



**TECHNICAL COMMUNICATIONS CORPORATION**

**100 Domino Drive  
Concord, MA 01742**

**Annual Meeting of Shareholders  
February 13, 2023**



**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549**

**SCHEDULE 14A  
(RULE 14a-101)**

**INFORMATION REQUIRED IN  
PROXY STATEMENT**

**SCHEDULE 14A INFORMATION**

**Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary proxy statement
- Confidential, for use of the Commission only (as permitted by Rule 14a-6(e)(2))**
- Definitive proxy statement
- Definitive additional materials
- Soliciting material under §240.14a-12

TECHNICAL COMMUNICATIONS CORPORATION

(Name of Registrant as Specified in Its Charter)

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(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of filing fee (Check the appropriate box):

- No fee required
- Fee paid previously with preliminary materials.
- Fee computed on table in exhibit required by Item 25(b) per Exchange Act Rules 14a-(6)(i)(1) and 0-11.

## TECHNICAL COMMUNICATIONS CORPORATION

### Notice Of Annual Meeting Of Stockholders To Be Held February 13, 2023

To Our Stockholders:

NOTICE IS HEREBY GIVEN that the 2023 Annual Meeting of Stockholders (the “Meeting”) of Technical Communications Corporation, a Massachusetts corporation (the “Company”), will be held at 10:00 a.m. (local time) on Monday, February 13, 2023, at the offices of the Company located at 100 Domino Drive, Concord, Massachusetts 01742, to:

1. Elect one Class II Director to serve on the Board of Directors for a term of three years expiring at the 2026 Annual Meeting of Stockholders;
2. Hold a stockholder advisory vote on the compensation of the Company’s named executive officers as disclosed in the proxy statement for the Meeting;
3. Hold a stockholder advisory vote to determine the frequency of voting by stockholders on the compensation of our named executive officers;
4. Ratify the appointment of Stowe & Degon LLC as the independent registered public accounting firm of the Company for the fiscal year ending September 30, 2023; and
5. Consider and act upon such other business and matters as may properly come before the Meeting or any adjournments thereof.

The Board of Directors knows of no other matters to be presented at the Meeting. Only stockholders of record of the Company at the close of business on the record date of December 16, 2022 are entitled to notice of and to vote at the Meeting or any adjournments thereof.

All stockholders are cordially invited to attend the Meeting. Whether or not you expect to attend the Meeting, please complete, sign, date and return the enclosed proxy card in the envelope provided at your earliest convenience. If you return your proxy, you may nevertheless attend the Meeting and vote your shares in person.

A copy of the Company’s Annual Report on Form 10-K for the fiscal year ended September 24, 2022, which contains financial statements and other information of interest to stockholders, accompanies this Notice and the attached Proxy Statement.

*By Order of the Board of Directors,*  
Thomas J. Conte, Secretary

Concord, Massachusetts  
January 11, 2023

***It is important that your shares be represented at the Meeting. Whether or not you plan to attend the Meeting, please promptly complete, sign, date and mail the enclosed proxy card in the envelope provided, which requires no postage if mailed in the United States.***

**Important Notice Regarding the Availability of Proxy Materials  
for the Annual Shareholder Meeting to be Held on February 13, 2023**

This Proxy Statement and related materials are available at the Company's website at <https://www.tccsecure.com/Investors.aspx>.

This Proxy Statement relates to the Company's 2023 Annual Meeting of Stockholders to be held on Monday, February 13, 2023 at 10:00 a.m. (local time) at the Company's offices located at 100 Domino Drive, Concord, Massachusetts 01742.

The matters to be voted upon at such meeting are:

- (1) the election of one Class II Director to serve on the Board of Directors for a term of three years expiring at the 2026 Annual Meeting of Stockholders;
- (2) a stockholder advisory vote on the compensation of the Company's named executive officers as disclosed in the proxy statement for the meeting; and
- (3) a stockholder advisory vote to determine the frequency of voting by stockholders on the compensation of our named executive officers;
- (4) the ratification of Stowe & Degon LLC as the independent registered public accounting firm of the Company for the fiscal year ending September 30, 2023.

Stockholders will also consider and act upon such other business and matters as may properly come before such meeting or any adjournments thereof.

Only stockholders of record at the close of business on December 16, 2022 are entitled to notice of and to vote at the meeting and any adjournments thereof.

Materials that will be available electronically at the website identified above include:

- the Notice of Annual Meeting of Stockholders;
- the Proxy Statement for the meeting;
- the form of proxy card; and
- the Company's Annual Report on Form 10-K for the fiscal year ended September 24, 2022.

If you wish to attend the meeting in person and need directions, please contact TCC Investor Relations at (978) 287-5100. Instructions on how to complete, sign, date and return the proxy card are provided on the card, as well as a stockholder's control/identification number(s).

**TECHNICAL COMMUNICATIONS CORPORATION**

100 Domino Drive  
Concord, MA 01742

**PROXY STATEMENT  
for the  
2023 Annual Meeting of Stockholders**

**February 13, 2023**

This Proxy Statement is being furnished in connection with the solicitation of proxies by the Board of Directors of Technical Communications Corporation, a Massachusetts corporation (“TCC” or the “Company”), for use at the Company’s 2023 Annual Meeting of Stockholders and any adjournments thereof (the “Meeting”), being held at 10:00 a.m. (local time) on Monday, February 13, 2023 at the offices of the Company, 100 Domino Drive, Concord, Massachusetts 01742.

