BLONDER TONGUE LABORATORIES, INC.

State of Incorporation: Delaware

One Jake Brown Road
Old Bridge, NJ 08857
(732) 679-4000
www.blondertongue.com
Investor@blondertongue.com

SIC Code: 3663

Quarterly Report

For the period ending June 30, 2023
(the "Reporting Period")

The number of shares of common stock, par value $.001, outstanding is 14,399,191 as of June 30, 2023

The number of shares of common stock, par value $.001, outstanding was 13,349,241 as of December 31, 2022

Indicate by check mark whether the company is a shell company (as defined in Rule 405 of the Securities Act of 1933 and Rule 12b-2 of the Exchange Act of 1934):

Yes: ☐ No: ☒

Indicate by check mark whether the company's shell status has changed since the previous reporting period:

Yes: ☐ No: ☒

Indicate by check mark whether a Change in Control of the company has occurred over this reporting period:

Yes: ☐ No: ☒

BLONDER TONGUE LABORATORIES, INC.
QUARTERLY REPORT
FOR FIRST QUARTER ENDED JUNE 30, 2023

Forward-Looking Statements

In addition to historical information this Quarterly Report contains forward-looking statements regarding future events relating to such matters as anticipated financial performance, business prospects, technological developments, new products, research and development activities and similar matters. The Private Securities Litigation Reform Act of 1995, the Securities Act of 1933 and the Securities Exchange Act of 1934 provide safe harbors for forward-looking statements. In order to comply with the terms of these safe harbors, the Company notes that a variety of factors could cause the Company's actual results and experience to differ materially and adversely from the anticipated results or other expectations expressed in the Company's forward-looking statements. The risks and uncertainties that may affect the operation, performance, development and results of the Company's business include, but are not limited to, those matters discussed herein in the section entitled Item 4 - Management's Discussion and Analysis of Financial Condition and Results of Operations. The words "believe," "expect," "anticipate," "project," "target," "intend," "plan," "seek," "estimate," "endeavor," "should," "could," "may" and similar expressions are intended to identify forward-looking statements. In addition, any statements that refer to projections for our future financial performance, our anticipated growth trends in our business and other characterizations of future events or circumstance are forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's analysis only as of the date hereof. The Company undertakes no obligation to publicly revise these forward-looking statements to reflect events or circumstances that arise after the date hereof. Readers should carefully review the risk factors described in other documents the Company files from time to time with the Securities and Exchange Commission, including without limitation, the Company's Annual Report on Form 10-K for the year ended December 31, 2022, filed with the Securities and Exchange Commission on April 17, 2023, and as amended on April 28, 2023 (See Item 1 – Business; Item 1A – Risk Factors; Item 3 – Legal Proceedings and Item 7 – Management's Discussion and Analysis of Financial Condition and Results of Operations).

Item 1. Exact Name of the Issuer and the Address of its Principal Executive Offices.

Exact name of issuer:	Blonder Tongue Laboratories, Inc.
Principal Executive Offices:	One Jake Brown Road Old Bridge, NJ 08857 Telephone: (732) 679-4000 Website: www.blondertongue.com Email: Investor@blondertongue.com

Check box if principal executive office and principal place of business are the **same address:** ☑

Item 2. Shares Outstanding

As of June 30, 2023					
Class	**Number of Shares Authorized**	**Number of Shares Outstanding**	**Freely Tradable Shares (Public Float)(1)**	**Total Number of Beneficial Shareholders**	**Total Number of Shareholders of Record**
Common Stock	50,000,000	14,399,191	10,088,448	10	65
Preferred Stock	5,000,000	-	-	-	-

As of December 31, 2022					
Class	**Number of Shares Authorized**	**Number of Shares Outstanding**	**Freely Tradable Shares (Public Float)(1)**	**Total Number of Beneficial Shareholder**	**Total Number of Shareholders of Record**
Common Stock	50,000,000	13,349,241	7,656,018	12	59
Preferred Stock	5,000,000	-	-	-	-

As of December 31, 2021					
Class	**Number of Shares Authorized**	**Number of Shares Outstanding**	**Freely Tradable Shares (Public Float)(1)**	**Total Number of Beneficial Shareholders**	**Total Number of Shareholders of Record**
Common Stock	25,000,000	13,010,859	7,945,260	14	60
Preferred Stock	5,000,000	-	-	-	-

(1) For purposes of this calculation only, shares of common stock held by each of Blonder's directors and officers on the given date and by each person who Blonder knows beneficially owned 5% or more of the outstanding common stock on that date have been excluded in that such persons may be deemed to be affiliates.

Item 3. Consolidated Financial Statements

BLONDER TONGUE LABORATORIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except per share data)

	(unaudited) June 30, 2023	Dec 31, 2022
Assets		
Current assets:		
Cash	$ 99	$ 79
Accounts receivable, net of allowance for doubtful accounts of $216 as of both June 30, 2023 and December 31, 2022, respectively	1,428	3,389
Inventories	3,327	3,966
Prepaid and other current assets	495	533
Total current assets	5,349	7,967
Property, plant and equipment, net	193	238
License agreements, net	2	3
Intangible assets, net	741	741
Goodwill	493	493
Right of use assets, net	5,071	4,778
Other assets, net	606	785
	$12,455	$15,005
Liabilities and Stockholders' Equity		
Current liabilities:		
Line of credit	2,893	$ 4,387
Current portion of long-term debt	253	70
Current portion of lease liability	607	569
Accounts payable	2,126	2,431
Accrued compensation	349	368
Accrued benefit pension liability	161	161
Income taxes payable	-	24
Other accrued expenses	157	145
Total current liabilities	6,546	8,155
Subordinated convertible debt with related parties, net	1,660	1,549
Lease liability, net of current portion	3,776	4,093
Long-term debt, net of current portion	353	134
Total liabilities	12,335	13,931
Commitments and contingencies	-	-
Stockholders' equity:		
Preferred stock, $.001 par value; authorized 5,000 shares, no shares outstanding...	-	-
Common stock, $.001 par value; authorized 50,000 and 25,000 shares, 14,399 and 13,349 shares issued and outstanding as of June 30, 2023 and December 31, 2022, respectively	14	13
Paid-in capital	32,551	32,275
Accumulated deficit	(31,462)	(30,230)
Accumulated other comprehensive loss	(984)	(984)
Total stockholders' equity	120	1,074
	$12,455	15,005

See accompanying notes to the consolidated financial statements.

BLONDER TONGUE LABORATORIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Net sales	$2,986	$4,234	$6,903	$7,575
Cost of goods sold	2,215	3,174	4,645	5,576
Gross profit	771	1,060	2,258	1,999
Operating expenses:				
Selling	345	531	828	1,037
General and administrative	606	993	1,476	1,905
Research and development	326	498	746	1,039
	1,277	2,022	3,050	3,981
Loss from operations	(506)	(962)	(792)	(1,982)
Other Income	-	-	-	-
Interest Expense	(209)	(192)	(440)	(325)
(Loss) income before income taxes	(715)	(1,154)	(1,232)	(2,307)
Provision for income taxes	-	-	-	-
Net (loss) income	$(715)	$(1,154)	$(1,232)	$(2,307)
Basic and diluted net loss per share	$(0.05)	$(0.09)	$(0.09)	$(0.17)
Basic and diluted weighted average shares outstanding	13,795	13,317	13,580	13,222

See accompanying notes to unaudited condensed consolidated financial statements.

BLONDER TONGUE LABORATORIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands)
(unaudited)

	Common Stock				Accumulated Other	
	Shares	Amount	Paid-in Capital	Accumulated Deficit	Comprehensive Loss	Total
Balance at January 1, 2023	13,349	$13	$32,275	$(30,230)	$(984)	$ 1,074
Net loss	-	-	-	(517)	-	(517)
Stock-based Compensation	-	-	68	-	-	68
Conversion of convertible subordinated debt	-	-	-	-	-	-
Stock awards for employee compensation	19		(1)			(1)
Balance at March 31, 2023	13,368	$13	$32,342	$(30,747)	$(984)	$624
Net Loss	-	-	-	(715)	-	(715)
Stock-based Compensation	-	-	47	-	-	47
Conversion of convertible subordinated debt	-	-	-	-	-	-
Stock awards for employee compensation	1,031	1	162	-	-	163
Balance at June 30, 2023	14,399	$14	$32,551	$(31,462)	$(984)	$119

For the three and six months ended June 30, 2022						
Balance at January 1, 2022	13,011	$13	$31,513	$(27,310)	$(931)	$ 3,285
Net loss	-	-	-	(1,154)	-	(1,154)
Stock-based Compensation	-	-	121	-	-	121
Conversion of convertible subordinated debt	104	-	62	-	-	62
Stock awards for employee compensation	157		97			97
Balance at March 31, 2022	13,272	$13	$31,793	$(28,464)	$(931)	$2,411
Net loss				(1,154)		(1,154)
Stock-based Compensation			172			172
Stock awards for employee compensation	54					
Balance at June 30, 2022	13,326	$13	$32,003	$(29,617	$(931)	$1,468

See accompanying notes to unaudited condensed consolidated financial statements.

BLONDER TONGUE LABORATORIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(unaudited)

	Six Months Ended June 30,	
	2023	2022
Cash Flows From Operating Activities:		
Net loss	$(1,232)	$(2,307)
Adjustments to reconcile net loss to cash provided by operating activities:		
Stock based compensation expense	116	293
Depreciation	41	58
Amortization	2	23
Amortization of deferred loan costs	20	30
Amortization of subordinated debt discount	15	31
Noncash interest expense	97	85
Amortization of right of use assets	353	425
Fair value adjustment of stock awards	(46)	(62)
Changes in operating assets and liabilities:		
Accounts receivable	1,961	(692)
Inventories	639	(113)
Prepaid and other current assets	37	(15)
Other assets	159	8
Change in lease liability	(924)	(407)
Accounts payable, accrued compensation and other accrued expenses	(130)	1,271
Net cash provided by operating activities	1,108	(1,372)
Cash Flows From Investing Activities:		
Purchases of property and equipment	4	(17)
Acquisition of licenses	-	(7)
Net cash used in investing activities	4	(24)
Cash Flows From Financing Activities:		
Net barrowing (repayments) of line of credit	(1,494)	1,518
Repayments of long-term debt	402	(35)
Net cash used in financing activities	(1,092)	1,483
Net increase (decrease) in cash	20	87
Cash, beginning of period	79	274
Cash, end of period	$99	$361
Supplemental Cash Flow Information:		
Cash paid for interest	$207	$158
Non cash investing and financing activities:		
Conversion of subordinated convertible debt to common stock	$-	$62
Stock paid to employees in lieu of cash	$161	$135

See accompanying notes to unaudited condensed consolidated financial statements.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Company and Basis of Consolidation

Blonder Tongue Laboratories, Inc. (together with its consolidated subsidiaries, the "**Company**") is a technology-development and manufacturing company that delivers television signal encoding, transcoding, digital transport, and broadband product solutions to the markets the Company serves, including the telecommunications, fiber optic and cable service provider markets, MDU market, the lodging/hospitality market and the institutional market, including campuses, hospitals, prisons and schools, primarily throughout the United States and Canada. The consolidated financial statements include the accounts of Blonder Tongue Laboratories, Inc. and its wholly-owned subsidiaries. Significant intercompany accounts and transactions have been eliminated in consolidation.

