 0.04
Net (loss) earnings per share-diluted	\$ (0.09)	\$ 0.04
Weighted average shares outstanding-basic	14,038,949	13,730,562
Weighted average shares outstanding-diluted	14,038,949	13,798,191

See notes to condensed consolidated financial statements.

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

	Three Months Ended	
	March 31, 2017	March 31, 2016
Net (loss) income	\$ (1,268)	\$ 513
Unrealized gain on available- for-sale securities, net of tax	2,059	293
Total comprehensive income	<u>\$ 791</u>	<u>\$ 806</u>

See notes to condensed consolidated financial statements.

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

	Three Months Ended	
	March 31, 2017	March 31, 2016
Operating activities		
Net (loss) income	\$ (1,268)	\$ 513
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:		
Inventories allowances	33	43
Deferred tax expense	(121)	255
Depreciation and amortization	229	214
Share-based compensation expense	2	12
Loss on disposal of property, plant and equipment	104	-
Changes in operating assets and liabilities:		
Trade accounts receivable	160	(3,127)
Inventories	(785)	(785)
Prepaid expenses and other current assets	368	(64)
Other assets	(5)	9
Accounts payable	673	1,860
Accrued compensation and related taxes	(912)	199
Accrued warranty expense	196	(20)
Deferred revenue	(24)	(24)
Customer deposits	-	3,507
Accrued other expenses and other current liabilities	233	20
Net cash (used in) provided by operating activities	(1,117)	2,612
Investing activities		
Purchases of property, plant and equipment	(319)	(455)
Investment in securities	-	(481)
Net cash used in investing activities	(319)	(936)
Financing activities		
Proceeds from issuance of common stock	183	-
Cash dividends declared and paid	(1,235)	-
Repurchase of common stock	(97)	-
Cash used in financing activities	(1,149)	-
Net change in cash and cash equivalents	(2,585)	1,676
Cash and cash equivalents, beginning of period	10,910	4,669
Cash and cash equivalents, end of period	<u>\$ 8,325</u>	<u>\$ 6,345</u>
Supplemental disclosure		
Cash paid for interest	<u>\$ -</u>	<u>\$ -</u>
Income tax paid	<u>\$ -</u>	<u>\$ -</u>
Non-cash financing activity		
Cashless exercise of stock options and related conversion of net shares to stockholders' equity	<u>\$ 27</u>	<u>\$ -</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 March 31, 2017 and December 31, 2016, the condensed consolidated statements of operations and comprehensive income for the three months ended March 31, 2017 and 2016 and the condensed consolidated statements of cash flows for the three months ended March 31, 2017 and 2016 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, 2016 has been derived from the Company's audited consolidated financial statements at that date.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) have been condensed or omitted. 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, 2016, as filed with the Securities and Exchange Commission. The results of operations for the three months ended March 31, 2017 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 and available-for-sale securities, accounts payable, accrued expenses and other liabilities. As of March 31, 2017 and December 31, 2016, 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 quarter ended March 31, 2017.

Available-For-Sale Securities

Investments reported on the March 31, 2017 balance sheet consist of marketable equity securities of a publicly held company. As of both March 31, 2017 and December 31, 2016, the investment cost was \$3,242. 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 from Contracts with Customers," 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 has begun to analyze the impact of the new standard on its future financial results based on a review of its current contracts and business practices and currently believes that it will retain much of the same accounting treatment as used to recognize revenue under the current standards with no material impact on its consolidated financial statements.

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 stated 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 has adopted the new guidance with no material impact on its consolidated financial statements and related disclosures.

In January 2016, the FASB issued ASU 2016-01 "Financial Instruments," 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 expects this will result in the recognition of right-of-use assets and lease liabilities not currently recorded on our consolidated financial statements under existing accounting guidance, but the Company is still evaluating all of the Company's contractual arrangements and the impact that adoption of ASU 2016-02 will have on the Company's consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, "Improvements to Employee Share-Based Payment Accounting." The guidance is effective for annual reporting periods beginning after December 15, 2016 and interim periods within those fiscal years with early adoption permitted. The Company has adopted the new guidance with no material impact on its consolidated financial statements.

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

2. Significant Events and Transactions

During the first quarter of 2017, the Company implemented a number of leadership changes to senior management and the Board of Directors.

Timothy Vitou was promoted to President, replacing David Storey. Mr. Vitou served as the Company's Senior Vice President of Sales and Marketing since May 2008.

The Company's Board was also reconfigured with the appointments of General Gray Payne, Charles Lanktree, Ryan Turner, John Struble and Michael Dill, who joined incumbent directors Lewis Johnson and Kyle Cerminara on the Company's board. Mr. Cerminara was appointed Chairman of the Board. Former directors Goebert and O'Neil resigned from the Board.

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. Pursuant to the program, the Company's Board of Directors declared a quarterly dividends of \$0.09 per share of the Company's common stock on March 17, 2017 to shareholders of record as of March 31, 2017. These dividends were paid on April 17, 2017.

3. Allowance for Doubtful Accounts

The allowance for doubtful accounts on trade receivables was approximately \$50 on gross trade receivables of \$3,338 and \$3,498 at March 31, 2017 and December 31, 2016, 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:

	March 31, 2017	December 31, 2016
Finished goods	\$ 3,553	\$ 3,216
Work in process	6,778	6,612
Raw materials	4,420	4,171
	<u>\$ 14,751</u>	<u>\$ 13,999</u>

Allowances for slow-moving, excess, or obsolete inventory are used to state the Company's inventories at the lower of cost or net realizable value. The allowances were approximately \$1,631 at March 31, 2017, compared with approximately \$1,607 at December 31, 2016.

5. Income Taxes

Income tax benefit totaling approximately \$121 and income tax expense totaling approximately \$255 have been recorded for the three months ended March 31, 2017 and 2016, respectively.

As of March 31, 2017 and December 31, 2016, the Company's net deferred tax assets totaled approximately \$2,398 and \$3,418, respectively, and are primarily composed of net operating loss carryforwards ("NOLs"), and research and development costs and tax credits partially offset by an increase to deferred tax liabilities of \$1,142 derived from the unrealized gain on available-for-sale securities. As of March 31, 2017, these NOLs total approximately \$1,625 for federal and \$11,899 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.

Based on management's analysis of all available evidence, both positive and negative, the Company's management has concluded that the Company does not have the ability to generate sufficient taxable income in the necessary period to utilize the entire benefit for the deferred tax asset. Management asserts that it is more likely than not that approximately \$129 of the Company's deferred tax asset will not be realized due to the inability to generate sufficient Florida taxable income in the necessary period to fully utilize its Florida NOLs. 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 March 31, 2017.

6. Investment in Securities

As of March 31, 2017, the Company, through its wholly owned subsidiary, had purchased approximately 1.8 million shares of Iteris, Inc. (NASDAQ: ITI), which represented approximately 5.5% of Iteris's outstanding shares. At March 31, 2017, the corresponding unrealized gain of approximately \$3,201, net of tax of \$1,142, is included in accumulated other comprehensive income as a separate component of stockholders' equity. There was no impact to the Company's statement of operations.

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 March 31, 2017, the Company and the significant stockholder of the Company beneficially own in the aggregate 2,600,194 shares of Iteris, which represents approximately 8.1% of Iteris's outstanding shares.