It is expected that the Notice of Meeting, this Proxy Statement and the accompanying proxy card, and an Annual Report on Form 10-K for the fiscal year ended September 24, 2022 containing financial statements and other information of interest to stockholders, will be mailed to stockholders on or about January 11, 2023.

**Record Date and Outstanding Shares**

Only record holders of shares of the common stock, par value \$0.10 per share, of the Company (the “Common Stock”) as of the close of business on December 16, 2022 (the “Record Date”) are entitled to notice of and to vote at the Meeting.

As of the Record Date, there were 1,854,403 shares of the Company’s Common Stock outstanding and entitled to vote. The shares of Common Stock are the only voting securities of the Company. Stockholders are entitled to cast one vote for each share held of record.

**Proxies**

If the enclosed proxy card is properly marked, signed, and returned in time to be voted at the Meeting, and is not subsequently revoked, the shares represented will be voted in accordance with the instructions marked thereon. **SIGNED PROXIES RETURNED TO THE COMPANY AND NOT MARKED TO THE CONTRARY WILL BE VOTED AS RECOMMENDED BY THE BOARD OF DIRECTORS.** Thus, proxies not marked to the contrary will be voted:

- in favor of the nominee for election to the Board,
- in favor of the compensation of our named executive officers as disclosed in this Proxy Statement; and
- in favor of ratification of the Company’s independent registered public accounting firm.

Any stockholder may revoke a proxy at any time prior to its exercise by signing and delivering a later-dated proxy or a written notice of revocation to the Secretary of the Company. Stockholders attending the Meeting may also revoke their proxies by voting in person at the Meeting. Attendance at the Meeting will not itself be deemed to revoke a proxy unless a stockholder gives affirmative notice at the Meeting that such stockholder intends to revoke the proxy and vote in person.

## **Quorum and Approval**

The presence in person or by proxy of the holders of a majority in interest of the shares of Common Stock issued and outstanding on the Record Date and entitled to vote is required to constitute a quorum at the Meeting. The stockholders entitled to vote that are present in person or by proxy at the Meeting may adjourn the Meeting without additional notice unless a new record date is or must be fixed. At any adjourned Meeting at which a quorum is present, any business may be transacted that might have been transacted at the Meeting as originally scheduled.

Abstentions and broker non-votes will count in determining whether a quorum is present at the Meeting and any adjourned Meeting. A broker non-vote occurs if the broker or other nominee who holds shares represented by a proxy has not received instructions with respect to a particular proposal and does not have discretionary authority with respect to such proposal. Matters as to which brokers do not have discretionary authority include the election of directors, even in uncontested elections, and the “say on pay” proposal.

The affirmative vote of a plurality of the votes cast at the Meeting by the shares entitled to vote thereon is required to elect a director. Abstentions, broker non-votes and votes withheld will not be included in the totals for director elections, and will have no effect on the outcome of the vote.

The affirmative vote of the holders of a majority of the shares of Common Stock voting on the matter shall be required for the stockholder advisory vote on the compensation of the Company’s named executive officers as disclosed in the *Compensation* section (including the tables therein) of this Proxy Statement. Abstentions and broker non-votes will not be included in the totals for the proposal, and will have no effect on the outcome of the vote.

Lastly, the affirmative vote of the holders of a majority of the shares of Common Stock voting on the matter is required for the ratification of the selection of the Company’s independent registered public accounting firm. Abstentions and broker non-votes will not be included in the totals for the proposal, and will have no effect on the outcome of the vote.

## **Other Matters**

The Board of Directors knows of no matters to be presented for consideration at the Meeting other than as set forth in this Proxy Statement. If any other matter should be presented at the Meeting upon which a vote may be properly taken, shares represented by all proxies received by the Company will be voted with respect thereto in accordance with the judgment of the persons named as proxies and consistent with applicable law.

No director, executive officer or nominee for director, nor any associate of any of the foregoing, has any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon at the Meeting.

## **PROPOSAL I. ELECTION OF DIRECTORS**

The business corporation statute of Massachusetts requires, unless a company opts out, that the terms of directors of public companies be staggered by dividing the number of directors into three groups, as nearly equal in number as possible, with the number of directors subject to such requirement being fixed by a vote of the board. Pursuant to the statute and the Company's By-laws, the members of the Company's Board of Directors are divided into three classes, designated Class I, Class II and Class III, each serving staggered three-year terms. The term of the Class II director to be elected at the Meeting expires at the 2026 annual meeting of stockholders; the term of the Class I director expires at the 2025 annual meeting of stockholders; and the term of the Class III director expires at the 2024 annual meeting of stockholders.

Directors elected by the stockholders at an annual meeting to succeed those whose terms expire are of the same class as the directors they succeed and are elected for a term to expire at the third annual meeting of stockholders after their election and until their successors are duly elected and qualified. Vacancies on the Board, including a vacancy resulting from an enlargement of the Board of Directors, shall be filled by the affirmative vote of a majority of the remaining directors then in office, even though less than a quorum. Any director so elected holds office for the remainder of the full term of the class of directors in which the vacancy occurred or the new directorship was created and until the director's successor shall have been elected and qualified.