The accompanying unaudited condensed consolidated interim financial statements as of June 30, 2023, and for the three and six months ended June 30, 2023, and 2022 have been prepared in accordance with accounting principles generally accepted in the United States of America ("**GAAP**") for interim financial information. The accompanying unaudited condensed consolidated interim financial statements include all adjustments, consisting primarily of normal recurring adjustments, which the Company considers necessary for a fair presentation of the condensed consolidated financial position, operating results, changes in stockholders' equity and cash flows for the periods presented. The condensed consolidated balance sheet at December 31, 2022 has been derived from audited consolidated financial statements. Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP for complete financial statements have been condensed or omitted pursuant to OTCQXOTCQB rules and regulations. The accompanying unaudited condensed consolidated interim financial statements should be read in conjunction with the consolidated financial statements for the year ended December 31, 2022, and notes thereto.

Note 2 – Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Company's significant estimates include stock-based compensation and reserves related to accounts receivable, inventories and deferred tax assets. Actual results could differ from those estimates.

Loss Per Share

Loss per share is calculated in accordance with Accounting Standards Codification (**"ASC"**) ASC Topic 260 "Earnings Per Share," which provides for the calculation of "basic" and "diluted" loss per share. Basic loss per share includes no dilution and is computed by dividing net loss by the weighted average number of common shares outstanding for the period. Diluted loss per share reflects, in periods in which they have a dilutive effect, the effect of potential issuances of common shares. The diluted share base excludes the following potential common shares due to their antidilutive effect:

	Three months ended June 30		Six months ended June 30	
	2023	2022	2023	2022
Stock options	4,646	4,536	4,709	4,204
Convertible debt	2,437	2,163	2,437	2,163
Warrants	-	2	-	2
	7,083	6,701	7,146	6,369

Amortization of Debt Discount

The Company accounts for the amortization of the debt discount utilizing the effective interest method.

Adoption of Recent Accounting Pronouncements

In December 2019, the FASB issued ASU 2019-12, *Simplifying the Accounting for Income Taxes* (**"Topic 740"**). The list of changes is comprehensive; however, the changes will not significantly impact the Company due to the full valuation allowance that is recorded against the Company's deferred tax assets. Early adoption of ASU 2019-12 is permitted, including adoption in any interim period for public business entities for periods for which financial statements have not yet been issued. An entity that elects to early adopt the amendments in an interim period should reflect any adjustments as of the beginning of the annual period that includes that interim period. Additionally, an entity that elects early adoption must adopt all the amendments in the same period. The Company adopted ASU 2019-12 in 2021. The adoption of this new standard did not have a material impact on the Company's financial position, results of operations or financial statement disclosure.

Going Concern and COVID-19

Our business has been materially and adversely affected by the outbreak of the Coronavirus or COVID-19. COVID-19, which has been declared by the World Health Organization to be a "pandemic," has spread to many countries, including the United States, and is impacting domestic and worldwide economic activity. Since being declared a "pandemic", COVID-19 interfered with our ability to meet with certain customers during 2020 and continued into the first half of 2021. In addition, the COVID-19 outbreak has affected the supply chain for many types of products and materials, particularly those being manufactured in China and other countries where the outbreak has resulted in significant disruptions to ongoing business activities. Beginning in the second quarter of 2021 and continuing into the first quarter of 2022, we experienced a material disruption in our supply chain as it relates to the procurement of certain sole source and other multiple source components utilized in a material portion of several product lines. There are frequent developments regarding the COVID-19 outbreak that may impact our customers, employees and business partners. As a result, it is not possible at this time to estimate the duration or the scope of the impact COVID-19 could have on the Company's business. The Company has experienced and is continuing to experience a significant reduction in sales as a result of its inability to procure parts necessary to manufacture products due to the supply chain issues related to the COVID-19 outbreak. It remains unclear when or whether our supply chain partners will resume their activities at a level where our sales will return to historical levels.

As disclosed in the Company's most recent Annual Report on Form 10-K, the Company experienced a decline in sales, a reduction in working capital, a loss from operations and net cash used in operating activities, in conjunction with liquidity constraints. The above factors raised substantial doubt about the Company's ability to continue as a going concern. As of June 30, 2023, certain of these factors still exist. Accordingly, there still exists substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments relating to the recoverability of the recorded assets or the classification of the liabilities that might be necessary should the Company be unable to continue as a going concern.

The Company's primary sources of liquidity have been its existing cash balances, cash generated from operations, amounts available under the MidCap Facility (see Note 5 below) and amounts available under the Subordinated Loan Facility (see Note 6 below). As of June 30, 2023, the Company had approximately $2,893 outstanding under the MidCap Facility (as defined in Note 5 below) and $392 of additional availability for borrowing under the MidCap Facility.

If anticipated operating results are not achieved and/or the Company is unable to obtain additional financing, it may be required to take additional measures to reduce costs in order to conserve its cash in amounts sufficient to sustain operations and meet its obligations, which measures could have a material adverse effect on the Company's ability to achieve its intended business objectives and may be insufficient to enable the Company to continue as a going concern.

Subsequent Events

The Company evaluates events that have occurred after the balance sheet date but before the financial statements are issued. Based upon the evaluation, the Company did not identify any additional recognized or non-recognized subsequent events that would require adjustment to or disclosure in the condensed consolidated financial statements except as disclosed in Note 5.

Note 3– Revenue Recognition

The Company recognizes revenue when it satisfies a performance obligation by transferring the product or service to the customer, typically at a point in time.

Disaggregation of Revenue

The Company is a technology-development and manufacturing company that delivers a wide range of products and services to the cable entertainment and media industry. Encoder/transcoder products are used by a system operator for encoding and transcoding of digital video. Encoders accept various input sources (analog and/or digital) and output digitally encoded 4K, UHD, HD or SD video in various output formats. Transcoders convert video files from one codec compression format to another to allow the video to be viewed across different platforms and devices. NXG is a two-way forward-looking platform that is used to deliver next-generation entertainment services in both enterprise and residential locations. Coax distribution products are used to transport signals from the headend to their ultimate destination in a home, apartment unit, hotel room, office or other terminal location along a coax distribution network. CPE products are used by cable operators to provide video delivery to customers using IP technology. Digital modulation products are used by a system operator for acquisition, processing, compression, and management of digital video. Analog modulation products are used by a system operator for signal acquisition, processing and manipulation to create an analog channel lineup for further transmission. DOCSIS data products give service providers, integrators, and premises owners a means to deliver data, video, and voice-over-coaxial in locations such as hospitality, MDU's, and college campuses, using IP technology Service agreements and design includes hands-on training, system design engineering, on-site field support, remote support and troubleshooting and complete system verification testing. Fiber optic products are used to transport signals from the headend to their ultimate destination in a home, apartment unit, hotel room, office or other terminal location along a fiber optic distribution network.

The following table presents the Company's disaggregated revenues by revenue source.

	Three months ended June 30		Six months ended June 30	
	2023	2022	2023	2022
Encoder and Transcoder products	$1,996	$2,163	$4,274	$3,681
NXG IP video signal processing products	294	465	816	966
Coax distribution products	163	491	481	620
CPE products	67	-	67	27
Digital modulation products	150	45	311	422
Analog modulation products	46	138	267	237
DOCSIS data products	151	686	448	1,140
Service agreements and design	18	92	73	233
Fiber optic products	43	114	93	158
Other	58	40	73	91
	$2,986	$4,234	$6,903	$7,575

All of the Company's sales are to customers located in North America.

Note 4 – Inventories

Inventories are summarized as follows:

	June 30, 2023	December 31, 2022
Raw Materials	$1,579	$ 2,052

Work in process	1,476	1,743
Finished Goods	272	171
	$ 3,327	3,966

Inventories are stated at the lower of cost, determined by the first-in, first-out ("**FIFO**") method, or net realizable value. The Company periodically analyzes anticipated product sales based on historical results, current backlog and marketing plans. Based on these analyses, the Company anticipates that certain products will not be sold during the next twelve months. Inventories that are not anticipated to be sold in the next twelve months have been written down to net realizable value. The Company recorded a provision to reduce the carrying amounts of inventories to their net realizable value in the amount of $71 and $166 during the three months ended June 30, 2023 and 2022, respectively and $7 and $222 In the six months ended June 30, 2023 and 2022, respectively.

Note 5 – Debt

Line of Credit

On October 25, 2019, the Company entered into a Loan and Security Agreement (All Assets) (the "**Loan Agreement**") with MidCap Business Credit LLC ("**MidCap**"). The Loan Agreement provides the Company with a credit facility comprising a $5,000 revolving line of credit (the "**MidCap Facility**"). The MidCap Facility matures following the third anniversary of the Loan Agreement. Interest on the amounts outstanding under the Loan Agreement is variable, based upon the three-month LIBOR rate plus a margin of 4.75% (10.27% at June 30, 2023), subject to re-set each month. All outstanding indebtedness under the Loan Agreement is secured by all of the assets of the Company and its subsidiaries.

The Loan Agreement contains customary covenants, including restrictions on the incurrence of additional indebtedness, the payment of cash dividends or similar distributions, the repayment of any subordinated indebtedness and the encumbrance, sale or other disposition of assets. In addition, the Company was initially required to maintain minimum availability of $500, with the minimum availability to be reduced to $400 upon the deliverance of an inventory appraisal satisfactory to MidCap, which occurred during the fourth quarter 2019.

On April 7, 2020, the Company entered into a certain Consent and Amendment to Loan Agreement and Loan Documents with Midcap (the "**MidCap First Amendment**"), which amended the MidCap Facility to, among other things, remove the existing $400 availability block, subject to the same being re-imposed at the rate of approximately $7 per month commencing June 1, 2020. The operative provisions relating to the removal of the availability block under the MidCap First Amendment became effective on April 8, 2020, following the consummation by the Company of the transactions contemplated by the Subordinated Loan Facility (See Note 6).