7. Stockholders' Equity

The changes in consolidated stockholders' equity for the three months ended March 31, 2017 are as follows:

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Accumulated Earnings (Deficit)	Accumulated Other Comprehensive Income	Treasury Stock	Total
Balance at December 31, 2016	13,754,749	\$ 8,253	\$ 25,382	\$ 240	\$ 2,061	\$ (162)	\$ 35,774
Common stock options exercised and issued	89,835	54	129	-	-	-	183
Share-based compensation expense	-	-	2	-	-	-	2
Dividends declared	-	-	-	(1,242)	-	-	(1,242)
Net loss	-	-	-	(1,268)	-	-	(1,268)
Unrealized gain on available-for-sale securities	-	-	-	-	2,059	-	2,059
Repurchase of common stock	-	-	-	-	-	(97)	(97)
Balance at March 31, 2017	<u>13,844,584</u>	<u>\$ 8,307</u>	<u>\$ 25,513</u>	<u>\$ (2,270)</u>	<u>\$ 4,120</u>	<u>\$ (259)</u>	<u>\$ 35,411</u>

8. Income per Share

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

	Three Months Ended	
	March 31, 2017	March 31, 2016
Numerator:		
Net (loss) income (numerator for basic and diluted earnings per share)	\$ (1,268)	\$ 513
Denominator:		
Denominator for basic earnings per share weighted average shares	14,038,949	13,730,562
Effect of dilutive securities:		
Options	-	67,629
Denominator:		
Denominator for diluted earnings per share weighted average shares	14,038,949	13,798,191
Basic (loss) earnings per share	\$ (0.09)	\$ 0.04
Diluted (loss) earnings per share	\$ (0.09)	\$ 0.04

Approximately 106,000 stock options granted for the three months ended March 31, 2017 were excluded from the calculation because they were anti-dilutive.

9. 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 \$2 for the three months ended March 31, 2017, compared with \$12 for the same quarter last year. The Company considers its non-cash share-based employee compensation expenses as a component of cost of products and selling, general and administrative expenses. There was no non-cash share-based employee compensation expense capitalized as part of capital expenditures or inventory for the periods presented.

The Company uses the Black-Scholes-Merton option valuation model to calculate the fair value of a stock option grant. The non-cash share-based employee compensation expense recorded in the three months ended March 31, 2017 was calculated using certain assumptions. Such assumptions are described more comprehensively in Note 11 (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, 2016.

A summary of activity under the Company's stock option plans during the three months ended March 31, 2017 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 (\$)
As of January 1, 2017					
Outstanding	311,000	3.48	-	1.96	-
Vested	231,000	3.30	-	1.97	-
Nonvested	80,000	4.01	-	1.93	-
Period activity					
Issued	178,500	5.10	-	1.36	-
Exercised	125,000	2.88	-	1.62	-
Forfeited	60,000	3.95	-	2.03	-
Expired	-	-	-	-	-
As of March 31, 2017					
Outstanding	304,500	4.58	7.46	1.73	150,960
Vested	108,000	3.80	3.77	2.37	136,850
Nonvested	196,500	5.02	9.50	1.38	14,110

10. 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. On March 28, 2017, The Sales Group, Inc. ("TSG") purported to file a lawsuit in the U.S. District Court for the Central District of California against the Company. TSG was a sales representative of the Company that the Company terminated in March 2017. TSG has asserted claims against the Company for alleged breach of oral contract, violation of the California and Arizona sales representative statutes, and an accounting of alleged unpaid sales commissions. TSG's complaint seeks damages in the amount of \$6,090,000 for alleged unpaid past and future sales commissions. On April 3, 2017, counsel for TSG sent the Company a letter outlining additional alleged grounds for recovery against the Company and offering to settle the litigation in exchange for the continued payment of sales commissions to TSG for a negotiated period of time, a buyout of TSG's alleged rights for a negotiated sum, or reinstatement of TSG for a period of at least 2.5 years with commission rates equal to those in effect at the time of TSG's termination. The Company believes that TSG's claim has no merit, that the Company had the right to terminate TSG without the payment of any further sales commissions and intends to defend against this litigation vigorously. The outcome of this uncertainty cannot presently be determined, accordingly no provision related to this matter has been made in the condensed consolidated financial statements.

Purchase Commitments

As of March 31, 2017, the Company had purchase orders to suppliers for inventory of approximately \$5,249.

Significant Customers

Sales to the United States government agencies represented approximately \$2,917 (39.5%) of the Company's total sales for the three months ended March 31, 2017, compared with approximately \$6,729 (55.8%) for the same quarter last year. Accounts receivable from agencies of the United States government were \$1,180 as of March 31, 2017, compared with approximately \$4,185 at the same date last year.

Sales to a Canadian governmental agency represented approximately \$1,321 (17.90%) of the Company's total sales for the three months ended March 31, 2017, compared with approximately \$1,660 (13.75%) for the same quarter last year. Accounts receivable from this Canadian governmental agency were \$1,052 as of March 31, 2017, compared with \$1,659 at the same date last year.

11. Debt

The Company has a secured revolving credit facility with Silicon Valley Bank with maximum borrowing availability of \$1,000 (subject to a borrowing base) and a maturity date of December 27, 2017. As of March 31, 2017, the Company was in compliance with all covenants under the loan and security agreement, as amended, governing this revolving credit facility. For a description of such covenants and the other terms and conditions of the loan and security agreement, as amended, 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, 2016. As of March 31, 2017, there were no borrowings outstanding under the revolving credit facility and there was \$1,000 of borrowing available under the revolving credit facility.

**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, 2016 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 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 noncontrolling 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.

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

The following discussion and analysis should be read in conjunction with our Condensed Consolidated Financial Statements and notes thereto appearing elsewhere in this report and the management's discussion and analysis, Consolidated Financial Statements and notes thereto appearing in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016.

Executive Overview

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

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

First Quarter Summary

During the quarter, we implemented several meaningful leadership changes to senior management and the board of directors (see note 2 to our Condensed Consolidated Financial Statements in this report). We believe the collective backgrounds and experience of the new Board of Directors position the Company for future opportunities and enhancing shareholder value. As a result of these and other related changes, we incurred certain expenses during the quarter that are anticipated to be non-recurring. These expenses are discussed further in the pertinent sub-sections of this MD&A.

For the three months ended March 31, 2017, our sales totaled approximately \$7.4 million, compared with \$12.1 million for the first quarter last year. Sales of P-25 digital products for the first quarter of 2017 totaled approximately \$5.5 million (74.3% of total sales), compared with approximately \$7.9 million (65.5% of total sales) for the first quarter last year. Last year's first quarter included sales from our contract with the U.S. Transportation Security Administration ("TSA"), which were completed during 2016.

Gross profit margins as a percentage of sales for the first quarter ended March 31, 2017 totaled approximately 30.3%, compared with 31.7% for the first quarter last year.

For the three months ended March 31, 2017, selling, general and administrative expenses ("SG&A") totaled approximately \$3.4 million (46.7% of sales), compared with approximately \$3.1 million (25.4% of sales) for the same quarter last year.