### **Nominee for Director**

One director is to be elected at the Meeting as the Class II director. The Board of Directors, as recommended by its Compensation, Nominating and Governance Committee, has nominated Francisco F. Blanco for election as the Company's Class II Director. Mr. Blanco is currently and has been a director of the Company since 2011 and has consented to being named in this Proxy Statement and to serve if elected. If elected, the nominee will hold office until the 2026 Annual Meeting of Stockholders and until his successor is duly elected and qualified. The Board of Directors knows of no reason why such nominee should be unable or unwilling to serve, but, if such should be the case, proxies may be voted for the election of some other person.

The affirmative vote of a plurality of the votes cast at the Meeting by the shares entitled to vote thereon is required to elect a director. Thus, abstentions, broker non-votes and votes withheld will not be included in the totals and will have no effect on the outcome of the vote.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR"  
THE ELECTION OF THE NOMINEE.**



## **Members of the Board of Directors, Nominees and Executive Officers**

The following table sets forth the name and address of each director, nominee and executive officer of the Company, the year each current director first became a director, and the age and positions currently held by each such individual with the Company. The following table is as of December 16, 2022.

<b><u>Name and Address</u></b> <sup>(1)</sup>	<b><u>Year First Became a Director</u></b>	<b><u>Age</u></b>	<b><u>Positions and Offices with the Company</u></b>
Ralph M. Norwood	2019	79	Class I Director
Francisco F. Blanco	2011	80	Class II Director
Carl H. Guild, Jr.	1997	78	Class III Director, Chairman of the Board, Chief Executive Officer and President
Thomas E. Peoples	1998	74	Class III Director
<b><u>Non-Director Executive Officers</u></b>			
Michael P. Malone	--	63	Chief Financial Officer, Treasurer and Assistant Secretary

- (1) The address of Messrs. Norwood, Blanco, Guild, Peoples and Malone is c/o Technical Communications Corporation, 100 Domino Drive, Concord, Massachusetts 01742.

### *Directors and Nominees*

**Ralph M. Norwood.** Mr. Norwood served as Chief Financial Officer of CPS Technologies Corp. (“CPS”), a Nasdaq-listed manufacturer of electronic components, from 2011 until his retirement in May 2019; in August 2019, Mr. Norwood was elected to the Board of Directors of CPS. He joined CPS from Navigator Capital Advisors, LLC, a financial consulting company, where he had served as President since he founded the firm in 2006. From 2002 until 2005 he served as Vice President and Chief Financial Officer of SatCon Technology Corporation, a clean energy company headquartered in Boston, MA. Previously, he served for over 20 years at Polaroid Corporation in various capacities including Vice President and Treasurer, Vice President and Controller, and Worldwide Manufacturing Controller. Mr. Norwood is also a veteran having served on active duty for 1968-70 as a U.S. Army officer. Mr. Norwood is a CPA and earned a B.S. from the University of New Hampshire and an M.B.A from the Darden School at the University of Virginia.

Mr. Norwood’s qualifications for election to and service on the Board of Directors include his significant financial expertise and experience, as well as his experience in international business. Mr. Norwood’s experience as a financial executive also enhances the ability and functioning of the Board and in particular the Audit Committee in discharging its responsibilities to assist the Board with overseeing management’s conduct of TCC’s financial reporting processes.

**Francisco F. Blanco.** Mr. Blanco is President and CEO of The Pola Group, LLC, a consulting firm focused on providing advice and assistance, strategic direction and creative business development solutions for commercial and government clients, where he has worked since 2010. From 2001 to 2010, Mr. Blanco was Executive Vice President of the Intelligence and National Security Alliance (“INSA”), a member-based non-profit, non-partisan, public-private organization that works to promote and recognize the highest standards within the national security and intelligence communities. Prior to joining INSA, Mr. Blanco was employed in a variety of senior management and leadership positions during his 30-year tenure at the U.S. Department of Defense.

Mr. Blanco’s qualifications for election to and service on the Board of Directors include his industry experience, his government experience and relationships with government leaders and agencies, his management and business development skills, and his in-depth understanding of the Company’s products and their markets.

**Carl H. Guild, Jr.** Mr. Guild has been President and Chief Executive Officer of the Company since 1998 and Chairman of the Board of Directors since 2001. He was also Vice-Chairman of the Board from 1998 to 2001 and Chairman in 1998, and was an independent consultant to the Company from 1997 to 1998. From 1993 to 1997, he was a Senior Vice President with Raytheon Engineers and Constructors, Inc., a former unit of Raytheon Company, a defense, homeland security and aerospace technology company. Mr. Guild serves as President and Chief Executive Officer of the Company pursuant to an Employment Agreement (as amended) with the Company, which agreement is summarized under “Employment Agreements” in the *Compensation* section below.

Mr. Guild’s qualifications for election to and service on the Board of Directors include his management and leadership experience and financial acumen, his deep understanding of the Company’s products, business and industry, including its international operations and customers, and his demonstrated commitment to TCC and its stockholders.

**Thomas E. Peoples.** Mr. Peoples served as President of International Executive Counselors, LLC, a consulting company he established in Virginia between 2005 and 2019. Mr. Peoples was Vice President and Managing Director of The SPECTRUM Group, a Washington, DC area-based consulting firm, from 2004 to February 2015. Between 2001 and 2004, Mr. Peoples was retired. From 1999 to 2001, Mr. Peoples was the Senior Vice President for International and Washington Operations of Gencorp, Inc., a publicly-held manufacturer of automotive, polymer, aerospace, and defense products. From 1992 to 1999, Mr. Peoples was a Vice President of Aerojet, a privately-held aerospace and defense contractor. Prior to 1992, Mr. Peoples served as Manager of Business Development for Smart Munitions Programs at Raytheon Company. He served in the U.S. Army between August 1966 and February 1987, retiring from service as a Lieutenant Colonel. He is also a former Board member and Treasurer of the National Guard Youth Foundation and was an appointed member of the U.S. Department of Defense Science Board from 2000 to 2002.

