

ELECTRONIC SYSTEMS TECHNOLOGY INC

Form 10-K/A

August 27, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K/ A-2

Amendment No. 2

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

For the fiscal year ended: December 31, 2017

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

For the transition period from _____ to _____

Commission file number: **000-27793**

ELECTRONIC SYSTEMS TECHNOLOGY INC.

(Exact name of registrant as specified in its charter)

Washington

(State or other jurisdiction of incorporation or organization)

91-1238077

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

415 N. Quay St., Bldg B1, Kennewick, Washington

(Address of principal executive offices)

99336

(Zip Code)

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

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

Title of each class

Name of each exchange on which registered

None

N/A

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

Common
(Title of Class)

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

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

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

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

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

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

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☒

(Do not check if a smaller reporting company)

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

The aggregate market value of the registrant's common stock held by non-affiliates was \$1,035,958, based on the reported last sale price of common stock on June 30, 2017, which was the last business day of the registrant's most recently completed second fiscal quarter. For purposes of this computation, all executive officers and directors were deemed affiliates.

The number of shares outstanding of the registrant's common stock as of February 4, 2018: 4,986,048 shares.

EXPLANATORY NOTE

This Amendment No. 2 (Amendment No. 2) amends the Annual Report on Form 10-K of Electronic Systems Technology, Inc. (the Company) for the fiscal year ended December 31, 2017, as filed with the Securities and Exchange Commission on February 23, 2017, as amended August 27, 2018 (the Original Filing and the Original Filing Date). Subsequent to the filing of the Original Filing, the Company identified an inaccurate statement as to *Section 16(A) Beneficial Ownership Reporting Compliance* .. The sole purpose of this Amendment is to amend and restate Item 10 of Part III. For purposes of this Amendment, and in accordance with Rule 12b--15 under the Exchange Act, Item 10 of the Original Filing has been amended and restated in its entirety. The only changes made to the Original Filing are the following item: Part III, Item 10, e.g. *Directors, Executive Officers and Corporate Governance* (Revised Item).

This Amendment No. 2 consists of a cover page, this Explanatory Note, a revised Part III, Item 10, an updated Exhibit Index and new certifications pursuant to Section 302 and Section 906 of the Sarbanes-Oxley Act of 2002.

Except as described above, this Amendment No. 2 does not amend, modify, update, or change any other information contained in the Original Filing. This Amendment No. 2 speaks as of the Original Filing Date and does not reflect events that may have occurred subsequent to the Original Filing Date.

Pursuant to Rule 12b-15 under the Securities Exchange Act of 1934, as amended, currently-dated certifications from the Company's Chief Executive Officer and Chief Financial Officer are included as Exhibits to this Amendment No. 2, as required by Sections 302 and 906 of the Sarbanes-Oxley Act of 2002.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

IDENTIFICATION OF DIRECTORS:

The following table sets forth the names and ages of all directors of the Company as of December 31, 2017 as well as the term in office and principal occupation of each director.

Name of Director	Term in Office	Age	Principal Occupation
Theodore Deinard	06/05/15-06/01/18	45	President of QFMI Management, Inc.
T.L. Kirchner	06/02/17 06/05/20	69	Former President of the Company
Barry Knott	06/05/15-06/01/18	62	CEO of Lifeloc Technologies, Inc.
Vern Kornelsen	06/02/17 06/05/20	85	General Partner of EDCO
Michael W. Eller	06/04/16-06/06/19	57	President of Electronic Systems Technology, Inc.

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

Audit Committee

The Audit Committee of the Board of Directors as of December 31, 2017 is comprised of Barry Knott (Chairman) and Theodore Deinard. The Audit Committee met on one occasion in 2017. The Board of Directors has determined that none of the audit committee members can be classified as an audit committee financial expert as defined in Item 407(d)(5)(ii) of Regulation S-K. The Board of Directors does not contain a member that can be classified as an audit committee financial expert under the referenced definition. The Board of Directors believes that attracting and retaining board members that could be classified as an audit committee financial expert is unlikely due to the high cost

of such Director candidates.

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

Compensation Committee

There is no Compensation Committee of the Board of Directors. The Board of Directors did establish an Employee/Director Stock Option Committee consisting of all Directors. The committee existed for the sole purpose of recommending the recipients and amounts of the Company awarded stock options during 2017. There is no charter for the Employee/Director Stock Option Committee.

Code of Ethics

On June 2, 2005, the Company's Board of Directors adopted a Code of Ethics for the Company. The Codes of Ethics, and any subsequent amendments thereto, (other than technical, administrative or non-substantive amendments), and any waivers of a provision of the Code of Ethics for directors or executive officers, are available on our website at www.esteem.com.

IDENTIFICATION OF EXECUTIVE OFFICERS

The following table sets forth the names and ages of all executive officers of the Company as of December 31, 2017; all positions by such persons; term of office and the period during which he has served as such; and any arrangement or understanding between him and any other person(s) pursuant to which he was elected as an officer:

Name of Officer	Age	Position	Term of Office	Period of Service
Michael Eller	57	President/CEO/Principal Accounting Officer	Employed at will	9/7/12- Present

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

THEODORE DEINARD. Mr. Deinard joined Quadrant in 2008 and is responsible for making investments and overseeing companies at the firm. Mr. Deinard holds Director level positions in multiple portfolio companies along with Executive level roles at certain times. Mr. Deinard is also President of QFMI Management, Inc., an alternative investment management firm, controlled by an affiliate of Quadrant. Previously, Mr. Deinard was a Director at Citigroup Global Markets. He holds a BA from Yale University.