The pretax loss for the three months ended March 31, 2017 totaled approximately \$1.4 million, compared with pretax income of approximately \$768,000 for the same quarter last year.

For the three months ended March 31, 2017, we recognized an income tax benefit totaling approximately \$121,000, compared with tax expense of \$255,000 for the same quarter last year. Our income tax expense is largely non-cash due to utilization of our net operating loss carryforwards ("NOLs").

Net loss for the three months ended March 31, 2017 was approximately \$1.3 million (\$0.09 per basic and diluted share), compared with net income of \$513,000 (\$0.04 per basic and diluted share) for the same quarter last year.

As of March 31, 2017, working capital totaled approximately \$20.8 million, of which approximately \$11.6 million was comprised of cash, cash equivalents, and trade receivables. As of December 31, 2016, working capital totaled approximately \$23.4 million, of which approximately \$14.4 million was comprised of cash, cash equivalents, and trade receivables.

Results of Operations

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

	Percentage of SalesThree Months Ended	
	March 31, 2017	March 31, 2016
Sales	100.0%	100.0%
Cost of products	(69.7)	(68.3)
Gross margin	30.3	31.7
Selling, general and administrative expenses	(46.7)	(25.4)
Net interest income	0.0	0.0
Other (expense) income	(2.4)	0.0
Pretax (loss) income	(18.8)	6.3
Income tax benefit (expense)	1.6	(2.1)
Net (loss) income	(17.2)%	4.2%

Net Sales

For the first quarter ended March 31, 2017, net sales totaled approximately \$7.4 million, compared with approximately \$12.1 million for the same quarter last year. Sales of P-25 digital products for the quarter totaled approximately \$5.5 million (74.3% of total sales), compared with approximately \$7.9 million (65.5% of total sales) for the same quarter last year.

The comparative decrease in total sales and sales of digital products for the first quarter of 2017 was attributed primarily to last year's delivery orders from the TSA, which were not replicated this year. Also, after a sluggish start in the first two months of the quarter, demand from other federal, state and local agencies and international customers showed promise with a rebound in March.

Later in the first quarter of 2017, the pace of requests for quotes, information and contract proposals was active and we have a healthy funnel of sales prospects. To capitalize on our momentum and drive sales growth, we expanded our sales resources in the first quarter and have plans to do so in coming quarters as well.

Cost of Products and Gross Profit Margin

Gross profit margin as a percentage of sales for the first quarter ended March 31, 2017 was 30.3%, compared with 31.7% for the first quarter 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. Early in the first quarter of 2017, our cost of products and gross profit margins were negatively impacted by sales mix and lower production volumes, which resulted in suboptimal utilization and absorption of our manufacturing and support expenses. We also incurred expenses totaling approximately \$0.3 million related to a product enhancement and the discontinuation of a product development initiative. We believe the enhancement is complete and the expenses are anticipated to be non-recurring. For the same quarter last year, gross profit margins were negatively impacted by competitive factors associated with the TSA business.

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 encounter product cost and competitive pricing pressures in the future. However, the extent of their impact on gross margins, if any, is uncertain.

Selling, General and Administrative Expenses

Selling, general and administrative ("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 first quarter of 2017 were approximately \$3.4 million (46.7% of sales), which includes certain non-recurring expenses discussed later in this section. Comparatively, SG&A expenses for last year's first quarter totaled approximately \$3.1 million (25.4% of sales).

Engineering and product development expenses for the first quarter of 2017 totaled approximately \$953,000 (12.9% of total sales), compared with \$899,000 (7.4% of total sales) for the same quarter last year. Contributing to the increase in engineering expenses was approximately \$26,000 of costs related to the resolution of a specific product matter. These expenses are anticipated to be non-recurring.

Marketing and selling expenses for the first quarter of 2017 were materially unchanged compared with the first quarter last year, totaling approximately \$1.3 million, or 17.6% and 11.0% of total sales, in the first quarter of 2017 and 2016, respectively. We expanded our sales staff during the quarter and recognized incentives related to sales performance. We also launched a branding initiative designed to leverage the strength and recognition of our flagship brand.

General and administrative expenses for the first quarter of 2017 totaled approximately \$1.2 million (15.6% of total sales), compared with approximately \$835,000 (6.9% of total sales) for the same quarter last year. The increase was related to expenses totaling approximately \$0.4 million associated with changes in senior management that are non-recurring.

Operating (Loss) Income

Operating loss for the first quarter ended March 31, 2017 totaled approximately \$1.2 million (16.3% of sales), compared with operating income of approximately \$766,000 (6.3% of sales) for the same quarter last year. Operating loss for the first quarter of 2017 was primarily the product of a sales decline and increased product costs and SG&A expenses, certain of which are considered non-recurring.

Other Income (Expense)

We realized net interest income of \$8,000 and \$1,000 for the quarters ended March 31, 2017 and 2016, respectively. Interest expense may be incurred from time to time on outstanding borrowings under our revolving credit facility and earn interest income on our cash balances. The interest rate on such revolving credit facility as of March 31, 2017 was *Wall Street Journal* prime rate plus 25 basis points (4.25% as of March 31, 2017).

For the first quarter of 2017, we recorded a non-recurring loss of approximately \$104,000 on the disposal of assets related to a discontinued product initiative. We also recognized an exchange loss of approximately \$74,000 related to sales under a Canadian-dollar-denominated contract. No comparable expenses were incurred during last year's first quarter.

Income Taxes

We recorded an income tax benefit of approximately \$121,000 for the first quarter ended March 31, 2017, compared with income tax expense of approximately \$255,000 for the same quarter last year. Our income tax expense is primarily non-cash.

As of March 31, 2017, our net deferred tax assets totaled approximately \$2.4 million, and are primarily composed of NOLs, offset by deferred tax liabilities of \$1,142 thousand primarily derived from the unrealized gain on available-for-sale securities. These NOLs total \$1,625 thousand for federal and \$11,899 thousand 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. We analyze all positive and negative evidence to determine if, based on the weight of available evidence, we are more likely than not to realize the benefit of the net deferred tax assets. The recognition of the net deferred tax assets and related tax benefits is based upon our conclusions regarding, among other considerations, estimates of future earnings based on information currently available and current and anticipated customers, contracts and product introductions, as well as historical operating results and certain tax planning strategies.

Based on our analysis of all available evidence, both positive and negative, we have concluded that we do not have the ability to generate sufficient taxable income in the necessary period to utilize the entire benefit for the deferred tax asset. Management asserts that it is more likely than not that approximately \$129,000 of the deferred tax asset will not be realized due to the inability to generate sufficient Florida taxable income in the necessary period to fully utilize the Florida NOLs. 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 March 31, 2017.

Liquidity and Capital Resources

For the three months ended March 31, 2017, net cash used in operating activities totaled approximately \$1.1 million, compared with cash provided by operating activities of approximately \$2.6 million for the same quarter last year. Cash used in operating activities was primarily related to net loss, inventories, and accrued compensation and related taxes and also a large change in customer deposits, partially offset by accounts payable.