Mr. Peoples’s qualifications for election to and service on the Board of Directors include his management and business experience, his government experience and relationships with government leaders and agencies, his business development skills and engineering expertise, and his in-depth understanding of the Company’s products and their markets.

## *Officers*

**Michael P. Malone.** Mr. Malone, Chief Financial Officer, Treasurer and Assistant Secretary, joined the Company in 1998 as Director of Finance and Treasurer and became Chief Financial Officer in 2000. From 1997 to 1998, he was the Controller at Vasca, Inc., a privately-held medical device company. Prior to 1997, Mr. Malone was with ZOLL Medical Corporation, a publicly-traded medical device and software solutions company, for five years as its Controller and Treasurer. Mr. Malone and the Company are parties to an Employment Agreement, which agreement is summarized under “Employment Agreements” in the *Compensation* section below.

## **Corporate Governance**

### *Board Composition and Independence; Meetings*

The size of the Board of Directors is set at four directors. The Board has determined that each current director other than Mr. Guild is an “independent” director as that term is defined in the rules and regulations of The Nasdaq Stock Market (“Nasdaq”), including Listing Rule 5605, and Rule 10A-3 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). The Company does not utilize any other definition or criteria for determining the independence of a director or nominee, and no other transactions, relationships, or arrangements exist to the Board’s knowledge or were considered by the Board in determining any director’s or nominee’s independence.

The Board of Directors held four meetings during the fiscal year ended September 24, 2022. Each director attended 100% of the aggregate of (a) the total number of meetings of the Board of Directors he was eligible to attend, and (b) the total number of meetings of all committees of the Board of Directors on which he served that were held during the Company’s 2022 fiscal year.

### *Board Structure; Role in Risk Oversight*

The Board currently combines the role of Chairman of the Board with the role of Chief Executive Officer, with Carl H. Guild, Jr. serving in both capacities since 2001. The Board believes that combining these roles fosters clear accountability, effective decision-making and alignment on corporate strategy. The structure allows one person to speak for and lead the Company and avoids duplication of work and confusion about who is in charge. Given the Company’s historic size and financial results, and the requirement that members of the Board serve staggered terms, the Board has determined that neither dividing these roles nor designating a lead independent director is necessary or would result in significant benefits to the Company. The Board believes that its composition and membership – with 75% of its members considered independent - contribute to, and are currently sufficient for, effective independent oversight and minimize any potential conflicts that may result from the combination of the CEO and Chairman roles.

The Board of Directors oversees the business of the Company, including management performance and risk management, to assure that the long-term interests of TCC’s stockholders are being served. The process to identify, analyze, report and manage risks has been developed informally over time and involves managers reporting to the Chief Executive Officer and Chief Financial Officer, who in turn report to the Board on the significant risks facing the Company. Each risk is discussed and quantified when possible and a plan is developed to address and mitigate identified risks. Each committee of the Board is also responsible for reviewing the risk

exposure of the Company related to the committee's areas of responsibility and providing input to management and the Board on such risks. The Audit Committee is especially critical in this process, and such committee's responsibilities include reviewing risk management and compliance programs and consulting with management and the Board on risk identification, measurement and mitigation.

### *Committees*

The Board of Directors currently has two committees, the Audit Committee and the Compensation, Nominating and Governance Committee, each as described below.

#### Audit Committee

The Audit Committee of the Board, which currently consists of Messrs. Peoples (Chairman), Blanco and Norwood, held four meetings during fiscal year 2022.

The Audit Committee's primary function is to assist the Board of Directors in fulfilling its oversight responsibilities by:

- reviewing the financial reports and other financial information of the Company,
- reviewing the Company's system of internal controls regarding finance and accounting and the Company's auditing, accounting and financial reporting processes,
- serving as an independent and objective party to monitor the Company's financial reporting processes and internal control systems,
- reviewing and appraising the audit efforts of the Company's independent registered public accounting firm,
- reviewing, approving and/or ratifying related person transactions, and
- providing an open avenue of communication among the independent accountants, financial and senior management, and the Board of Directors.

The Audit Committee acts pursuant to an Audit Committee Charter, a copy of which is posted on the Company's website at <https://www.tccsecure.com/Investors.aspx>. The Audit Committee's charter requires that the committee review and update the charter periodically as conditions dictate. In August 2022, the Audit Committee's charter was reviewed and affirmed without change.

The Board of Directors has determined that Mr. Peoples satisfies the definition of "audit committee financial expert" as promulgated by the Securities and Exchange Commission (the "Commission") by virtue of his educational and work experience as described above. The Board of Directors also has determined that Messrs. Peoples, Blanco and Norwood are independent under Nasdaq's listing standards for directors and Audit Committee members under Rules 5605(b) and (c).

#### Compensation, Nominating and Governance Committee

The Company's Compensation, Nominating and Governance Committee (the "Governance Committee") currently consists of Messrs. Blanco (Chairman), Peoples and Norwood, and held four meetings during the 2022 fiscal year. As noted above, the Board has determined that each of these individuals satisfies applicable independence requirements for

directors as well as members of such committee under Nasdaq Rules 5605(d) and (e).