On January 8, 2021, the parties entered into a Second Amendment to Loan Agreement (the "**Second Amendment**"), which amendment, revised the Loan Agreement to, among other things, modify the Loan Agreement's definition of "Minimum EBITDA Covenant Trigger Event." The Second Amendment amends the definition, retroactive to and as of December 1, 2020, and also includes certain additional non-substantive changes.

On June 14, 2021, the parties entered into a Third Amendment to Loan Agreement (the "**Third Amendme**nt"), which amendment, revised the Loan Agreement to, among other things, modify the Loan Agreement's definition of "Minimum EBITDA Covenant Trigger Event." The Third Amendment amends the definition, retroactive to and as of June 1, 2021, and also includes certain additional non-substantive changes.

On July 30, 2021, the parties entered into a Fourth Amendment to Loan Agreement (the "**Fourth Amendment**"), which amendment, revised the Loan Agreement to, among other things, modify the Loan Agreement's definition of "Minimum EBITDA Covenant Trigger Event." The Fourth Amendment amends the definition, retroactive to and as of July 1, 2021, and also includes certain additional non-substantive changes.

On August 26, 2021, the parties entered into a Fifth Amendment to Loan Agreement (the "**Fifth Amendment**"), which amendment, revised the Loan Agreement to, among other things, (i) provide for an over-advance facility in the maximum amount of $400, (ii) defer the monthly incremental increase to the existing availability block and (iii) modify the Loan Agreement's definition of “Minimum EBITDA Covenant Trigger Event.” The Fifth Amendment amends the definition, retroactive to and as of August 1,

On December 16, 2021, the parties entered into a Sixth Amendment to Loan Agreement (the “**Sixth Amendment**”), which amendment, revised the Loan Agreement to, among other things modify the Loan Agreement's definition of "Borrowing Base" (with such amendment retroactive to and effective as of December 15, 2021), and also includes certain additional non-substantive changes.

On February 11, 2022, the parties entered into a Seventh Amendment to Loan Agreement (the “**Seventh Amendment**”), which amendment, revised the Loan Agreement to, among other things modify the Loan Agreement's definition of "Borrowing Base" and “Availability Block,” and also includes certain additional non-substantive changes.

On March 3, 2022, the parties entered into an Eighth Amendment to Loan Agreement (the “**Eighth Amendment**”), which amendment, revised the Loan Agreement to, among other things modify the Loan Agreement's definition of "Borrowing Base" and “Availability Block,” and also includes certain additional non-substantive changes.

On April 5, 2022, the Company entered into a Ninth Amendment to Loan Agreement (the “**Ninth Amendment**”). Among other things, the amendment modified the Loan Agreement's definition of "Borrowing Base" so as to provide for an over-advance facility (the “**2022 Over-Advance Facility**”) in an aggregate amount of up to $1,000. MidCap's agreement to enter into the Ninth Amendment was conditioned, in part, on the entry into a participation agreement between MidCap and Robert J. Pallé, a Director, and an affiliate of Mr. Pallé (the “**Pallé Parties**”). The terms of the Ninth Amendment and the participation agreement contemplate that any advances made by Midcap pursuant to the 2022 Over-Advance Facility would be funded by the Pallé Parties under the participation agreement. Advances under the 2022 Over-Advance Facility are subject to the discretion of MidCap and the Pallé Parties. On April 5, 2022, pursuant to the 2022 Over-Advance Facility and the participation agreement, the Pallé Parties funded an initial advance of $200 that was provided to the Company. Since April 5, 2022, a total of $975 was made by Midcap to the Company, which was funded by the Pallé Parties. Further advances may be made to the Company upon its request, subject to the discretion of MidCap and the Pallé Parties, in minimum amounts of not less than $100 per tranche, unless a lesser amount is agreed to by the parties. The amount advanced in each tranche will bear an interest rate of 1% per month.

On May 5, 2022, the parties entered into a Tenth Amendment to Loan Agreement (the "**Tenth Amendment**"), which amendment, revised the Loan Agreement to, among other things, modify the Loan Agreement's definition of “Minimum EBITDA Covenant Trigger Event.” The Tenth Amendment amends the definition, retroactive to and as of January 1, 2022, and also includes certain additional non-substantive changes.

On June 14, 2022, the parties entered into a Eleventh Amendment to Loan Agreement (the "**Eleventh Amendment**"), which amendment, revised the Loan Agreement to, among other things, (i) modify the Loan Agreement's definition of “Borrowing Base” to extend the Company’s WIP advance and the amortization of the Company’s over advance facility until July 1, 2022, and (ii) delete in its entirety from the Loan Agreement the Company’s minimum EBITDA covenant and also includes certain additional non-substantive changes.

On July 1, 2022, the parties entered into a Twelfth Amendment to Loan Agreement (the "**Twelfth Amendment**"), which amendment, revised the Loan Agreement to, among other things, modify the Loan Agreement's definition of “Borrowing Base” to extend the Company’s WIP advance and the amortization of the Company’s over advance facility until July 15, 2022., and also includes certain additional non-substantive changes.

On October 25, 2022, the parties entered into a Thirteenth Amendment to Loan Agreement (the "**Thirteenth Amendment**"), which amendment, revised the Loan Agreement to extend the mature date of the MidCap Facility to October 28, 2022.

On October 28, 2022, the parties entered into a Fourteenth Amendment to Loan Agreement (the "**Fourteenth Amendment**"), which amendment, revised the Loan Agreement to, among other things, extended the mature date of the MidCap Facility to June 30, 2023, modify the Loan Agreement's definition of “Borrowing Base” to extend the Company’s WIP advance and the amortization of the Company’s over advance facility until December 1, 2022, increased the 2022 Over Advance Facility to $1,500 and also includes certain additional non-substantive changes.

On July 5, 2023, the parties entered into a Fifteenth Amendment to Loan Agreement (the "**Fifteenth Amendment**"), which amendment, revised the Loan Agreement to, among other things, extended the mature date of the MidCap Facility to September 30, 2023, modify the Loan Agreement's definition of “Borrowing Base” to extend the Company’s Over-Advance Facility to $400, which such amount shall, commencing on August 7, 2023 and continuing on the first Business Day of each succeeding calendar week, reduce by $25,000 per week until such amount reaches $0. The Fifteenth Amendment amends the definition, retroactive to and as of June 30, 2023, and also, includes certain additional non-substantive changes.

Note 6 – Subordinated Convertible Debt with Related Parties

On April 8, 2020, the Company, as borrower, together with Livewire Ventures, LLC (wholly owned by the Company’s Chief Executive Officer, Edward R. Grauch), MidAtlantic IRA, LLC FBO Steven L. Shea IRA (an IRA account for the benefit of the Company’s Chairman of the Board, Steven Shea), Carol M. Pallé and Robert J. Pallé (Company Director and employed as Managing Director-Strategic Accounts) , Anthony J. Bruno (Company Director), and Stephen K. Necessary (Company Director) , as lenders (collectively, the “**Initial Lenders**”) and Robert J. Pallé, as Agent for the Lenders (in such capacity, the “**Agent**”) entered into a certain Senior Subordinated Convertible Loan and Security Agreement (the “**Subordinated Loan Agreement**”), pursuant to which the lenders from time to time party thereto were permitted to provide up to $1,500 of loans to the Company (the “**Subordinated Loan Facility**”). Interest accrues on the outstanding amounts advanced under the Subordinated Loan Facility at the rate of 12% per annum, compounded and payable monthly, in-kind, by the automatic increase of the principal amount of the loan on each monthly interest payment date, by the amount of the accrued interest payable at that time (“**PIK Interest**”); provided, however, that at the option of the Company, it may pay interest in cash on any interest payment date, in lieu of PIK Interest.

On April 8, 2020, the Initial Lenders agreed to provide the Company with a Tranche A term loan facility of $800 of which $600 was advanced to the Company on April 8, 2020, $100 was advanced to the Company on April 17, 2020 and $100 was advanced to the Company on January 12, 2021. The Initial Lenders participating in the Tranche A term loan facility have the option of converting the principal balance of the loan held by each of them, in whole (unless otherwise agreed by the Company), into shares of the Company’s common stock at a conversion price equal to the volume weighted average price of the common stock as reported by the NYSE American, during the five trading days preceding April 8, 2020 (the “**Tranche A Conversion Price**”) which was calculated at $0.593. The conversion right was subject to stockholder approval as required by the rules of the NYSE American, which was obtained on June 11, 2020.

On April 24, 2020, the Company, the Initial Lenders, Ronald V. Alterio (the Company’s Senior Vice President-Engineering, Chief Technology Officer) and certain additional unaffiliated investors (the “**Additional Lenders**,” and, together with the Initial Lenders, the “**Lenders**”) entered into the First Amendment to Senior Subordinated Convertible Loan and Security Agreement and Joinder (the “**Amendment**”). The Amendment provides for the funding of $200 of additional loans under the Subordinated Loan Facility as a Tranche B term loan established under the Subordinated Loan Agreement, with such loans being provided by the Additional Lenders. The Amendment also sets the conversion price of $0.55 (the “**Tranche B Conversion Price**”) with respect to the right of the Additional Lenders to convert the accreted principal balance of the loans held by each of them into shares of the Company’s common stock. The terms and conditions of the conversion rights applicable to the Initial Lenders and the Additional Lenders are otherwise identical in all material respects, including the terms restricting conversion to an aggregate amount of shares of common stock that would not result in the Company’s non-compliance with NYSE American rules requiring stockholder approval of issuances or potential issuances of shares in excess of the percentage limits specified therein or in an amount that may be deemed to constitute a change of control under such rules. These restrictions were eliminated when the requisite stockholder approval was obtained on June 11, 2020.

On October 29, 2020, the additional unaffiliated investors as described above, submitted irrevocable notices of conversion under the Tranche B Term Loan. As a result, $175 of original principal and $11 of PIK interest outstanding under the Tranche B Term Loan were converted into 338 shares of Company common stock in full satisfaction of their indebtedness.