For the three months ended March 31, 2017, we had a net loss of approximately \$1.3 million compared with net income of approximately \$513,000 for the same quarter last year. Net inventories increased during the three months ended March 31, 2017 by approximately \$785,000 primarily due to material purchases. For the first quarter last year, inventories increased approximately the same amount. Accrued compensation and related taxes decreased by approximately \$912,000 during the first quarter 2017 as performance incentives were paid. For last year's first quarter, accrued compensation and related taxes increased by approximately \$199,000. Accounts payable for the three months ended March 31, 2017 increased approximately \$673,000, compared with \$1.9 million for the same quarter last year due to material purchases. Depreciation and amortization totaled approximately \$229,000 for the three months ended March 31, 2017, compared with approximately \$214,000 for the same period last year, as a result of equipment purchases.

Cash used in investing activities for the three months ended March 31, 2017 totaled approximately \$319,000, which was primarily related to the purchase of engineering equipment. For the same quarter last year approximately \$481,000 was used for the investment in Iteris common stock (see Note 6 to our Condensed Consolidated Financial Statements in this report), and \$455,000 was utilized for the purchase of manufacturing and engineering equipment.

For the three months ended March 31, 2017, approximately \$1.1 million was used in financing activities, primarily related to our capital return program, which included a quarterly dividend of \$0.09 per share totaling approximately \$1.2 million and stock repurchases totaling approximately \$97,000. We also received approximately \$183,000 provided by the issuance of common stock upon the exercise of stock options. For the same quarter last year, there was no cash provided by or used in financing activities.

We have a secured revolving credit facility with Silicon Valley Bank with maximum borrowing availability of \$1.0 million and a maturity date of December 27, 2017. As of March 31, 2017 and the date of this report, we were in compliance with all covenants under the loan and security agreement, as amended, governing the revolving credit facility. For a description of such covenants and the other terms and conditions of the loan and security agreement, as amended, 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, 2016.

As of March 31, 2017 and the date of this report, there were no borrowings outstanding under the revolving credit facility. As of March 31, 2017 and the date of this report, there was \$1.0 million of borrowing available under the revolving credit facility.

Our cash balance at March 31, 2017 was approximately \$8.3 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 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, 2016.

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 to our critical accounting policies during the quarter ended March 31, 2017 as described in Item 7 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2016.

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 March 31, 2017. Based on this evaluation, they have concluded that our disclosure controls and procedures were effective as of March 31, 2017.

Changes in Internal Control over Financial Reporting

During the first three months ended March 31, 2017, 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.

Item 1. LEGAL PROCEEDINGS

Reference is made to Note 10 (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)
01/01/17-1/31/17	10,000	\$ 4.95	10,000	459,578
02/01/17-02/28/17	4,400	\$ 5.27	4,400	455,178
03/01/17 – 03/31/17	4,900	\$ 5.10	4,900	450,278
Total	19,300	\$ 5.11	19,300	

(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: May 9, 2017

By: /s/ Timothy A. Vitou

Timothy A. Vitou
President
(Principal executive officer and duly
authorized officer)

Date: May 9, 2017

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

Exhibit Number	Description
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 10.1	Executive Change of Control Agreement, dated and effective as of February 24, 2016, by and between RELM Wireless Corporation and Timothy A. Vitou
+Exhibit 10.2	Amendment to the RELM Wireless Corporation 2007 Incentive Compensation Plan, effective as of March 17, 2017(5)
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

+Each management contract or compensatory plan or arrangement.

- (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.
- (4) Incorporated by reference from Exhibit 3.1 to the Company's Current Report on Form 8-K filed December 10, 2015.
- (5) Incorporated by reference from Exhibit 10.1 to the Company's Current Report on Form 8-K filed March 21, 2017.

EXECUTIVE CHANGE OF CONTROL AGREEMENT

This Executive Change of Control Agreement (the "*Agreement*"), dated and effective as of February 24, 2016 (the "*Effective Date*"), is entered into by and between RELM Wireless Corporation, a Nevada corporation with its principal place of business in West Melbourne, Florida (the "*Company*"), and the Executive of the Company named on the signature page hereto (the "*Executive*").

Preliminary Statements

The Board of Directors of the Company (the "*Board*") has determined that it is in the best interest of the Company and its shareholders to assure itself of the continued availability of the services of the Executive, notwithstanding the possibility, threat or occurrence of a Change of Control (as defined below) of the Company.

In order to provide the Executive with enhanced financial security and sufficient encouragement to remain with the Company notwithstanding the possibility of a Change of Control, the Board believes that it is imperative to provide the Executive with certain severance benefits upon a Change of Control.

Agreement

In consideration of the foregoing premises and the respective covenants and agreements of the parties set forth below, and intending to be legally bound hereby, the parties agree as follows:

1. Incentive for Continuous Employment. If prior to the last day of the 12th full calendar month following the date of occurrence of an event constituting a Change of Control (it being recognized that more than one event constituting a Change of Control may occur in which case the 12-month period shall run from the date of occurrence of each such event) (i) the Company terminates the Executive's employment other than (A) for Cause (as herein defined), or (B) because of the Executive's disability (as defined under the Company's disability policy) or death, or (ii) the Executive terminates his employment for Good Reason (as herein defined) (any such termination in clauses (i) or (ii) being referred to as a "*Payment Event*"), then, within five (5) business days (or such other time as specified in Section 9(r) hereof) after such termination (the "*Payment Date*") the Executive shall be entitled to receive from the Company a cash payment (the "*Payment*") in one lump sum equal to the sum of: (i) the Payment Percentage provided for on Schedule 1 attached to this Agreement ("*Schedule 1*"), multiplied by the Executive's annual base salary as in effect at the time of such termination and (ii) the average of the Executive's annual cash bonuses from the Company for the two fiscal years (whether or not paid so long as accrued and declared by the Company) preceding the fiscal year in which such termination occurs. In addition, the Executive shall be entitled to the severance benefits listed on Schedule 1 (the "*Severance Benefits*"). The Executive shall not be entitled to any Payment or any Severance Benefits if the Executive terminates the Executive's employment without Good Reason.

2. Definitions. In addition to the capitalized terms used and defined elsewhere in this Agreement, the following capitalized terms used in this Agreement shall, for purposes of this Agreement, have the meanings set forth below.

"*Affiliate*" shall mean any Person that, directly or indirectly, controls, is controlled by or is under common control with such Person, and with respect to any natural person, includes the members of such person's immediate family (spouse, children and parents, whether by blood, marriage or adoption, or anyone residing in such person's home).

"*Cause*" shall mean the occurrence of one or more of the following: (i) Executive's willful and continued failure to substantially perform Executive's reasonably assigned duties with the Company (other than any such failure resulting from incapacity due to disability or from the assignment to Executive of duties that would constitute Good Reason), which failure continues for a period of at least thirty (30) days after written demand for substantial performance has been delivered by the Company to the Executive which specifically identifies the manner in which the Executive has failed to substantially perform his duties; (ii) Executive's willful conduct which constitutes misconduct and is materially and demonstrably injurious to the Company, as determined in good faith by a vote of at least two-thirds of the non-employee directors of the Company at a meeting of the Board at which the Executive is provided an opportunity to be heard; or (iii) Executive's conviction of a felony which has had or will have a material adverse effect on the Company's business or reputation, as determined in good faith by a vote of at least two-thirds of the non-employee directors of the Company at a meeting of the Board at which the Executive is provided an opportunity to be heard.