T.L. KIRCHNER. Mr. Kirchner is founder, Past President and a Director of the Company. During the last five years Mr. Kirchner devoted 100% of his time to the management of the Company. His primary duties are to oversee the management and marketing functions of the Company. Mr. Kirchner does not serve as a director for any other company registered under the Securities Exchange Act.

BARRY KNOTT. Mr. Knott was formally the Chief Executive Officer of Lifeloc Technologies, Inc., located in Denver, Colorado, and has extensive experience in general management, and particularly sales and marketing. Previous experience includes positions as the President and CEO of Cognitive Solutions, Inc.; Vice President of Sales and Marketing for Wide Format Printing (Nashua Corporation); Vice President and General Manager of Zebra Technologies Corporation; and several other similar positions. He holds an MBA degree from Queens University, Ontario, Canada, and a BA degree from the University of New Brunswick, New Brunswick, Canada.

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

MICHAEL W. ELLER. Mr. Eller is the President and Principal Accounting Officer. During the last five years Mr. Eller has been a full time employee of the Company. Previous experience, Macys Logistics and Operations where he was employed as the Vice President of Operations and Director of Finances. Mr. Eller does not serve as a director for any other company registered under the Securities Exchange Act.

Family Relationships

None.

Section 16(A) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities and Exchange Act of 1934, as amended, requires our officers, directors, and certain other persons to timely file certain reports regarding ownership of and transactions in our securities with the Securities and Exchange Commission. Based solely on the Company's review of the copies of such forms received, the Company believes that during the year ended December 31, 2017 all such filing requirements applicable to the Company were complied with on a timely basis, except for the following filings were delinquent for the years ending December 31, 2015, December 31, 2016, and December 31, 2017:

Name and Relation to the Company	Known Failures to File a Required Form (Type of Form indicated herein)
Theodore Deinard	
(Director)	Form 3,Form 4, Form 5

Indemnification

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

believed to be in or not opposed to the best interests of the corporation. The Company's Articles of Incorporation provide that a director or officer is not personally liable to the Company or its shareholders for damages for any breach of fiduciary duty as a director or officer, except for liability for (i) acts or omissions which involve intentional misconduct, fraud or a knowing violation of law, or (ii) the payment of distribution in violation of Washington Business Corporation Act.

Related Person Transactions Policy and Procedures

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

PART IV

Item 15. Exhibits and Financial Statement Schedules.

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

(1)

Our financial statements can be found in Item 8 of this report.

(2)

Financial Statement Schedules (omitted because they are either not required, are not applicable, or the required information is disclosed in the notes to the financial statements or related notes).

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

EXHIBIT NUMBER

DESCRIPTION

3.1**	Articles of Incorporation filed as Exhibit 2.1 to Form S-18, Registration Statement No. 2-92949-S, filed November 5, 1984 **
3.2**	Amended Articles of Incorporation of the Registrant, filed as Exhibit (c) to Form 8-K, filed March 15, 1985 **
3.3**	By-Laws filed as Exhibit 2.1 to Form S-18, Registration Statement No. 2-92949-S, filed November 5, 1984 **
3.4**	Amendments to By-Laws filed as Exhibit (c) to Form 8-K, filed March 15, 1985 **
4**	Instrument defining the rights of security holders including indentures.

Exhibit II Form S-18 Registration Statement No. 2-92949-S is incorporated herein by reference.

	<u>Form 8A Registration Statement, 000-27793, dated October 25, 1999</u> **
14**	<u>Code of Ethics</u> , as Exhibit 14.3 to Form 10-KSB, filed March 26, 2008 **
31.1**	<u>Section 302 Certification, CEO</u>
31.2**	<u>Section 302 Certification, CFO</u>
32.1	<u>Section 906 Certification, CEO</u>
32.2	<u>Section 906 Certification, CFO</u>
101.INS	XBRL Instance Document *
101.SCH	XBRL Taxonomy Extension Schema Document *
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document *
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document *
101.LAB	XBRL Taxonomy Extension Label Linkbase Document *
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document *

**

Incorporated by reference

* Previously filed in Original Filing

SIGNATURES

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

ELECTRONIC SYSTEMS TECHNOLOGY, INC.

By: /s/ Michael W. Eller

Michael W. Eller, President

(Principal Executive Officer, Director)

Date: August 27, 2018

By: /s/ Michael W. Eller

Michael W. Eller, President

(Principal Accounting Officer)

Date: August 27, 2018

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

Signature	Title	Date
/s/ T.L. KIRCHNER T.L. Kirchner	Director	August 27, 2018
/s/ VERN KORNELSEN Vern D. Kornelsen	Director	August 27, 2018

/s/ THOMAS J. SCHAEFER
Thomas J. Schaefer

Director

August 27, 2018

/s/ DONALD E. SIECKE
Donald E. Siecke

Director

August 27, 2018