On January 28, 2021, the Company entered into the Third Amendment to Senior Subordinated Convertible Loan and Security Agreement and Joinder (the “**LSA Third Amendment**”) with the Tranche A Parties, the Tranche B Parties (that had not previously converted the loans attributable to each of them into shares of common stock), the Agent and certain other investors (the "**Tranche C Parties**"). Pursuant to the LSA Third Amendment, the parties agreed to increase the aggregate loan limit from $1,500 to $1,600 and the Tranche C Parties agreed to provide the Company with a commitment for a $600 term loan facility, all of which was advanced to the Company on January 29, 2021 (the "**Tranche C Loans**"). As is the case with the loans provided by the Tranche A Parties and Tranche B Parties, interest on the Tranche C Loans accrues at 12% per annum and is payable monthly in-kind, by the automatic increase of the principal amount of the loans on each monthly interest payment date, by the amount of the accrued interest payable at that time. The Company, at its option, may pay any interest due on the Tranche C Loans in cash on any interest payment date in lieu of PIK Interest. The Tranche C Parties also have the option, following the stockholder approval described in the next sentence, of converting the accreted principal balance of the Tranche C Loans attributable to each of them into shares of the Company's common stock at a conversion price of $1.00. The conversion rights are subject to the terms and conditions applicable to the Tranche C Parties restricting conversion of the Tranche C Loans to an aggregate amount of shares of common stock that would not result in the Company's non-compliance with NYSE American rules requiring stockholder approval of issuances or potential issuances of shares in excess of the percentage limits specified therein. These restrictions were eliminated when the requisite stockholder approval was obtained on March 4, 2021. As the stock price was $1.31 on March 4, 2021, the Company recorded a discount of $186 relating to the difference in stock price due to the beneficial conversion feature. The Company issued 42 warrants at an exercise price of $1.00 to a placement agent in connection with the Tranche C Loans. The warrants have a five-year term from January 28, 2021.

On March 15, 2021, one of the Tranche C Parties submitted an irrevocable notice of conversion under the Tranche C Loans. As a result, $100 of original principal and $1 of PIK interest outstanding under the Tranche C Loans were converted into 101 shares of Company common stock in partial satisfaction of their indebtedness.

On April 6, 2021, the same Tranche C Party submitted an irrevocable notice of conversion under the Tranche C Loans. As a result, $50 of original principal and $1 of PIK interest outstanding under the Tranche C Loans were converted into 51 shares of Company common stock in partial satisfaction of their indebtedness.

On May 24, 2021, the same Tranche C Party submitted an irrevocable notice of conversion under the Tranche C Loans. As a result, $50 of original principal and $2 of PIK interest outstanding under the Tranche C Loans were converted into 52 shares of Company common stock in complete satisfaction of their indebtedness.

On January 21, 2022, one of the Tranche A Parties submitted an irrevocable notice of conversion under the Tranche A Loans. As a result, $50 of original principal and $12 of PIK interest outstanding under the Tranche A Loans were converted into 104 shares of Company common stock in complete satisfaction of their indebtedness.

The obligations of the Company under the Subordinated Loan Agreement are guaranteed by Drake and are secured by substantially all of the Company's and Drake's assets. The Subordinated Loan Agreement has a maturity date three years from the date of closing, at which time the accreted principal balance of the loan (by virtue of the PIK Interest) plus any other accrued unpaid interest, would be due and payable in full. In connection with the Subordinated Loan Agreement, the Company, Drake, the Lenders and MidCap entered into a Subordination Agreement (the "**Subordination Agreement**"), pursuant to which the rights of the Lenders under the Subordinated Loan Agreement were subordinated to the rights of MidCap under the MidCap Agreement and related security documents. The Subordination Agreement precludes the Company from making cash payments of interest in lieu of PIK Interest, in the absence of the prior written consent of MidCap or unless the Company is able to meet certain predefined conditions precedent to the making of any such payments of interest (or principal), as more fully described in the Subordination Agreement. The Company accrued $49 and $43 of PIK Interest with respect to the Subordinated Loan Facility during the three months ended June 30, 2023 and 2022, respectively and $95 and $85 of PIK Interest during the six months ended June 30, 2023 and 2022, respectively. The Company recorded zero and $15 of interest expense related to the amortization of the debt discount during the three months ended June 30, 2023 and 2022, respectively and $15 and $31 during the six months ended June 30, 2022 and 2021, respectively.

Note 7 – Concentration of Credit Risk

The following table summarizes credit risk with respect to customers as percentage of sales for the three and six month periods ended June 30, 2023 and 2022:

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Customer A	14%	6%	18%	6%
Customer B	25%	19%	19%	14%
Customer C	10%	8%	10%	7%
Customer D	11%	4%	8%	4%

The following table summarizes credit risk with respect to customers as percentage of accounts receivable:

	June 30, 2023	December 31, 2022
Customer A	14%	9%
Customer B	24%	16%
Customer C	7%	2%
Customer E	11%	2%

The following table summarizes credit risk with respect to vendors as percentage of purchases for the three-month and six-month periods ended June 30, 2023 and 2022:

	Three months ended June 30		Six months ended June 30	
	2023	2022	2023	2022
Vendor A	32%	17%	32%	14%
Vendor B	9%	31%	12%	28%
Vendor C	10%	11%	8%	10%

The following table summarizes credit risk with respect to vendors as percentage of accounts payable:

	June 30, 2023	December 31, 2022
Vendor A	22%	19%
Vendor B	6%	17%
Vendor E	15%	16%

Note 8 – Commitments and Contingencies

Leases

The Company recognizes right-of-use ("**ROU**") assets and lease liabilities when it obtains the right to control an asset under a leasing arrangement with an initial term greater than twelve months. The Company leases its real estate and certain office equipment under non-cancellable operating leases, and certain office and factory equipment under non-cancellable financing leases.

The Company evaluates the nature of each lease at the inception of an arrangement to determine whether it is an operating or financing lease and recognizes the ROU asset and lease liabilities based on the present value of future minimum lease payments over the expected lease term. The Company's leases do not generally contain an implicit interest rate and therefore the Company uses the incremental borrowing rate it would expect to pay to borrow on a similar collateralized basis over a similar term in order to determine the present value of its lease payments.

The following table summarizes the Company's operating and financing lease expense for the three and six month period ending June 30, 2023 and 2022, respectively:

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Operating lease cost	226	223	448	425
Financing lease cost	72	5	144	13
Total			615	438
Weighted average remaining lease term			5.56	1.59
Weighted average discount rate-operating leases			7.2%	6.5%

Maturities of the Company's operating leases as of June 30, 2023, excluding short term leases are as follows:

Amount remaining year ending December 31, 2023	$ 473
2024	957
2025	971
2026	995
2027	1,019
Thereafter	1,130
Total	5,545
Less: present value discount	(119)
Total operating lease liabilities	$ 5,426

ITEM 4. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of the Company's historical results of operations and liquidity and capital resources should be read in conjunction with the consolidated financial statements of the Company and notes thereto appearing elsewhere herein. The following discussion and analysis also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors. See "Forward Looking Statements" that precedes Item 1 above.

Overview

The Company was incorporated in November 1988, under the laws of Delaware as GPS Acquisition Corp. for the purpose of acquiring the business of Blonder-Tongue Laboratories, Inc., a New Jersey corporation, which was founded in 1950 by Ben H. Tongue and Isaac S. Blonder to design, manufacture and supply a line of electronics and systems equipment principally for the private cable industry. Following the acquisition, the Company changed its name to Blonder Tongue Laboratories, Inc. The Company completed the initial public offering of its shares of common stock in December 1995.

Today, the Company is a technology-development and manufacturing company that delivers a wide range of products and services to the telecommunications, cable entertainment and media industry. For 70 years, Blonder Tongue/Drake products have been deployed in a long list of locations, including lodging/hospitality, multi-dwelling units/apartments, broadcast studios/networks, universities/schools, healthcare/hospitals, fitness centers, government facilities/offices, prisons, airports, sports stadiums/arenas, entertainment venues/casinos, retail stores, and small-medium businesses. These applications are variously described as small and medium sized businesses in commercial, institutional or enterprise environments, and will be referred to herein collectively as "**SMB**". The customers we serve include business entities installing private video and data networks in these environments, whether they are the largest cable television operators, telco or satellite providers, integrators, architects, engineers or the next generation of Internet Protocol Television ("**IPTV**") streaming video providers. The technology requirements of these markets change rapidly, and the Company's research and development team is continually delivering high performance-lower cost solutions to meet customers' needs.

The Company's strategy is focused on providing a wide range of products to meet the needs of the SMB environments described above, including lodging/hospitality, multi-dwelling units/apartments, broadcast studios/networks, universities/schools, healthcare/hospitals, fitness centers, government facilities/offices, prisons, airports, sports stadiums/arenas, entertainment venues/casinos, retail stores, and small-medium businesses, and to provide offerings that are optimized for an operator's existing infrastructure, as well as the operator's future strategy. A key component of this growth strategy is to provide products that deliver the latest technologies (such as IPTV and digital 4K, UHD, HD and SD video content) and have a high performance-to-cost ratio.

In 2019, the Company initiated a consumer premise equipment ("**CPE**") sales initiative. The products sold in 2019 comprise primarily Android-based IPTV set top boxes to the Tier 2 and Tier 3 cable and telecommunications service providers. Although this strategic initiative was designed to secure an in-home position with the Company's product offerings, and direct relationships with a wide range of service providers and increase sales of the Company's Telecom and SMB products by the BT Premier Distributors to those same service providers, it was decided in 2021, to de-emphasize this strategy due to the low gross margin of this initiative and global semiconductor supply chain limitations.

Like many businesses throughout the United States and the world, the Company has been affected by the COVID-19 pandemic. Because there are daily, weekly and monthly developments regarding the outbreak, we are continually assessing the current and anticipated future effects on our business, including how these developments are impacting or may impact our customers, employees and business partners. In our core SMB business, we have experienced a noticeable decline in sales. From March 2020 through Q3 of 2021 many of our customers significantly reduced their business operations. In our CPE business we have experienced a more substantial reduction in sales, again as a result of our customers' significant decrease in their business activities coupled with expected supply chain constraints. During and since Q3 2021, the Company has seen our customers, in general, begin to recover their business operations at the same time as the Company began to see global disruptions in semiconductor supply chain, which is a major raw material component of the products the Company designs, manufactures and sells. With uncertainties surrounding the extent to which the COVID-19 outbreak will affect the economy generally, and our customers and business partners in particular, it is impossible for us to predict when conditions will improve to the point that we can reasonably forecast when our sales and product shipments might return to historical levels. Since 2019, we have taken steps to reduce and are currently taking additional steps to significantly reduce our expenses, including adjustments in our staffing (in the form of furloughs) and reductions in manufacturing activities, which we believe will improve our ability to continue our operations at current levels and meet our obligations to our customers.

The Company's manufacturing is allocated primarily between its facility in Old Bridge, New Jersey ("**Old Bridge Facility**") and key contract manufacturing located in the People's Republic of China ("**PRC**") as well as South Korea, Taiwan and Ohio. The Company currently manufactures most of its digital products, including the NXG product line and latest encoder, transcoder and EdgeQAM collections at the Old Bridge Facility. Since 2007 the Company has transitioned and continues to manufacture certain high-volume, labor-intensive products, including many of the Company's analog and other products, in the PRC, pursuant to manufacturing agreements that govern the production of products that may from time to time be the subject of purchase orders submitted by (and in the discretion of) the Company. Although the Company does not currently anticipate the transfer of any additional products to the PRC or other countries for manufacture, the Company may do so if business and market conditions make it advantageous to do so. Manufacturing products both at the

Company's Old Bridge Facility as well as in the PRC, South Korea, Taiwan and Ohio enables the Company to realize cost reductions while maintaining a competitive position and time-to-market advantage.