"*Change of Control*" shall mean (i) individuals who, as of the Effective Date, constitute the Board (the "*Incumbent Board*") cease for any reason to constitute at least a majority of the Board, provided that any individual becoming a director subsequent to the Effective Date whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board (other than an election or nomination of an individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of the directors of the Company, as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Securities Exchange Act of 1934) shall be considered as though such individual was a member of the Incumbent Board; or (ii) the approval by the shareholders of the Company of a reorganization, merger, consolidation or other form of corporate transaction or series of transactions (but not including an underwritten public offering of the Company's common stock or other voting securities (or securities convertible into voting securities of the Company) for the Company's own account registered under the Securities Act of 1933), in each case, with respect to which Persons who were shareholders of the Company immediately prior to such reorganization, merger, consolidation or other corporate transaction do not, immediately thereafter, own more than fifty percent (50%) of the combined voting power entitled to vote generally in the election of directors of the reorganized, merged or consolidated entity's then outstanding voting securities, or a liquidation or dissolution of the Company or the sale of all or substantially all of the assets of the Company (unless such reorganization, merger, consolidation or other corporate transaction, liquidation, dissolution or sale is subsequently abandoned or terminated prior to being consummated); or (iii) the acquisition by any Person, entity or "group", within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, of more than fifty percent (50%) of either the then outstanding shares of the Company's common stock or the combined voting power of the Company's then outstanding voting securities entitled to vote generally in the election of directors (hereinafter referred to as a "*Controlling Interest*") excluding any acquisitions by (x) the Company or any of its Subsidiaries, (y) any employee benefit plan (or related trust) sponsored or maintained by the Company or any of its Subsidiaries or (z) any Person, entity or "group" that as of the Effective Date owns beneficially (within the meaning of Rule 13d-3 promulgated under the Securities Exchange Act of 1934) a Controlling Interest.

"Good Reason" shall mean (i) the material diminution in Executive's authority, duties or responsibilities; (ii) the relocation of Executive to a location more than thirty (30) miles from his employment location at the Effective Date; (iii) a material diminution in the Executive's annual base salary as in effect immediately prior to such diminution, other than in connection with a general diminution in Company compensation levels and in amounts commensurate with the percentage diminutions of other Company employees of comparable seniority and responsibility; or (iv) any other action or inaction which constitutes a material breach by the Company or any of its Subsidiaries of any agreement under which the Executive provides services to the Company or any of its Subsidiaries.

No violation described in clauses (i) through (iv) above shall constitute Good Reason unless the Executive has given written notice to the Company specifying the applicable clause and related facts giving rise to such violation within ninety (90) days after the occurrence of such violation and the Company has not remedied such violation to the Executive's reasonable satisfaction within thirty (30) days of its receipt of such notice.

"Person" shall mean any natural person or entity with legal status.

"Restricted Period" shall mean the period of time after termination of the Executive's employment with the Company identified on Schedule 1.

"Subsidiary" shall mean any Person (other than a natural person) controlled by the Company and for which the Company is required to report the financial results of on a consolidated basis in its financial statements filed with the Securities and Exchange Commission.

3. Restrictive Covenants. The Executive acknowledges that in order to assure the Company that it will retain the value of its business relationships, it is reasonable that the Executive be limited in utilizing trade secrets and other confidential information of the Company, Executive's special knowledge of the business of the Company and Executive's relationships with customers, suppliers and others having business relationships with the Company in any manner or for any purpose other than the advancement of the interests of the Company, as hereinafter provided. The Executive acknowledges that the Company would not enter into this Agreement and provide the benefits provided for herein without the covenants and agreements of the Executive set forth in this Section 3. Notwithstanding anything else herein contained, the term "Company", as used in this Section 3, shall refer to the Company and its Subsidiaries and their respective successors and assigns.

(a) Confidentiality. The Executive acknowledges that in the course of the Executive's employment with the Company, Executive has had and is expected to continue to have extensive contact with Persons with which the Company has, had or anticipates having business relationships (including current and anticipated customers and suppliers), and to have knowledge of and access to trade secrets and other proprietary and confidential information of the Company, including, without limitation, the identity of Persons with whom the Company has, had or anticipates having business relationships, technical information, know-how, plans, specifications, and information relating to the financial condition, results of operations, employees, products and services, sources, leads or methods of obtaining new business, pricing formulae, methods or procedures, cost of supplies or services and marketing strategies of the Company or any other information relating to the Company that could reasonably be regarded as confidential or proprietary or which is not in the public domain (other than by reason of Executive's breach of the provisions of this section) (collectively, the "*Confidential Information*"), and that such information, even to the extent it may be developed or acquired by or through the efforts of the Executive, constitutes valuable, special and unique assets of the Company developed or acquired at great expense which are the exclusive property of the Company. Accordingly, the Executive shall not at any time, either during the time Executive is employed by the Company or thereafter, use or purport to authorize any Person to use, reveal, report, publish, transfer or otherwise disclose to any Person, any Confidential Information without the prior written consent of the Company, except for disclosures by the Executive (i) as required by applicable law (but only to the extent the Company is given a reasonable opportunity to object to such disclosure and protect the Confidential Information) or (ii) to responsible officers of the Company and other responsible Persons who are in a contractual or fiduciary relationship with the Company and who have a need for such information for purposes in the best interests of the Company. Without limiting the generality of the foregoing, the Executive shall not, directly or indirectly, disclose or otherwise make known to any Person any information as to the Company's employees and others providing services to the Company, including with respect to their abilities, compensation, benefits and other terms of employment or engagement. Upon the termination of the Executive's employment with the Company, the Executive shall promptly deliver to the Company all files, correspondence, manuals, notes, notebooks, computer diskettes, tapes, reports and copies thereof, and all other materials relating to the Company's business, including without limitation any materials incorporating Confidential Information, which are in the possession or control of the Executive.

(b) **Restriction on Competition.** During the Executive's employment with the Company and thereafter during the Restricted Period, the Executive shall not, and shall not permit any Persons subject to Executive's direction or control (including Executive's Affiliates) to, directly or indirectly, whether alone or in association with others, as principal, officer, agent, consultant, employee, director or owner of any corporation, partnership, association or other entity, or through the investment of capital, lending of money or property, rendering of services or otherwise, engage in, influence, control, have an interest in or otherwise become actively involved with any business that competes with the Company. The Executive acknowledges that the business of the Company is national and international in scope, as its current and anticipated customers and suppliers are located throughout the United States and abroad, and that it is therefore reasonable that the restrictions set forth in this Section 3(b) not be limited to any specified geographic area.

(c) **Non-solicitation.** During the Executive's employment with the Company and thereafter during the Restricted Period, the Executive shall not, and shall not permit any Persons subject to Executive's direction or control (including Executive's Affiliates) to, directly or indirectly, on their own behalf or on behalf of any other Person (except the Company or its Affiliates), (i) call upon, accept business from, or solicit the business of any Person who is, or who had been at any time during the preceding twelve months, a customer or supplier of the Company, (ii) otherwise divert or attempt to divert any business from the Company, (iii) interfere with the business relationships between the Company and any of its customers, suppliers or others with whom they have business relationships or (iv) recruit or otherwise solicit or induce, or enter into or participate in any plan or arrangement to cause, any Person who is an employee of, or otherwise performing services for, the Company to terminate his or her employment or other relationship with the Company, or hire any Person who has left the employ of or ceased providing services to the Company during the preceding twelve months.