The primary function of the Governance Committee is to assist the Board of Directors in discharging its responsibilities with respect to the Company's compensation and benefit programs, the organization and membership of the Board, and corporate governance matters. The Governance Committee's goal is to assure that the composition, practices and operation of the Board contribute to value creation and effective representation of the Company's stockholders, and to play a leadership role in shaping the Company's corporate governance.

The Governance Committee acts pursuant to the Compensation, Nominating and Governance Committee Charter, a copy of which is posted on the Company's website at <https://www.tccsecure.com/Investors.aspx>. The Governance Committee's charter requires that the committee review and reassess the adequacy of the charter annually and recommend any proposed changes to the Board for approval. In August 2022, the Governance Committee's charter was reviewed and affirmed without change. The Governance Committee must also annually evaluate its own performance.

The Board has approved policies and procedures for the Governance Committee with respect to the nomination of candidates to the Board and any committees thereof. These policies and procedures are available on the Company's website at <https://www.tccsecure.com/Investors.aspx> and are summarized below, and have not been materially changed since adoption.

#### Nomination Policies and Procedures

The Governance Committee will accept for consideration any candidate properly recommended by a stockholder; acceptance of a recommendation for consideration does not imply the committee will nominate or recommend for nomination the proposed candidate.

Stockholders who wish to nominate qualified candidates to serve as directors must notify the Company in writing, by notice delivered to the attention of the Secretary of the Company at the address of the Company's executive offices as set forth in the Company's periodic reports as filed with the Commission, of a proposed nominee. Submissions may be by mail, courier or personal delivery. E-mail submissions will not be considered. In order to ensure meaningful consideration of such candidates, notice must be received not later than 120 calendar days prior to the first anniversary of the date of the proxy statement for the prior year's annual meeting of stockholders.

The notice must set forth as to each proposed nominee:

- the nominee's name, age, business address and, if known, residence address,
- his or her principal occupation or employment and business experience,
- the number of shares of stock of the Company, if any, which are beneficially owned by such nominee, and
- any other information concerning the nominee that must be disclosed as to nominees in proxy solicitations pursuant to applicable law, including but not limited to any arrangements or agreements regarding the proposed candidate's nomination, all relationships between the proposed nominee and the recommending stockholder and the Company, and all transactions between such parties.

The notice must also set forth with respect to the stockholder making the nomination the name and address, as they appear on the Company's books, of such stockholder, the number of shares of the Company that are owned beneficially or of record by such stockholder, and the time period such shares have been held.

Submissions received through this process will be forwarded to the Governance Committee for review. Only those submissions that comply with these procedures and those nominees who satisfy the qualifications determined by the Governance Committee for directors of the Company will be considered.

When considering candidates, the Governance Committee strives to achieve a balance of knowledge, experience and accomplishment such that the Board reflects a diversity of talent, age, skill, expertise and perspective. While there are no set minimum requirements, a candidate should:

- be intelligent, thoughtful and analytical,
- possess superior business-related knowledge, skills and experience,
- reflect the highest integrity, ethics and character, and value such qualities in others,
- have excelled in both academic and professional settings,
- demonstrate achievement in his or her chosen field,
- be free of actual or potential conflicts of interest,
- be familiar with regulatory and governance matters,
- have the ability to devote sufficient time to the business and affairs of the Company, and
- demonstrate the capacity and desire to represent, fairly and equally, the best interests of the Company's stockholders as a whole.

In addition to the above criteria (which may be modified from time to time), the Governance Committee may consider such other factors as it deems in the best interests of the Company and its stockholders, including a candidate's independence, financial sophistication and special competencies. The Governance Committee does not have a formal policy with regard to the consideration of diversity when identifying and evaluating nominees but diversity may be considered when making nominations, including racial and ethnic diversity, gender, and diversity of personal and professional experiences, backgrounds, skills and qualifications.

The Governance Committee identifies potential candidates through referrals and recommendations, including by incumbent directors, management and stockholders, as well as through business and other organizational networks. The Governance Committee may retain and compensate third parties, including executive search firms, to identify or evaluate, or assist in identifying or evaluating, potential director nominees.

Current members of the Board with the requisite skills and experience are considered for re-nomination, balancing the value of the member's continuity of service and familiarity with the Company with that of obtaining a new perspective, and considering each individual's contributions, performance and level of participation, the current composition of the Board, and the Company's needs. If any existing members do not want to continue in service or if it is decided not to re-nominate a director, new candidates are identified in accordance with those skills, experience and characteristics deemed necessary for new nominees, and are evaluated

based on the qualifications set forth above. In every case, the Governance Committee meets (in person or telephonically) to discuss each candidate, and may require personal interviews before final approval. Once a slate is selected, the Governance Committee presents it to the full Board.

The Governance Committee does not currently, and does not intend in the future, to differentiate between or alter the manner in which it evaluates candidates based on the constituency (including stockholders) that proposed the candidate.

For a description of the Governance Committee's role in evaluating and establishing compensation programs, policies and levels for the Company, see the *Compensation Discussion and Analysis* and *Compensation* sections below.

### **Stockholder Communications and Director Attendance at Annual Stockholder Meetings**

The Board welcomes communications from stockholders and has adopted a procedure for receiving and addressing such communications. Stockholders may send written communications to the entire Board or individual directors, addressing them to Technical Communications Corporation, 100 Domino Drive, Concord, MA 01742, Attention: Chief Financial Officer. All such communications will be forwarded to the full Board of Directors or to any individual director or directors to whom the communication is directed unless the communication is clearly junk mail or a mass mailing, a business solicitation, advertisement or job inquiry, or is unduly hostile, threatening, illegal, or similarly inappropriate, in which case the Company has the authority to discard or take appropriate legal action regarding the communication.