Results of Operations

Second three months of 2023 Compared with second three months of 2022

Net Sales. Net sales decreased $(1,248,000) or (29.5)%, to $2,986,000 in the second three months of 2023 from $4,234,000 in the second three months of 2022. The decrease is primarily attributable to a decrease in sales of encoder/transcoder products, coax distribution products, analog modulation products and DOCSIS data products, offset by an increase in sales of digital modulation products, CPE products. Sales of encoder/transcoder products were $1,996,000 and $2,163,000, coax distribution products were $163,000 and $491,000, analog modulation products were $46,000 and $138,000, DOCSIS data products were $151,000 and $686,000, digital modulation products were $150,000 and $45,000, and CPE products were $67,000 and $0, in the second three months of 2023 and 2022, respectively. The Company experienced a decrease in coax distribution products, analog modulation products due to the ability in 2022 to ship the backlog of orders caused by the pandemic. The Company experienced a reduction in DOCSIS products and encoder/transcoder products due to a decrease in demand.

Cost of Goods Sold. Cost of goods sold decreased to $2,215,000 for the second three months of 2023 from $3,174,000 for the second three months of 2022 and decreased as a percentage of sales to 74.2% from 75.%. The decrease is primarily attributable to higher margins relating to favorable product mix.

Selling Expenses. Selling expenses decreased to $345,000 for the second three months of 2023 from $531,000 in the second three months of 2022 and decreased as percentage of sales to 11.6% for the second three months of 2023 from 12.5% for the second three months of 2022. The $186,000 decrease was primarily the result of a decrease in maintenance expense of $15,000 and salaries and fringe benefits due to a decrease in head count of $121,000.

General and Administrative Expenses. General and administrative expenses decreased to $606,000 for the second three months of 2023 from $993,000 for the second three months of 2022 and decreased as a percentage of sales to 20.3% for the second three months of 2023 from 23.5% for the second three months of 2022. The $387,000 decrease was primarily the result of a decrease in salaries and fringe benefits of $151,000, a reduction in legal fees of $103,000, a reduction in payroll fees of $36,000, a reduction in rent expense of $38,000, and a reduction in reporting fees of $35,000.

Research and Development Expenses. Research and development expenses decreased to $326,000 in the second three months of 2023 from $498,000 in the second three months of 2022 and decreased as a percentage of sales to 10.9% for the second three months of 2023 from 11.8% for the second three months of 2022. This $172,000 decrease is primarily the result of a decrease in salaries and fringe benefits of $152,000 due to decreased head count, a reduction in product testing fees of $10,000, and a reduction in departmental supplies of $14,000, offset by an increase in consulting fees of $22,000.

Operating Loss. Operating loss of $(506,000) for the second three months of 2023 represents a decrease from the operating loss of $(962,000) for the second three months of 2022. Operating loss as a percentage of sales was (17.0) % in the second three months of 2023 compared to (22.7) % in the second three months of 2022.

Interest Expense. Interest expense increased to $209,000 in the second three months of 2023 from $192,000 in the second three months of 2022. The increase is primarily the result of higher average borrowing and higher interest rates under the MidCap facility.

First six months of 2023 Compared with first six months of 2022

Net Sales. Net sales decreased $672,000, or (8.9) %, to $6,903,000 in the first six months of 2023 from $7,575,000 in the first six months of 2022. The decrease is primarily attributable to a decrease in sales of DOCSIS data products, service agreements and designs, NXG products, digital modulation products and coax distribution products offset by an increase in sales of encoder/transcoder products. Sales of DOCSIS date products were $448,000 and $1,140,000, service agreements and designs were $73,000 and $233,000, NXG products were $816,000 and $966,000, coax distribution products were $481,000 and $620,000, encoder/transcoder products were $4,274,000 and $3,681,000 in the first six months of 2023 and 2022, respectively. The Company experienced a decrease in DOCSIS data products, NXG products, digital modulation products and coax distribution products due to the ability in 2022 to ship the large backlog of orders caused by the pandemic. The Company experienced an increase in encoder/transcoder products as these product lines represent newer products and newer technologies with higher demand from customers.

Cost of Goods Sold. Cost of goods sold decreased to $4,645,000 for the first six months of 2023 from $5,576,000 for the first six months of 2022 and decreased as a percentage of sales to 67.3% from 73.6%. The decrease is primarily attributable to higher margins relating to favorable product mix, as well as decreased overhead costs.

Selling Expenses. Selling expenses decreased to $828,000 for the first six months of 2023 from $1,037,000 in the first six months of 2022 and decreased as percentage of sales to 12.0% for the first six months of 2023 from 13.7% for the first six months of 2022. The $209,000 decrease was primarily the result of a decrease in salaries and fringe benefits due to a decrease in head count of $79,000, a decrease in maintenance expense of $28,000, a decrease in rent expense of $21,000, and a decrease in consulting expense of $12,000.

General and Administrative Expenses. General and administrative expenses decreased to $1,476,000 for the first six months of 2023 from $1,905,000 for the first six months of 2022 and decreased as a percentage of sales to 21.3% for the first six months of 2023 from 25.2% for the first six months of 2022. The $429,000 decrease was primarily the result of a decrease in salaries and fringe benefits of $193,000, a decrease in legal expense of $151,000, a decrease in reporting fees of $31,000, a decrease in payroll fees of $29,000 and a decrease in director fees of $19,000.

Research and Development Expenses. Research and development expenses decreased to $746,000 in the first six months of 2023 from $1,039,000 in the first six months of 2022 and decreased as a percentage of sales to 10.8% for the first six months of 2023 from 13.2% for the first six months of 2022. This $293,000 decrease is primarily the result of a decrease in salaries and fringe benefits of $291,000 due to decreased head count.

Operating Loss. Operating loss of $(792,000) for the first six months of 2023 represents an increase from the operating loss of $(1,982,000) for the first six months of 2022. Operating loss as a percentage of sales was (11.5) % in the first six months of 2023 compared to (26.2) % in the first six months of 2022.

Interest Expense. Interest expense increased to $440,000 in the first six months of 2023 from $325,000 in the first six months of 2022. The increase is primarily the result of higher average borrowing and higher interest rates under the MidCap facility.

Inflation and Seasonality

Inflation and seasonality have not previously had a material impact on the results of operations of the Company. However, beginning in early 2022, the Company began to experience inflationary pressures related to the procurement of certain products used in its manufacturing process and expects these pressures to continue at least through the remainder of 2023. To date we have been successful in passing on cost increases to our customers and will continue to attempt to pass on increases to customers. However, there can be no assurances that the Company will continue to be able to do so.

Liquidity and Capital Resources

Unless we significantly improve revenue and significantly decrease operational expenses, we do not believe our existing liquidity and cash flows from operations are adequate to fund our normal expected future business operations for the next 12 months. If our existing capital resources or cash flows become insufficient to meet current business plans, projections, and existing capital requirements, we may be required to raise additional funds, which may not be available on favorable terms, if at all. As of June 30, 2023, and December 31, 2022, cash held in bank accounts and loan availability were $677,000 and $649,000, respectively. Our capital commitments over the next twelve months include (a) $3,653,000 to satisfy June 30, 2023, accounts payable, accrued expense and lease liabilities and (b) renegotiating an extension of the Subordinated Debt Agreements.

We do not believe that our current cash flows from operations would be adequate to fund our normal expected future operations for the long term unless we improve revenue and significantly decrease operational expenses. If our existing capital resources or cash flows become insufficient to meet anticipated business plans and existing capital requirements, we may be required to raise additional funds, which may not be available on favorable terms, if at all.

The Company's working (deficit) capital was $(1,197,000) and $(189,000) on June 30, 2023, and December 31, 2022, respectively. The decrease in working capital was primarily due to a decrease in accounts receivable.

The Company's net cash provided by operating activities for the six-month period ended June 30, 2023 was $1,108,000 primarily due to a decrease in accounts receivable of $1,961,000, offset by a decrease in accounts payable and other accrued expenses of $106,000 and the net loss of $1,232,000. The Company's net cash used in operating activities for the six-month period ended June 30, 2022 was $1,372,000 primarily due to the net loss of $2,307,000 offset by adjustments to reconcile net income to cash used in operating activities of $883,000.

Cash provided in investing activities for the six-month period ended June30, 2023 was $4,000 due to a decrease in capital expenditures of $4,000. Cash used in investing activities for the six-month period ended June 30, 2022 was $24,000 due to capital expenditures of $17,000 and the acquisition of licenses of $7,000.

Cash used in financing activities was $1,092,000 for the first six months of 2023, which was comprised of net repayments of the line of credit of $1,494,000 offset by the financing of manufacturing machinery of $402,000. Cash provided by financing activities was $1,483,000 for the first six months of 2022, which was comprised of net borrowings of the line of credit of $1,518,000 offset by repayments of debt of $35,000.

For a full description of the Company's senior secured indebtedness under the MidCap Facility and its effect upon the Company's consolidated financial position and results of operations, see Note 5 – Debt of the Notes to Condensed Consolidated Financial Statements.

The Company's primary sources of liquidity have been its existing cash balances, cash generated from operations, amounts available under the MidCap Facility and amounts available under the Subordinated Loan Facility. On a going-forward basis, the Company expects its primary sources of liquidity will be its existing cash balances, cash generated from operations and amounts available under the MidCap Facility. The Company also may seek to raise additional capital through the issuance of shares of common stock or other securities convertible into, or exercisable for, shares of common stock, although the Company cannot provide any assurances that this type of additional financing will be available on reasonable terms, or at all. As of June 30, 2023, the Company had approximately $2,893,000 outstanding under the MidCap Facility and $392,000 of additional availability for borrowing under the MidCap Facility.

As previously disclosed, on February 1, 2019, the Company completed the sale of the Old Bridge Facility to Jake Brown Road, LLC (the "**Buyer**"). In addition, in connection with the completion of the sale, the Company and the Buyer (as landlord) entered into a lease (the "**Lease**"), pursuant to which the Company will continue to occupy, and continue to conduct its manufacturing, engineering, sales and administrative functions in the Old Bridge Facility.