(d) **Nondisparagement.** The Executive shall not at any time, either during the time Executive is employed by the Company or thereafter, directly or indirectly, engage in any conduct or make any statement, whether in commercial or noncommercial speech, disparaging or criticizing in any way the Company (including its directors and employees and other providing services to the Company), or any of its products or services, nor shall the Executive engage in any other conduct or make any other statement that could reasonably be expected to impair the goodwill of any of them, the reputation of any products or services of the Company or the marketing of such products or services, in each case except as may be required by law, and then only after consultation with the Company to the extent possible.

(e) **Exception.** The ownership or control by the Executive or Executive's Affiliates, as a passive investor, of up to two percent of the outstanding voting securities or securities of any class of an entity with a class of securities registered under the Securities Exchange Act of 1934, as amended, shall not be deemed to be a violation of the provisions of this Section 3.

4. **Remedies.** The Executive agrees that the restrictions set forth in Section 3, including the length of the Restricted Period, the geographic area covered and the scope of activities proscribed, are reasonable for the purposes of protecting the value of the business and goodwill of the Company. The Executive acknowledges that compliance with the restrictions set forth in Section 3 will not prevent Executive from earning a livelihood, and that in the event of a breach by the Executive of any of the provisions of Section 3, monetary damages would not provide an adequate remedy to the Company. Accordingly, the Executive agrees that, in addition to any other remedies available to the Company, the Company shall be entitled to seek injunctive and other equitable relief (without having to post bond or other security and without having to prove damages or the inadequacy of available remedies at law) to secure the enforcement of these provisions, and shall be entitled to receive reimbursement from the Executive for attorneys' fees and expenses incurred by it in enforcing these provisions. In addition to its other rights and remedies hereunder, the Company shall have the right to require the Executive to account for and pay over to it all compensation, profits, money, accruals and other benefits derived or received, directly or indirectly, by the Executive from any breach of the covenants of Section 3, and may set off any such amounts due it from the Executive against any amounts otherwise due Executive from the Company. If the Executive breaches any covenant set forth in Section 3, the running of the Restricted Period as to such covenant only shall be tolled for so long as such breach continues. It is the desire and intent of the parties that the provisions of Sections 3 and 4 be enforced in full; however, if any court of competent jurisdiction shall at any time determine that, but for the provisions of this paragraph, any part of this Agreement relating to the time period, scope of activities or geographic area of restrictions is invalid or unenforceable, the maximum time period, scope of activities or geographic area, as the case may be, shall be reduced to the maximum which such court deems enforceable with respect only to the jurisdiction in which such adjudication is made. If any other part of this Agreement is determined by such a court to be invalid or unenforceable, the invalid or unenforceable provisions shall be deemed amended (with respect only to the jurisdiction in which such adjudication is made) in such manner as to render them enforceable and to effectuate as nearly as possible the original intentions and agreement of the parties.

5. **Termination of this Agreement.** This Agreement shall commence on the Effective Date and terminate on February 24, 2020, provided, however, that if an event constituting a Change of Control shall occur while this Agreement is in effect, this Agreement shall automatically be extended for twelve (12) months from the date the Change of Control occurs; provided that the Company may extend this Agreement in its sole discretion by written notice to the Executive. For purposes of this Section 5 only (and not for purposes of determining whether the Payment and the Severance Benefits have become payable), a Change of Control shall be deemed to have occurred if the event constituting a Change of Control has been consummated on or prior to expiration of the term of this Agreement or if such event or one or more other events constituting a Change of Control have not been consummated but the material agreements for any of such events have been executed and delivered by the parties to any such event on or prior to expiration of the term of this Agreement (each such event being referred to as a "Pending Event"). For any Pending Event, this Agreement shall automatically be extended until such time as the related material agreements have been unconditionally terminated without consummation of the applicable Pending Event and if any such Pending Event is consummated pursuant to the related material agreements (as amended, restated, supplemented or otherwise modified), this Agreement shall further automatically be extended for twelve (12) months from the date each such Pending Event is so consummated. For avoidance of doubt and ambiguity, any event constituting a Change of Control that occurs after expiration of the term of this Agreement and during any extension of this Agreement as so extended by virtue of a Pending Event shall not result in this Agreement being extending after expiration of its term in accordance with the immediately preceding sentence.

6. **No Alteration of Employment Terms or Status.** Except as expressly provided in this Agreement, nothing herein shall alter in any way any of the terms of employment of the Executive, including without limitation the Executive's rights with respect to any stock options or other equity based awards Executive may have been granted under the Company's equity compensation plans. The Company and the Executive acknowledge that the Executive's employment is and shall continue to be "at-will", as defined under applicable law. If the Executive's employment is terminated for any reason, the Executive shall not be entitled to any payments, benefits, damages, awards or compensation other than as provided by this Agreement or as may otherwise be established under the Company's existing employee benefit plans or policies at the time of termination.

7. **Parachute Payments.** (a) If Independent Tax Counsel (as defined below) determines that the aggregate payments and benefits provided or to be provided to the Executive pursuant to this Agreement, and any other payments and benefits provided or to be provided to the Executive from the Company or any of its Subsidiaries or other Affiliates or any successors thereto constitute "parachute payments" as defined in Section 280G of the Internal Revenue Code of 1986, as amended (the "Code") (or any successor provision thereto) ("Parachute Payments") that would be subject to the excise tax imposed by Section 4999 of the Code (the "Excise Tax"), then, except as otherwise provided in the next sentence, such Parachute Payments shall be reduced to the extent necessary so that no portion thereof shall be subject to the Excise Tax. If Independent Tax Counsel determines that the Executive would receive in the aggregate greater payments and benefits on an after tax basis if the Parachute Payments were not reduced pursuant to this Section 7(a), then no such reduction shall be made; provided, however, that in such case the provisions of Sections 7(b)(i) and 7(b)(ii) shall not be operative. The determination of the Independent Tax Counsel under this subsection (a) shall be final and binding on all parties hereto. The determination of which payments or benefits to reduce in order to avoid the Excise Tax shall be determined in the sole discretion of the Executive; provided, however, that unless the Executive gives written notice to the Company specifying the order to effectuate the limitations described above within ten (10) days of the Independent Tax Counsel's determination to make such reduction, the Company shall first reduce those payments or benefits that will cause a dollar-for-dollar reduction in total Parachute Payments, and then by reducing other Parachute Payments, to the extent possible, in reverse order beginning with payments or benefits that are to be paid the farthest in time from the date the reduction is to be made. Any notice given by the Executive pursuant to the preceding sentence, unless prohibited by law, shall take precedence over the provisions of any other plan, arrangement or agreement governing the Executive's rights and entitlement to any benefits or compensation. For purposes of this Section 7(a), "Independent Tax Counsel" shall mean an attorney, a certified public accountant with a nationally recognized accounting firm, or a compensation consultant with a nationally recognized actuarial and benefits consulting firm with expertise in the area of executive compensation tax law, who shall be selected by the Company and shall be acceptable to the Executive (the Executive's acceptance not to be unreasonably withheld), and whose fees and disbursements shall be paid by the Company.