Recognizing that director attendance at the Company's annual meetings of stockholders can provide stockholders with an opportunity to communicate with members of the Board of Directors, it is the policy of the Board of Directors to strongly encourage, but not require, the members of the Board to attend such meetings. All members of the Board attended the 2022 Annual Meeting of Stockholders.

TCC's policies regarding stockholder communications and director attendance (which may be modified from time to time) can be found on the Company's website at <https://www.tccsecure.com/Investors.aspx>.

### **Delinquent Section 16(a) Reports**

Section 16(a) of the Exchange Act requires the Company's officers, directors, and persons who beneficially own more than 10% of a registered class of the Company's equity securities to file reports of ownership and changes in ownership with the Commission.

### **Certain Relationships and Related Person Transactions; Legal Proceedings**

Thomas J. Conte, the Company's Secretary, is a member of a law firm that provided legal services to the Company. Fees paid to Mr. Conte's law firm during the Company's 2022 fiscal year were approximately \$53,000. David A. White, the Company's Former Secretary, is a member of a law firm that provided legal services to the Company. Fees paid to Mr. White's law firm during the Company's 2021 fiscal year were approximately \$72,000.

On August 4, 2022, Carl H. Guild, Jr., the Company's CEO, President and Chairman of the Board, made a revolving loan to the Company of up to \$1,000,000 to provide working capital,

which loan was evidenced by a demand promissory note bearing interest at a rate of 7.5%. This loan is still outstanding.

On April 7, 2022, Carl H. Guild, Jr., the Company's CEO, President and Chairman of the Board, made a revolving loan to the Company of up to \$1,000,000 to provide working capital, which loan was evidenced by a demand promissory note bearing interest at a rate of 7.5%. This loan is still outstanding.

On November 29, 2021, Carl H. Guild, Jr., the Company's CEO, President and Chairman of the Board, made a revolving loan to the Company of up to \$1,000,000 to provide working capital, which loan was evidenced by a demand promissory note bearing interest at a rate of 7.5%. This loan is still outstanding.

On May 6, 2021, Carl H. Guild, Jr., the Company's CEO, President and Chairman of the Board, made a revolving loan to the Company of \$1,000,000 to provide working capital, which loan was evidenced by a demand promissory note bearing interest at a rate of 6%. This loan is still outstanding.

These four outstanding loans have an accrued interest balance of \$106,490 as of September 24, 2022.

On July 15, 2021 the Company sold 4,000 shares of unregistered shares of the Company's common stock at \$4.00 per share to Ralph M. Norwood, a member of the Board of Directors.

There were no other transactions during fiscal years 2022 or 2021, and there are no currently proposed transactions, to which the Company was or is to be a participant and in which any related person had or will have a direct or indirect material interest. There are no family relationships among the directors, executive officers or any nominee therefor, and to the Company's knowledge no arrangements or understandings exist between any director or nominee and any other person pursuant to which such director or nominee was or is to be selected as a director or executive officer.

There are no material proceedings to which a director, executive officer or nominee is a party adverse to the Company or its subsidiary or has a material interest adverse to the Company or its subsidiary, nor to the Company's knowledge are there any proceedings or events material to an evaluation of the ability or integrity of the Company's directors, nominees or executive officers.

### **Hedging Policies and Procedures**

The Company has not adopted practices or policies regarding the ability of employees (including officers) or directors, or any of their designees, to purchase financial instruments or otherwise engage in transactions that hedge or offset (or are designed to hedge or offset) any decrease in the market value of the Company's Common Stock or other equity securities.

### **Code of Ethics**

The Company has a Code of Business Conduct and Ethics, which applies to all of its employees, officers and directors. A copy of this code can be found on the Company's website at <https://www.tccsecure.com/Investors.aspx>.



## **REPORT OF THE AUDIT COMMITTEE**

The following is the report of the Audit Committee with respect to the Company's audited financial statements for the fiscal year ended September 24, 2022.

The Audit Committee has reviewed and discussed the 2022 fiscal year audited financial statements with management. The Audit Committee has also discussed with the Company's independent registered public accounting firm for fiscal 2022, Stowe & Degon LLC, the matters required to be discussed by the applicable requirements of the Public Company Accounting Oversight Board and the U.S. Securities and Exchange Commission; received and reviewed the written disclosures and the letter from the independent registered public accounting firm required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent registered public accounting firm's communications with the Audit Committee concerning independence; and discussed with the independent registered public accounting firm its independence and any relationships that may impact its objectivity and independence.

Based upon the review and discussions referred to above, the Audit Committee recommended to the Board of Directors that the audited financial statements for the fiscal year ended September 24, 2022 be included in the Company's Annual Report on Form 10-K for filing with the Securities and Exchange Commission.

*Audit Committee*  
Thomas E. Peoples (Chair)  
Ralph M. Norwood  
Francisco F. Blanco

## COMPENSATION DISCUSSION AND ANALYSIS

As noted above, one role of the Compensation, Nominating and Governance Committee of the Board of Directors, comprised solely of non-employee, “independent” directors, is to assist the Board with discharging its responsibilities relating to the compensation of TCC’s employees, officers and directors, and the development and administration of the Company’s compensation and benefit programs.