The Lease has an initial term of five years and allows the Company to extend the term for an additional five years following the initial term. The Company was obligated to pay base rent of approximately $837,000 for the first year of the Lease, with the amount of the base rent adjusted for each subsequent year to equal 102.5% of the preceding year's base rent. Without regard to any reduction in the Company's lease expense derived from its sublease to a third party of the Sublease Space (defined below), for the first year of the Lease, the base rent of approximately $837,000.00 would offset, in part, the anticipated annualized saving of interest and depreciation expense of approximately $469,000 and the cash debt service of approximately $562,000. The Lease further provides for an initial security deposit in an amount equal to eight months of base rent, which could be reduced to not lower than three months of base rent, upon certain benchmarks being met during the Lease term. It was determined in the first quarter 2020 that the applicable benchmark relevant to the six-month period ended August 1, 2019 was met and as a result the landlord released a portion of the security deposit equal to one month's base rent to the Company, leaving an aggregate security deposit held by the landlord, in an amount equal to seven months of base rent. Subsequently, the Company determined in the third quarter 2020 that the applicable benchmark relevant to the six-month period ended August 1, 2020 was met and as a result, the Company notified the landlord in writing that it would offset rent otherwise due on August 1, 2020 against the reimbursement of a portion of the security deposit equal to one month's base rent, leaving an aggregate security deposit held by the landlord, in an amount equal to six months of base rent. The landlord expressed its disagreement with the Company's interpretation of the lease and requested the provision of financial information to support the Company's contention or in the alternative payment of the offset amount. Subsequently, no further actions or communications regarding the offset were made by the landlord and the Company thereafter, beginning with September 2020, resumed timely payments of its rental obligations under the Lease. In early 2021, the Company undertook an analysis of the common area maintenance charges being assessed under the Lease in an effort to reconcile those payments with the specific terms of the Lease. The Lease provides that this reconciliation is to be accomplished by the landlord annually, however this has not occurred. The Company's analysis indicates that it may have been overcharged for common area maintenance expenses since the inception of the Lease and submitted supporting data to the landlord, requesting that the landlord review the submission against its records. The Company has also requested that the landlord release from escrow and return to the Company, the unexpended balance of the Repair Escrow. The landlord and the Company anticipated resolving the reconciliation of the common area maintenance charges and Repair Escrow release request during the month of February 2021 and with the prior oral approval of the landlord, the Company refrained from paying February 2021 rent, expecting that the reconciliation would be completed prior to the end of that month. Inasmuch as the disputed amounts, in the opinion of the Company, exceed three months' rent and common area maintenance expenses, the Company refrained from the payment of base rent and common area maintenance charges for the months of February 2021 and March 2021, it being the expectation of the parties that these amounts will be credited against the amount finally determined to be reimbursed to the Company. Without prejudice to the Company's positions regarding these matters, and without creating any inference that the Company agrees with any of the landlord's claims or waiving any rights available to the Company under the Lease or otherwise, on May 5, 2021, the Company made payment to the landlord of $140,000, representing all amounts that the landlord then claimed were due. Further information is discussed herein in the section entitled Item 5.

The landlord may, once during the lease term or any renewal thereof, require the Company to relocate to another facility made available by the landlord that meets the Company's specifications for a replacement facility within a defined geographical area, by providing notice which confirms that all of the Company's specifications for a replacement facility will be met, that all costs relating to such relocation will be paid by the landlord, and that security for the repayment of those relocation costs has been established. The Company will also be provided a six-month overlap period (the "**Overlap Period**") during which the Company may operate in the Old Bridge Facility with rent therein being abated, but with rent being paid at the replacement facility, to mitigate interruptions of the Company's on-going business while the move occurs. If the Company declines to be relocated to the facility proposed by the landlord, the Lease will terminate 18 months from the date of the landlord's notice, but the Company will continue to be entitled to receive the same benefits in terms of reimbursement of its relocation costs and an Overlap Period during which no rent will be due at the Old Bridge Facility, while the Company moves its operations to an alternative facility that it has identified.

On December 31, 2019, the Company entered into a two-year sublease to a third party for 32,500 square feet of the Old Bridge Facility (the "**Sublease Space**") which commenced on March 1, 2020, the rental proceeds from which inure to the benefit of the Company. The sublease also provides for a one-year renewal option, which was exercised in January 2022. In February of 2023, the sublease was extended for an additional three years ending on February 28, 2026. The extension of the sublease provides rental income approximately $342,000 in the first year, approximately $353,000 in the second year and approximately $367,000 in the third year of the sublease.

During 2021, the Company continued to experience a decline in sales, a loss from operations and net cash used in operating activities, in conjunction with liquidity constraints. These factors raised substantial doubt about the Company's ability to continue as a going concern. Accordingly, there still exists substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments relating to the recoverability of the recorded assets or the classification of the liabilities that might be necessary should the Company be unable to continue as a going concern.

While management of the Company believes that the Company will be successful in its planned operating activities, there can be no assurance that the Company will be successful in generating sufficient revenues and reduced expenses to sustain the operations of the Company. If anticipated operating results are not achieved and/or the Company is unable to obtain additional financing, it may be required to take additional measures to reduce costs in order to conserve its cash in amounts sufficient to sustain operations and meet its obligations, which measures could have a material adverse effect on the Company's ability to achieve its intended business objectives and may be insufficient to enable the Company to continue as a going concern for at least twelve months from the date these financial statements are made available to be issued.

Beginning in the middle of 2019, the Company experienced a significant decline in its net sales of core or legacy products, which while not recovering to historical norms, stabilized during the early part of the first quarter of 2020. Beginning in February 2020, however, as the prospects of an ever-worsening outbreak of COVID-19 took hold, the Company began to experience adverse impacts to revenues across all of its product lines. Sales of the Company's products did not return to historical norms during 2021 or 2022. The Company still does not anticipate that sales will recover to historical norms during 2023, due primarily to supply chain shortages impacting the Company's ability to source raw materials used in the manufacturing process. In light of these developments and as detailed below, the Company has taken significant steps during the past year, implemented in several phases, in order to manage operations through what has been a period of diminished sales levels.

As part of its efforts to improve liquidity and provide operating capital, on April 7, 2020, the Company entered into a certain Consent and Amendment (the "**MidCap First Amendment**") to Loan Agreement and Loan Documents with Midcap (the "**MidCap Loan Agreement**"), which amended the MidCap Facility to, among other things, remove the existing $400,000 availability block, subject to the same being re-imposed at the rate of approximately $7,000 per month commencing June 1, 2020. The operative provisions relating to the removal of the availability block under the MidCap First Amendment became effective on April 8, 2020, following the consummation by the Company of the transactions contemplated by the Subordinated Loan Facility (defined below).

On April 5, 2022, the Company entered into a Ninth Amendment to the MidCap Loan Agreement (the "**MidCap Ninth Amendment**"). Among other things, the amendment modified the MidCap Loan Agreement's definition of "Borrowing Base" so as to provide for an over-advance facility (the "**2022 Over-Advance Facility**") in an aggregate amount of up to $1,000,000. MidCap's agreement to enter into the MidCap Ninth Amendment was conditioned, in part, on the entry into a participation agreement between MidCap and Robert J. Palle, a Director, and an affiliate of Mr. Palle (the "Palle Parties"). The terms of the MidCap Ninth Amendment and the participation agreement contemplate that any advances made by Midcap pursuant to the 2022 Over-Advance Facility would be funded by the Palle Parties under the participation agreement. Advances under the 2022 Over-Advance Facility are subject to the discretion of MidCap and the Palle Parties. On April 5, 2022, pursuant to the 2022 Over-Advance Facility and the participation agreement, the Palle Parties funded an initial advance of $200,000 that was provided to the Company. From April 5, 2022 to December 23, 2022, a total of $975,000 was made by Midcap to the Company, which was funded by the Palle Parties. Further advances may be made to the Company upon its request, subject to the discretion of MidCap and the Palle Parties, in minimum amounts of not less than $100,000 per tranche, unless a lesser amount is agreed to by the parties. The amount advanced in each tranche will bear an interest rate of 1% per month.

On May 5, 2022, the Company entered into a Tenth Amendment to MidCap Loan Agreement (the "**MidCap Tenth Amendment**"), to, among other things, modify the MidCap Loan Agreement's definition of "Minimum EBITDA Covenant Trigger Event." The MidCap Tenth Amendment amends the definition, retroactive to and as of January 1, 2022. All other substantive terms of the MidCap Loan Agreement continue in full force and effect.

On June 14, 2022, the Company entered into an Eleventh Amendment to MidCap Loan Agreement (the "**MidCap Eleventh Amendment**"), to, among other things, (i) modify the MidCap Loan Agreement's definition of "Borrowing Base" to extend the Company's WIP advance and the amortization of the Company's over-advance facility until July 1, 2022, and (ii) delete in its entirety from the MidCap Loan Agreement the Company's minimum EBITDA covenant. All other substantive terms of the Loan Agreement continue in full force and effect.

On July 1, 2022, the Company entered into a Twelfth Amendment to MidCap Loan Agreement (the "**Twelfth Amendment"),** to, among other things, modify the Loan Agreement's definition of "Borrowing Base" to extend the

Company's WIP advance and the amortization of the Company's over-advance facility until July 15, 2022. All other substantive terms of the Loan Agreement continue in full force and effect.

On October 25, 2022, the Company entered into a Thirteenth Amendment to MidCap Loan Agreement (the "**Thirteenth Amendment**"), to, among other things, extend the expiration date of the Loan Agreement to October 28, 2022.

On October 28, 2022, the Company entered into a Fourteenth Amendment to MidCap Loan Agreement (the "**Fourteenth Amendment**"), to, among other things, extend the expiration date of the Loan Agreement to June 30, 2023, modify the definition of "Borrowing Base" to extend the Company's WIP advance and the amortization of the Company's over-advance facility until December 1, 2022 and increase the 2022 over advance facility to $1,500,000. As of May 31, 2023 a total of $1,175,000 was made by MidCap to the Company, under the 2022 over advance facility. All other substantive terms of the Loan Agreement continue in full force and effect.

On July 5, 2023, the parties entered into a Fifteenth Amendment to Loan Agreement (the "**Fifteenth Amendment**"), which amendment, revised the Loan Agreement to, among other things, extended the mature date of the MidCap Facility to September 30, 2023, modify the Loan Agreement's definition of "Borrowing Base" to extend the Company's Over-Advance Facility to $400, which such amount shall, commencing on August 7, 2023 and continuing on the first Business Day of each succeeding calendar week, reduce by $25,000 per week until such amount reaches $0. The Fifteenth Amendment amends the definition, retroactive to and as of June 30, 2023, and also, includes certain additional non-substantive changes.