(b) (i) The Executive shall notify the Company in writing within thirty (30) days of any claim by the Internal Revenue Service that, if successful, would require the payment by the Executive of an Excise Tax. Upon receipt of such notice, the Company may, in its sole discretion, contest such claim or provide the Executive with an additional payment (a "*Gross-Up Payment*") intended to reimburse the Executive for any such Excise Tax and all taxes (including any Excise Tax) imposed upon the Gross-Up Payment and any interest or penalties with respect to such taxes (except to the extent such interest or penalty results from the Executive's failure to act in accordance with the Company's or a Subsidiary's reasonable directions or the Executive's failure to exercise due care), or do nothing. If the Company notifies the Executive in writing that it desires to contest such claim and that it will bear the costs and provide the indemnification as required by this sentence, the Executive shall:

(A) give the Company any information reasonably requested by the Company relating to such claim,

(B) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company,

(C) cooperate with the Company in good faith in order to effectively contest the claim, and

(D) permit the Company to participate in any proceedings relating to the claim; provided, however, that the Company shall pay (or cause to be paid) directly all costs and expenses (including any interest and penalties, except to the extent such interest or penalty results from the Executive's failure to act in accordance with the Company's or a Subsidiary's reasonable directions or the Executive's failure to exercise due care) incurred in connection with the contest and shall indemnify and hold the Executive harmless, on an after-tax basis, for any Excise Tax or income or other tax, including interest and penalties with respect thereto (except to the extent such interest or penalty results from the Executive's failure to act in accordance with the Company's or a Subsidiary's reasonable directions or the Executive's failure to exercise due care), imposed as a result of such representation and payment of costs and expenses. The Company shall control all proceedings taken in connection with such contest; provided, however, that if the Company directs the Executive to pay such claim and sue for a refund, the Company shall, unless prohibited by law, advance (or cause to be advanced) the amount of such payment to the Executive, on an interest-free basis and shall indemnify and hold the Executive harmless, on an after-tax basis, from any Excise Tax or income or other tax, including interest or penalties with respect thereto (except to the extent such interest or penalty results from the Executive's failure to act in accordance with the Company's or a Subsidiary's reasonable directions or the Executive's failure to exercise due care), imposed with respect to such advance or with respect to any imputed income with respect to such advance. If the advancement described in the preceding sentence is prohibited by law, the Company and the Executive shall cooperate in an effort to determine an alternative approach to payment of the claim in a manner permitted by applicable law and consistent with the original intent and economic benefit to the Executive of this provision.

(ii) If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 7(b)(i), the Executive becomes entitled to receive a refund with respect to a payment by the Company with respect to such claim, the Executive shall, within ten (10) days after the receipt of such refund, pay to the Company the amount of such refund, together with any interest paid or credited thereon after taxes applicable thereto.

(iii) Notwithstanding anything herein to the contrary, this Section 7(b) shall be interpreted (and, if determined by the Company to be necessary, reformed) to the extent necessary to fully comply with the Sarbanes-Oxley Act and Section 409A of the Code; provided that the Company agrees to maintain, to the maximum extent practicable, the original intent and economic benefit to the Executive of the applicable provision without violating the provisions of the Sarbanes-Oxley Act and Code Section 409A.

8. Code Section 409A. (a) If any provision of this Agreement (or of any payment of compensation, including benefits) would cause the Executive to incur any additional tax or interest under Code Section 409A or any regulations or Treasury guidance promulgated thereunder, the Company shall, after consulting with the Executive, reform such provision to comply with Code Section 409A; provided that the Company agrees to make only such changes as are necessary to bring such provisions into compliance with Code Section 409A and to maintain, to the maximum extent practicable, the original intent and economic benefit to the Executive of the applicable provision without violating the provisions of Code Section 409A.

(b) Notwithstanding any provision to the contrary in this Agreement, if the Executive is deemed on the date of termination of employment to be a "specified employee" within the meaning of that term under Code Section 409A(a)(2)(B), then with regard to any payment or the provision of any benefit that is required to be delayed in compliance with Section 409A(a)(2)(B) such payment or benefit shall not be made or provided (subject to the last sentence hereof) prior to the earlier of (i) the expiration of the six (6)-month period measured from the date of the Executive's "separation from service" (as such term is defined in Treasury Regulations issued under Code Section 409A) or (ii) the date of his death (the "*Deferral Period*"). Upon the expiration of the Deferral Period, all payments and benefits deferred pursuant to this Section 8 (whether they would have otherwise been payable in a single sum or in installments in the absence of such deferral) shall be paid or reimbursed to the Executive in a lump sum, and any remaining payments and benefits due under this Agreement shall be paid or provided in accordance with the normal payment dates specified for them herein. Notwithstanding the foregoing, to the extent that the foregoing applies to the provision of any ongoing welfare benefits to the Executive that would not be required to be delayed if the premiums therefor were paid by the Executive, the Executive shall pay the full cost of premiums for such welfare benefits during the Deferral Period and the Company shall pay (or cause to be paid) to the Executive an amount equal to the amount of such premiums paid by the Executive during the Deferral Period promptly after its conclusion.

(c) Any reimbursements by the Company to the Executive of any eligible expenses under this Agreement that are not excludable from the Executive's income for Federal income tax purposes (the "*Taxable Reimbursements*") shall be made by no later than the earlier of the date on which they would be paid under the Company's normal policies and the last day of the taxable year of the Executive following the year in which the expense was incurred. The amount of any Taxable Reimbursements, and the value of any in-kind benefits to be provided to the Executive, during any taxable year of the Executive shall not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other taxable year of the Executive. The right to Taxable Reimbursements, or in-kind benefits, shall not be subject to liquidation or exchange for another benefit.

(d) Payment of any Taxable Reimbursements under this Agreement must be made by no later than the end of the taxable year of the Executive following the taxable year of the Executive in which the Executive remits the related taxes.

9. Miscellaneous.

(a) **Entire Agreement.** This Agreement (including Schedule 1) sets forth the entire understanding of the parties with respect to the subject matter hereof and merges and supersedes any prior or contemporaneous agreements (whether written or oral) between the parties pertaining thereto, including without limitation any prior agreements, arrangements, understandings or commitments of any nature whatsoever relating to severance payments or other compensation in connection with termination of Executive's employment. The Executive acknowledges that he has read and understands the provisions of this Agreement. The Executive further acknowledges that he has been given an opportunity for his legal counsel to review this Agreement and that the provisions of this Agreement are reasonable. The parties agree and acknowledge that the Executive Change of Control Agreement, dated February 29, 2012, by and between the Company and the Executive (the "*Prior Agreement*") is hereby terminated and of no further force or effect. The parties further agree and acknowledge that no "Change of Control" occurred under the Prior Agreement, the term of such Prior Agreement was not extended, and no payments have or hereafter may become payable to the Executive under the Prior Agreement or any previous change of control agreement or provision between the Company and the Executive.

(b) **Amendment.** This Agreement may not be amended except by an instrument in writing signed by the parties hereto.