The Governance Committee operates under a written charter, which is available at <https://www.tccsecure.com/Investors.aspx>. As set forth in the charter, the committee’s authority and responsibilities with respect to compensation include:

- *For executives*, to assist with the development of an executive compensation program supportive of the achievement of the Company’s strategic goals and objectives, to review and approve the goals and objectives relevant to the compensation of the Chief Executive Officer of the Company, including an annual evaluation of the CEO’s performance and the establishment of the CEO’s compensation and other material terms of employment, and to review and approve senior management team member compensation;
- *For directors*, to annually evaluate the appropriate level and form of compensation for members of the Board and its committees, and to recommend changes to the Board when appropriate; and
- *For employees generally*, to monitor and review all general compensation strategies and programs of the Company, including equity incentive and benefit programs.

The following discussion provides information about the Company’s compensation plans and programs generally, as well as compensation awarded to, earned by or paid to our “named executive officers” pursuant to applicable Commission rules and regulations. For additional information, please see the *Compensation* section that follows this discussion and analysis.

### **Compensation Philosophy and Objectives**

The philosophy underlying the Company’s compensation plans is to provide compensation that rewards both individual and organizational performance and align such compensation with stockholder interests. The Company aims to make executive compensation sensitive to and reflective of the financial condition and performance of the Company, which is defined in terms of revenue growth and profitability. Compensation also must be competitive, thereby enabling the Company to attract, retain and motivate highly-qualified individuals who contribute to the Company’s success.

### **Procedure**

Compensation decisions are made annually and are tied to the Company’s fiscal year-end. For each employee, a performance evaluation is conducted by his or her supervisor, the results of which are shared with the employee. The evaluation encompasses a review of the employee’s individual performance over the course of the fiscal year, and includes recognition of the achievement by TCC of its strategic objectives and priorities. Compensation decisions for non-officer employees are made after the results of the performance evaluations have been considered and an informal analysis is completed that considers the goals of market

competitiveness and enhancement of stockholder value. No upward adjustment is made to an employee's compensation if the individual's performance does not merit, or if the Company's financial condition and performance do not support, such an adjustment.

The Governance Committee does not make individual compensation decisions for non-officer employees. Rather, our Chief Executive Officer sets compensation levels and presents the aggregate information to the Governance Committee for its information. Bonuses are typically paid in December, and salary increases are effective October 1 and paid retroactively before the end of the calendar year.

Compensation packages for our named executive officers are analyzed and discussed individually by the Governance Committee, and decisions are made once the Governance Committee has obtained all of the information it deems necessary. Information that is considered in making named executive officer compensation decisions includes information provided to the Governance Committee via presentations made to the committee by the named executive officers themselves. Such presentations include highlights of achievements and milestones met by the officers in the fiscal year and the results of each individual's performance self-evaluation. The Governance Committee also considers the Company's financial condition and performance.

The accounting and tax treatment of compensation decisions generally have not been material factors in determining the amount and type of compensation given to executive officers, other than to balance the potential cost to the Company with the benefit or value to the executive. The tax and accounting treatment of different compensation arrangements may play a greater role in the decision-making process in the future. The effects on Section 409A of the Internal Revenue Code of 1986, as amended (the "Code") also would be considered when applicable.

The Governance Committee has not to date employed any compensation consultants to assist it with compensation decisions, although it is authorized by its charter to do so and reserves the right to engage such consultants when and if deemed necessary or advisable. The Governance Committee also has the authority to form, and delegate any of its responsibilities to, subcommittees as it deems appropriate, although to date it has not done so.

### **Compensation Components**

The components of compensation provided to named executive officers (as well as non-officer employees) typically include base salary, annual discretionary bonuses and equity incentives. Bonuses and equity incentives have historically been granted in periods during which the Company's financial performance have supported such awards. Executive officers have not received these components of compensation when the Company's operating results have not been positive and/or the recipients have not achieved specified performance milestones. No bonuses were paid with respect to fiscal year 2022 or 2021 to any named executive officer due to the financial performance of the Company.

The Company also has in place retirement and change of control arrangements with its two named executive officers, who participate in the group benefits offered to all employees, such as medical and life insurance.

#### *Base Salary*

Base salary levels for the Company's named executive officers are based on an informal review of compensation for competitive positions in the market and reflect job responsibilities

and skills, level of experience, individual performance, judgments as to past and future contributions to the Company, and the Company's compensation budget. Specific weight is not given to any particular factor when establishing base salaries, although most weight is typically given to individual performance. The Company's practice has been to review base salaries at the fiscal year-end as noted above, although salaries may be reviewed more frequently if circumstances dictate.

#### *Annual Bonuses*

Bonuses, when paid, are designed to tie awards to individual performance and motivate and reward employees for their contributions to the Company. A number of factors are considered in determining whether annual bonuses should be paid, most importantly the achievement by the Company of specified financial objectives and the achievement by the employees of individual objectives. Recognition of individual performance and accomplishment is based on a subjective analysis of each individual's performance; recognition of Company performance is based on an evaluation of specified measures of corporate performance, such as corporate profits and sales order activity.

The Company has an Executive Bonus Program for the benefit of key management employees – traditionally the Chief Executive Officer and Chief Financial Officer – and an informal bonus program for all other employees. For named executive officers, an initial plan is set and approved by the Governance Committee at the beginning of the fiscal year and bonus awards are determined out of such plan at year-end based on Company and individual performance. For non-officer employees, the budget is established by management, subject to review by the Governance Committee, at year-end based on the Company's financial performance during the year, and individual awards are determined through a consultative process involving an employee's supervisor and our Chief Executive Officer.