On April 8, 2020, the Company, as borrower, together with Livewire Ventures, LLC (wholly owned by the Company's former Chief Executive Officer, Edward R. Grauch), MidAtlantic IRA, LLC FBO Steven L. Shea IRA (an IRA account for the benefit of the Company's Chairman of the Board, Steven Shea), Carol M. Pallé and Robert J. Pallé, Anthony J. Bruno, and Stephen K. Necessary, as lenders (collectively, the "**Initial Lenders**") and Robert J. Pallé, as Agent for the Lenders (in such capacity, the "**Agent**") entered into a certain Senior Subordinated Convertible Loan and Security Agreement (the "**Subordinated Loan Agreement**"), pursuant to which the lenders from time to time party thereto may provide up to $1,500,000 of loans to the Company (the "**Subordinated Loan Facility**"). Interest accrues on the outstanding amounts advanced under the Subordinated Loan Facility at the rate of 12% per annum, compounded and payable monthly, in-kind, by the automatic increase of the principal amount of the loan on each monthly interest payment date, by the amount of the accrued interest payable at that time ("**PIK Interest**"); provided, however, that at the option of the Company, it may pay interest in cash on any interest payment date, in lieu of PIK Interest.

On April 8, 2020, the Initial Lenders agreed to provide the Company with a Tranche A term loan facility of $800,000, of which $600,000 was advanced to the Company on April 8, 2020, $100,000 was advanced to the Company on April 17, 2020 and $100,000 was advanced to the Company on January 12, 2021. The Initial Lenders participating in the Tranche A term loan facility have the option of converting the principal balance of the loan held by each of them, in whole (unless otherwise agreed by the Company), into shares of the Company's common stock, at a conversion price equal to the volume weighted average price of the common stock as reported by the NYSE American, during the five trading days preceding April 8, 2020 (the "**Tranche A Conversion Price**") which was calculated at $0.593. The conversion right was subject to stockholder approval as required by the rules of the NYSE American, and was obtained on June 11, 2020 at the Company's annual meeting of stockholders.

On April 24, 2020, the Company, the Initial Lenders and Ronald V. Alterio (the Company's Senior Vice President-Engineering, Chief Technology Officer) and certain additional unaffiliated investors (the "**Additional Lenders**," and, together with the Initial Lenders, the "**Lenders**") entered into the First Amendment to Senior Subordinated Convertible Loan and Security Agreement and Joinder (the "**Amendment**"). The Amendment provides for the funding of $200,000 of additional loans as a Tranche B term loan under the Subordinated Loan Facility established under the Subordinated Loan Agreement, with such loans being provided by the Additional Lenders. The Amendment also sets the conversion price of $0.55 (the "**Tranche B Conversion Price**") with respect to the right of the Additional Lenders to convert the accreted principal balance of the loans held by each of them into shares of the Company's common stock. The terms and conditions of the conversion rights applicable to the Initial Lenders and the Additional Lenders are otherwise identical in all material respects, including the terms restricting conversion to an aggregate amount of shares of common stock that would not result in the Company's non-compliance with NYSE American rules requiring stockholder approval of issuances or potential issuances of shares in excess of the percentage limits specified therein or in an amount that may be deemed to constitute a change of control under such rules. These restrictions terminated as the requisite stockholder approval was obtained on June 11, 2020 at the Company's annual meeting of stockholders.

On April 10, 2020, the Company received loan proceeds of approximately $1,769,000 ("**PPP Loan**") under the Paycheck Protection Program ("**PPP**"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("**CARES Act**"), provided for loans to qualifying businesses for amounts up to 2.5 times the average monthly payroll expenses of the qualifying business. The PPP Loan and accrued interest are forgivable after twenty-four weeks (the "**Covered Period**") as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness would be reduced if the borrower terminated employees or reduced salaries during the eight-week period.

The PPP Loan was evidenced by a promissory note, dated as of April 5, 2020 (the "**Note**"), between the Company, as Borrower, and JPMorgan Chase Bank, N.A., as Lender (the "**Lender**"). The interest rate on the Note was 0.98% per annum, with interest accruing on the unpaid principal balance computed on the basis of the actual number of days elapsed in a year of 360 days. No payments of principal or interest were due during the ten-month period beginning after the Covered Period (the "**Deferral Period**").

On June 22, 2021, the Company applied to the SBA for full forgiveness of the PPP Loan. On June 30, 2021, the Company received notification that the forgiveness was granted. The Company recorded the $1,769,000 forgiveness as a gain on debt forgiveness during the year ended December 31, 2021.

On October 29, 2020, the unaffiliated Additional Investors as described in Note 6, submitted irrevocable notices of conversion under the Tranche B Term Loan. As a result, approximately $175,000 of original principal and $11,000 of PIK interest outstanding under the Tranche B Term Loan were converted into 338,272 shares of Company common stock in full satisfaction of the underlying indebtedness.

On December 14, 2020, the Company entered into a Securities Purchase Agreement (the "**Purchase Agreement**") with certain accredited investors (the "**Purchasers**") for the sale and issuance by the Company to the Purchasers of (i) an aggregate of 1,429,000 shares (the "**Shares**") of the Company's common stock and (ii) warrants (the "**Purchaser Warrants**") to purchase an aggregate of up to 714,000 shares of common stock (the "**Purchaser Warrant Shares**"), for aggregate gross proceeds to the Company of $1,000, before deducting placement agent fees and offering expenses payable by the Company. The Company also agreed to issue to the placement agents and certain persons affiliated with the placement agents, as additional compensation, (a) fully-vested warrants (the "**Placement Agent Warrants**") to purchase an aggregate of up to 100,000 shares (the "**Placement Agent Warrant Shares**") of common stock and (b) contingent warrants (the "**Placement Agent Contingent Warrants**") to purchase an aggregate of up to an additional 50,000 shares (the "**Placement Agent Contingent Warrant Shares**") of common stock. The transaction closed on December 15, 2020.

The Purchase Agreement also includes terms that give the Purchasers certain price protections, providing for adjustments of the number of shares of common stock held by them in the event of certain future dilutive securities issuances by the Company for a period not to exceed 18 months following the closing of the private placement, or such earlier date on which all of the Purchaser Warrants have been exercised. In addition, the Purchase Agreement provides the Purchasers with a right to participate in certain future Company financings, up to 30% of the amount of such financings, for a period of 24 months following the closing of the private placement. The Purchase Agreement also required the Company to register the resale of the Shares and the Purchaser Warrant Shares pursuant to the terms of a Registration Rights Agreement between the Company and the Purchasers, dated as of December 14, 2020, as further described below. The Company filed a registration statement with the SEC on January 14, 2021 to register the resale of the Shares and the Purchaser Warrant Shares, which registration statement was declared effective by the SEC on January 21, 2021.

The Purchaser Warrants have an exercise price of $1.25 per share, are exercisable beginning on December 15, 2020, and have a term of three years. The exercise price and the number of shares of common stock issuable upon exercise of each Purchaser Warrant is subject to appropriate adjustments in the event of certain stock dividends and distributions, stock splits, stock combinations, reclassifications or similar events affecting the common stock. The fair value of the Purchaser Warrants is $643,000.

In certain circumstances, upon the occurrence of a fundamental transaction, a holder of Purchaser Warrants is entitled to receive, upon any subsequent exercise of the Purchaser Warrant, for each Purchaser Warrant Share that would have been issuable upon such exercise of the Purchaser Warrant immediately prior to the fundamental transaction, at the option of the holder, the number of shares of common stock of the successor or acquiring corporation or of the Company, if it is the surviving corporation, and any additional consideration receivable as a result of the fundamental transaction by a holder of the number of shares of common stock of the Company for which the Purchaser Warrant is exercisable immediately prior to the fundamental transaction. If holders of the Company's common stock are given any choice as to the securities, cash or property to be received in a fundamental transaction, then the Holder shall be given the choice as to the additional consideration it receives upon any exercise of the Purchaser Warrant following the fundamental transaction.

The Placement Agent Warrants have an exercise price of $0.70 per share, a term of five years from December 14, 2020, and became exercisable upon the Company obtaining the stockholder approval described above. The exercise price and the number of shares of common stock issuable upon exercise of each Placement Agent Warrant is subject to appropriate adjustments in the event of certain stock dividends and distributions, stock splits, stock combinations, reclassifications or similar events affecting the common stock. The Placement Agent Warrants also provide the holders with certain "piggyback" registration rights, permitting the holders to request that the Company include the Placement Agent Warrant Shares for sale in certain registration statements filed by the Company. The fair value of the Placement Agent Warrants is $121,000. During June and July 2021, the Company received approximately $61,000 as 87,500 of Placement Agent Warrants were exercised.

The Placement Agent Contingent Warrants have an exercise price of $1.25 per share, a term of five years from December 14, 2020, and become exercisable if, and to the extent, holders of the Purchaser Warrants exercise such Purchaser Warrants. In no event, however, will the Placement Agent Contingent Warrants become exercisable unless and until Stockholder Approval has been obtained. The exercise price and the number of shares of common stock issuable upon exercise of each Placement Agent Contingent Warrant is subject to appropriate adjustments in the event of certain stock dividends and distributions, stock splits, stock combinations, reclassifications or similar events affecting the common stock. The Placement Agent Contingent Warrants also provide the holders with certain "piggyback" registration rights, permitting the holders to request that the Company include the Placement Agent Contingent Warrant Shares for sale in certain registration statements filed by the Company. The fair value of the Placement Agent Contingent Warrants is $56,000.

On January 28, 2021, the Company entered into the Third Amendment to Senior Subordinated Convertible Loan and Security Agreement and Joinder (the "**LSA Third Amendment**") with the Tranche A Parties, the Tranche B Parties (that had not previously converted the loans attributable to each of them into shares of common stock), the Agent and certain other investors (the "**Tranche C Parties**"). Pursuant to the LSA Third Amendment, the parties agreed to increase the aggregate loan limit under the Subordinated Loan Agreement from $1,500,000 to $1,600,000 and the Tranche C Parties agreed to provide the Company with a commitment for a $600,000 term loan facility, all of which was advanced to the Company on January 29, 2021 (the "**Tranche C Loans**"). As is the case with the loans provided by the Tranche A Parties and Tranche B Parties, interest on the Tranche C Loans accrues at 12% per annum and is payable monthly in-kind, by the automatic increase of the principal amount of the loans on each monthly interest payment date, by the amount of the accrued interest payable at that time. The Company, at its option, may pay any interest due on the Tranche C Loans in cash on any interest payment date in lieu of PIK Interest. The Tranche C Parties also have the option, following Stockholder Approval (defined below) of converting the accreted principal balance of the Tranche C Loans attributable to each of them into shares of the Company's common stock at a conversion price of $1.00.

Both the Purchase Agreement and the Subordinated Loan Agreement (as amended by the LSA Third Amendment) obligated the Company to call a special meeting of its stockholders to seek stockholder approval of the issuance of shares of its common stock issuable in connection with the transactions contemplated by the Securities Purchase Agreement and the LSA Third Amendment, in excess of 19.99% of the Company's outstanding shares of common stock, in accordance with the requirements of Section 713(a) of the NYSE American Company Guide. Stockholder approval of the foregoing was obtained on March 4, 2021. As the stock price was $1.31 on March 4, 2021, the Company recorded a discount of $186,000 relating to the difference in stock price due to the beneficial conversion feature.