(c) **Waiver.** No waiver by any party of any of its rights under this Agreement shall be effective unless in writing and signed by the party against which the same is sought to be enforced. No such waiver by any party of its rights under any provision of this Agreement shall constitute a waiver of such party's rights under such provisions at any other time or a waiver of such party's rights under any other provision of this Agreement. No failure by any party hereto to take any action against any breach of this Agreement or default by another party shall constitute a waiver of the former party's right to enforce any provision of this Agreement or to take action against such breach or default or any subsequent breach or default by such other party.

(d) **Successors and Assigns.** The Executive shall not have the right to assign Executive's rights or obligations hereunder. The Company shall not have the right to assign its rights or obligations under this Agreement without the prior written consent of the Executive, except in accordance with subsection (j) below. Subject to the foregoing, this Agreement shall inure to the benefit of, and be binding upon, the parties hereto and their legal representatives, heirs, successors and permitted assigns. Except as otherwise specifically provided herein, the rights and obligations of the parties under this Agreement shall be unaffected by a Change of Control of the Company.

(e) **Additional Acts.** The Executive and the Company shall execute, acknowledge and deliver and file, or cause to be executed, acknowledged and delivered and filed, any and all further instruments, agreements or documents as may be necessary or expedient in order to consummate the transactions provided for in this Agreement and do any and all further acts and things as may be necessary or expedient in order to carry out the purpose and intent of this Agreement.

(f) **Communications.** All notices, requests, demands and other communications under this Agreement shall be in writing and shall be deemed to have been given at the time personally delivered, on the business day following the day such communication is sent by national overnight delivery service, upon electronic confirmation of recipient's receipt of a facsimile of such communication, or five days after being deposited in the United States mail enclosed in a registered or certified postage prepaid envelope, return receipt requested, and addressed to the recipient, in the case of the Company, at the Company's headquarters and, in the case of the Executive, at the address of the Executive on file with the Company, or sent to such other address as a party may specify by notice to the other party in accordance herewith, provided that notices of change of address shall only be effective upon receipt.

(g) **Severability.** If any provision of this Agreement is held to be invalid or unenforceable by a court of competent jurisdiction, such invalidity or unenforceability shall not affect the validity and enforceability of the other provisions of this Agreement and the provision held to be invalid or unenforceable shall be enforced as nearly as possible according to its original terms and intent to eliminate such invalidity or unenforceability.

(h) **Withholding Taxes.** The Company may withhold from amounts payable under this Agreement such federal, state and local taxes as are required to be withheld pursuant to any applicable law or regulation and the Company shall be authorized to take such action as may be necessary in the opinion of the Company's counsel to satisfy all obligations for the payment of such taxes.

(i) **Governing Law.** The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Florida applicable to agreements made and to be performed entirely in such state, without regard to the conflict of laws principles of such state.

(j) **Consolidation, Merger or Sale of Assets.** If the Company consolidates or merges into or with, or transfers all or substantially all of its assets to, another entity the term "Company" as used in this Agreement shall mean such other entity and this Agreement shall continue in full force and effect. In the case of any transaction in which a successor would not by the foregoing provision or by operation of law be bound by this Agreement, the Company shall require such successor expressly and unconditionally to assume and agree to perform the Company's obligations under this Agreement, in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place.

(k) **Headings.** The section and other headings contained in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of any provisions of this Agreement.

(l) **Counterparts.** This Agreement may be executed in any number of counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument. In the event that any signature to this Agreement is delivered by facsimile transmission or email attachment, such signature shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) with the same force and effect as if such facsimile or email-attached signature page were an original thereof.

(m) **Litigation; Prevailing Party.** If any litigation is instituted regarding this Agreement, the prevailing party shall be entitled to receive from the non-prevailing party, and the non-prevailing party shall pay, all reasonable fees and expenses of counsel for the prevailing party.

(n) **Waiver of Jury Trial.** Each party hereto knowingly, irrevocably and voluntarily waives its right to a trial by jury in any litigation which may arise under or involving this Agreement.

(o) **Venue; Jurisdiction.** If any litigation is to be instituted regarding this Agreement, it shall be instituted in the state and federal courts located in Brevard County, Florida, and each party irrevocably consents and submits to the personal jurisdiction of such courts in any such litigation, and waives any objection to the laying of venue in such courts. Service of process in any such litigation shall be effective as to any party if given to such party by registered or certified mail, return receipt requested, or by any other means of mail that requires a signed receipt, postage prepaid, mailed to such party as provided in Section 9(f).

(p) **Remedies Cumulative.** No remedy made available by any of the provisions of this Agreement is intended to be exclusive of any other remedy, and each and every remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity.

(q) **No Duty to Mitigate.** The Executive shall not be required to mitigate the amount of any payment contemplated by this Agreement, nor shall any such payment be reduced by any earnings that the Executive may receive from any other source.

(r) **Release.** Notwithstanding any provision herein to the contrary, the Company shall not have any obligation to pay (or cause to be paid) any amount or provide any benefit under this Agreement unless and until the Executive executes, within sixty (60) days after a Payment Event, a release of the Company, its Subsidiaries and other Affiliates and related parties, in such form as the Company may reasonably request, of all claims against the Company, its Subsidiaries and other Affiliates and related parties relating to the Executive's employment and termination thereof and unless and until any revocation period applicable to such release has expired.

IN WITNESS WHEREOF, the parties hereto have each duly executed this Agreement as of the date set forth above.

RELM WIRELESS CORPORATION

By: /s/ William P. Kelly
Name: William P. Kelly
Title: Executive Vice President and Chief Financial Officer

EXECUTIVE:

/s/ Timothy A. Vitou
Timothy A. Vitou

Executive: Timothy Vitou

Position/Title: Vice President Sales

Payment Percentage: 50%

Severance Benefits: (A) For a period commencing with the month in which termination of employment shall have occurred and ending six months thereafter, the Executive and, as applicable, the Executive's covered dependents shall be entitled to all benefits under the Company's welfare benefit plans (within the meaning of Section 3(1) of the Employee Retirement Income Security Act of 1974, as amended), as if the Executive were still employed during such period, at the same level of benefits and at the same dollar cost to the Executive as is in effect at the time of termination. If and to the extent that equivalent benefits shall not be payable or provided under any such plan, the Company shall pay or provide (or cause to be paid or provided) equivalent benefits on an individual basis. The benefits provided in accordance herewith shall be secondary to any comparable benefits provided to the Executive and, as applicable, the Executive's covered dependents by another employer of the Executive.

(B) Outplacement services commencing for a period of six (6) months from the date of termination of employment, the scope and provider of which shall be selected by the Executive in his sole discretion provided that the costs of such services to the Company shall not exceed \$7,500 and such services shall be directly related to the termination of the Executive's services to the Company.

Restricted Period: Six (6) Months

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

I, Timothy A. Vitou, President 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: May 9, 2017

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

**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: May 9, 2017

/s/ William P. Kelly
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 March 31, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Timothy A. Vitou, President of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

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

/s/ Timothy A. Vitou

Timothy A. Vitou
President

May 9, 2017

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 March 31, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, William P. Kelly, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

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

/s/ William P. Kelly

William P. Kelly

Executive Vice President and Chief Financial Officer

May 9, 2017