The obligations of the Company under the Subordinated Loan Agreement are guaranteed by Drake and are secured by substantially all of the Company's and Drake's assets. The Subordinated Loan Agreement has a maturity date three years from the date of closing, at which time the accreted principal balance of the loan (by virtue of the PIK Interest) plus any other accrued unpaid interest, would be due and payable in full. In connection with the Subordinated Loan Agreement, the Company, Drake, the Lenders and MidCap entered into a Subordination Agreement (the "**Subordination Agreement**"), pursuant to which the rights of the Lenders under the Subordinated Loan Agreement were subordinated to the rights of MidCap under the MidCap Agreement and related security documents. The Subordination Agreement precludes the Company from making cash payments of interest in lieu of PIK Interest, in the absence of the prior written consent of MidCap or unless the Company is able to meet certain predefined conditions precedent to the making of any such payments of interest (or principal), as more fully described in the Subordination Agreement.

On March 15, 2021, one of the Tranche C Parties submitted an irrevocable notice of conversion under the Tranche C Loans. As a result, $100,000 of original principal and $1,000 of PIK interest outstanding under the Tranche C Loans were converted into 100,987 shares of Company common stock in partial satisfaction of the indebtedness to that Tranche C Party.

On April 6, 2021, the same Tranche C Party submitted an irrevocable notice of conversion under the Tranche C Loans. As a result, $50,000 of original principal and $1,000 of PIK interest outstanding under the Tranche C Loans were converted into 51,260 shares of Company common stock in partial satisfaction of the indebtedness to that Tranche C Party.

On May 24, 2021, the same Tranche C Party submitted an irrevocable notice of conversion under the Tranche C Loans. As a result, $50,000 of original principal and $2,000 of PIK interest outstanding under the Tranche C Loans were converted into 52,277 shares of Company common stock in complete satisfaction of their indebtedness.

On January 21, 2022, one of the Tranche A Parties submitted an irrevocable notice of conversion under the Tranche A Loans. As a result, $50,000 of original principal and $12,000 of PIK interest outstanding under the Tranche A Loans were converted into 104,399 shares of Company common stock in complete satisfaction of their indebtedness.

On August 16, 2021, the Company entered into a Sales Agreement (the "**Sales Agreement**") with Roth Capital Partners, LLC (the "**Agent**"). In accordance with the terms of the Sales Agreement, the Company may offer and sell from time to time through the Agent shares of the Company's common stock, par value $0.001 per share, having an aggregate offering price of up to $400,000. From August 16, 2021 through September 30, 2021, the Company sold an aggregate of 38,388 shares under the Sales Agreement at prices ranging from $1.1053 to $1.1390 per share, for aggregate proceeds, net of sales commissions, of approximately $41,000.

On August 23, 2021, the Company entered into a Stock Purchase Agreement (the "**Purchase Agreement**") with an institutional investor providing for the sale by the Company to the investor of 200,000 shares of the Company's common stock at a purchase price of $1.08 per share, resulting in aggregate proceeds to the Company of $216,000. The shares were offered and sold pursuant to the Company's effective shelf registration statement on Form S-3. The Company's sale of the Shares pursuant to the Purchase Agreement will have the effect of reducing the amount of shares that may be sold pursuant to the Sales Agreement from $400,000 to $184,000. Taking into account sales of common stock pursuant to the Stock Purchase Agreement and sales of common stock pursuant to the Sales Agreement to date, the amount available to be sold under the Sales Agreement is currently $143,000.

For the year ended December 31, 2021, the Company accrued payroll tax credits of $1,804,000 through the Employee Retention Tax Credit program ("**ERTC**"). The amount was recorded as other income and included in prepaid and other current assets as of the applicable quarter end date. The Company received $577,000 of the first quarter of 2021 ERTC in April, $115,000 towards Q2 in July, $181,000 towards Q3 in August, $219,000 towards Q3 in October and $195,000 towards Q3 in November. The ERTC was initially established as part of the CARES Act of 2020 and subsequently amended by the Consolidated Appropriation Act ("**CAA**") of 2021 and the American Rescue Plan Act ("**ARPA**") of 2021. The CAA and ARPA amendments to the ERTC program provide eligible employers with a tax credit in an amount equal to 70% of qualified wages (including certain health care expenses) that eligible employers pay their employees after January 1, 2021 through September 30, 2021. The maximum amount of qualified wages taken into account with respect to each employee for each calendar quarter is $10,000, so that the maximum credit that an eligible employer may claim for qualified wages paid to any employee is $7,000 per quarter. For purposes of the amended ERTC, an eligible employer is defined as having experienced a significant (20% or more) decline in gross receipts during each 2021 calendar quarter when compared with the same quarter in 2019. The credit is taken against the Company's share of Social Security

Tax when the Company's payroll provider files the applicable quarterly tax filings on Form 941. At December 31, 2021, the Company is still owed $517,000 in ERTC funds of which the Company received $217,000 in the second and third quarters of 2022. At December 31, 2022 the Company is still owed $299,000 in ERTC funds.

In other efforts to alleviate the liquidity pressures and reposition the Company to generate positive cash flow at a lower level of net sales, since March 2023, the Company has implemented a cost-reduction program which reduced cash expenses in 2023, providing a projected annual savings of approximately $2,700,000. Although the Company believes it has made and will continue to make progress under this program and the funding provided under the Subordinated Loan Agreement and available as a result of the release of the availability block under the MidCap Facility, the Company operates in a rapidly evolving and often unpredictable business environment that may change the timing or amount of expected future cash receipts and expenditures. Accordingly, there can be no assurance that our planned improvements will be successful.

In addition, the COVID-19 outbreak has affected the supply chain for many types of products and materials, particularly those being manufactured in China and other countries where the outbreak has resulted in significant disruptions to ongoing business activities. Beginning in the second quarter of 2021 and continuing into the first quarter of 2023, we experienced a material disruption in our supply chain as it relates to the procurement of certain sole source and other multiple source components utilized in a material portion of several product lines. We believe this disruption may continue beyond 2023. If these or any similar types of supply disruptions continue, it is possible that we will be unable to complete sales of any affected products to our customers on requested schedules.

The Company has reacted to these unprecedented circumstances, as many enterprises have had to do over the course of the pandemic, with a range of actions designed to compensate for anticipated temporary revenue shortfalls, manage the Company's working capital and minimize the overall financial impact of this disruption, including implementation of exceptional short-term operating expense reductions, such as temporary manufacturing shut-downs and employee furloughs.

The Company expects to use cash generated from operations to meet its long-term debt obligations. The Company also expects to make financed and unfinanced long-term capital expenditures from time to time in the ordinary course of business, which capital expenditures were $0 and $48,000 in the six months ended June 30, 2023 and year ended December 31, 2022, respectively. The Company expects to use cash generated from operations, amounts available under the MidCap Facility, amounts available under the Subordinated Loan Facility, and purchase-money financing to meet any anticipated long-term capital expenditures.

ITEM 5. Legal Proceedings

In 2018, Blonder Tongue sold its facility to Jake Brown Road and then leased the facility back. On the eve of closing, and as a condition of sale, Jake Brown required $130,000 to be placed in escrow to satisfy a condition imposed upon Jake Brown by its lender in connection with the "possible need" for certain repairs to the roof and parking lot of the leased premises. The sales agreement, as amended, required Jake Brown and Blonder Tongue to meet within thirty days to address any needed repairs. That meeting never occurred. Thereafter, Jake Brown has not conducted any repairs, and the $130,000 has not been returned. Instead, the subject roof repairs were covered by warranty, and Blonder Tongue completed repairs to the parking lot at its own expense. Throughout the relationship, Blonder Tongue has repeatedly raised the issue and requested return of the funds, which Jake Brown has withheld for more than four years, as well as other amounts that were assessed by Jake Brown Road. In response, Blonder Tongue has withheld rent payments in the $130,000 amount held in escrow. Jake Brown has filed an action for eviction and rent it claims it is owed in New Jersey state court. Blonder Tongue has responded by asserting the offset that serves as the basis for its withholding of rent, and also by filing an action against Jake Brown Road in New Jersey state court for breach of contract related to the escrow funds and other assessed amounts. Neither of the matters have been scheduled for trial. While litigation is inherently uncertain, Blonder Tongue believes it has valid defenses to the allegations asserted against it and that it should prevail on its claims against Jake Brown Road.

ITEM 6. Defaults upon Senior Securities.

None.

ITEM 7. Other Information.

None.

ITEM 8. Exhibits.

Exhibit #	Description	Location
3.1	Restated Certificate of Incorporation of Blonder Tongue Laboratories, Inc.	Incorporated by reference from Exhibit 3.1 to Registrant's S-1 Registration Statement No. 33-98070 originally filed October 12, 1995, as amended.
3.2	Amended and Restated Bylaws of Blonder Tongue Laboratories, Inc.	Incorporated by reference from Exhibit 3.1 to Registrant's Current Report on Form 8-K, filed April 20, 2018.
10.14	Twelfth Amendment to Loan Agreement, Dated as of July 1, 2022.	Incorporated by reference from Exhibit 10.1 to the Registrant's Current Report on Form 8-K, filed July 6, 2022.
10.65	Thirteenth Amendment to Loan Agreement, dated October 25, 2022	Incorporated by reference from Exhibit 10.1 to the Registrant's Current Report on Form 8-K, filed October 31, 2022.
10.66	Fourteenth Amendment to Loan Agreement, dated October 28, 2022.	Incorporated by reference from Exhibit 10.1 to the Registrant's Current Report on Form 8-K, filed November 3, 2022.
10.67	Fifteenth Amendment to Loan Agreement, dated July 5, 2023.	Incorporated in Supplemental Information filed August 10, 2023.

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Robert J. Pallé, certify that:

1. I have reviewed this quarterly disclosure statement of Blonder Tongue Laboratories, Inc.;

2. Based on my knowledge, this disclosure statement 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 disclosure statement; and

3. Based on my knowledge, the consolidated financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Date: August 14, 2023

BY: /s/ Robert J. Pallé
Robert J. Pallé
Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Michael P. Censoplano, certify that:

1. I have reviewed this quarterly disclosure statement of Blonder Tongue Laboratories, Inc.;

2. Based on my knowledge, this disclosure statement 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 disclosure statement; and

3. Based on my knowledge, the consolidated financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Date: August 14, 2023

BY: /s/ Michael P. Censoplano
Michael P. Censoplano
Chief Financial Officer