#### *Equity Incentives*

As with base salary and bonus determinations, equity compensation awards are determined on an informal, annual basis. An important objective of this component of compensation is to strengthen the relationship between the long-term value of the Company's stock price and the potential financial gain for employees, as well as retention of personnel. Historically the Company has awarded stock options to its employees and directors as the equity component of compensation, which provide recipients the opportunity to purchase shares of our Common Stock upon vesting and become valuable only if the trading price of the Common Stock increases. The recipient is therefore motivated to remain with the Company until the options vest and motivated to improve individual performance in support of improved Company performance.

In selecting employees eligible to receive equity compensation grants (whether at the initial hire date or through periodic grants) and determining the size of such grants, a variety of factors are considered, including the job and responsibility level and past, current and prospective services rendered, or to be rendered, to the Company by the employee. Determination of the employees eligible to receive awards and the size of such awards is based on a subjective analysis by the Governance Committee, with input and recommendations from Mr. Guild, of each individual's position within the Company, his or her performance, and his or her growth potential and that of the Company.

## Equity Plans

The Company currently administers three plans that provide for the grant of equity incentive compensation to officers, directors and employees.

The Technical Communications Corporation 2005 Non-Statutory Stock Option Plan, as amended (the “2005 Plan”), was adopted by the Board of Directors in May 2005 and permitted the grant of non-statutory stock options to purchase up to 200,000 shares of Common Stock to employees, directors and consultants. The stated purpose of the 2005 Plan was to promote the success and interests of the Company and its stockholders by permitting and encouraging employees, directors and consultants of the Company to obtain a proprietary interest in the Company or its subsidiaries through the grant of non-statutory options to purchase shares of the Company. Determinations as to recipients of awards, option term, vesting period and exercise price were made by the Governance Committee in its discretion. As of December 16, 2022, the Company had issued a total of 208,500 options pursuant to the 2005 Plan. The 2005 Plan expired on May 5, 2015 and no further awards were permitted as of such date. As of December 16, 2022, options to purchase 17,500 shares granted under the 2005 Plan remained outstanding.

The Technical Communications Corporation 2010 Equity Incentive Plan (as amended, the “2010 Plan”), which was adopted in July 2010 and expired in July 2020, provided for the issuance of up to 400,000 shares of Common Stock pursuant to awards of stock options (incentive and non-qualified), stock appreciation rights, and restricted stock to employees, directors and consultants to the Company. The stated purpose of the 2010 Plan was to promote the success and interests of the Company and its stockholders by permitting and encouraging participants to obtain a proprietary interest in the Company through the grant of awards that are consistent with the Company’s goals and that link the personal interests of participants to those of the Company’s stockholders. The 2010 Plan was further intended to enable the Company to attract, retain and motivate those whose services were deemed critical to the success of the Company and align the interests of such individuals with those of the Company. Determinations as to award recipients, duration, price, vesting and performance requirements and other material terms were made by the Governance Committee, although there were specific requirements as to the price and term of certain awards depending on the award type and recipient. Following its expiration in July 2020, awards were not able to be granted under the 2010 Plan, although as of December 16, 2022, options to purchase 119,400 shares granted under the 2010 Plan remained outstanding.

In May 2021, the Board of Directors approved and adopted the Technical Communications Corporation 2021 Equity Incentive Plan, which was amended and restated in December 2021 (as amended and restated, the “2021 Equity Plan”), which plan was approved by shareholders at the 2022 Meeting, as amended. The 2021 Equity Plan currently provides for the issuance of up to 400,000 shares of Common Stock pursuant to awards of stock options (non-qualified), stock appreciation rights, and restricted stock to employees, directors and consultants to the Company.

The stated purpose of the 2021 Equity Plan is to promote the success and interests of the Company and its stockholders by permitting and encouraging participants to obtain a proprietary interest in the Company through the grant of awards that are consistent with the Company’s goals and that link the personal interests of participants to those of the Company’s stockholders. The 2021 Equity Plan is further intended to enable the Company to attract, retain and motivate those whose services are deemed critical to the success of the Company and align the interests of such individuals with those of the Company. Determinations as to award recipients, duration, price, vesting and performance requirements and other material terms are made by the Governance

Committee, although there are specific requirements as to the price and term of certain awards depending on the award type and recipient. If any award under the 2021 Equity Plan is canceled, terminates, expires or lapses for any reason without having been exercised in full, any shares subject to such award that remain unpurchased are available for future grant. In addition, any shares retained by the Company upon exercise of an award in order to satisfy the exercise price of such award, or any withholding taxes due with respect to such exercise, are treated as not issued and shall continue to be available. At the same time, shares issued under the 2021 Equity Plan and later repurchased by the Company are not available for future grant or sale. As of December 16, 2022, there were 28,000 outstanding options to purchase shares pursuant to the 2021 Equity Plan.

#### *Retirement, Severance, Change in Control and Similar Compensation*

The Company does not offer or have in place any formal retirement, severance or similar compensation programs other than its 401(k) plan. Rather, the Company individually negotiates with those employees for whom retirement, severance or similar compensation is deemed necessary. A description of the severance arrangements with the Company's named executive officers follows.

##### Carl H. Guild, Jr., President and Chief Executive Officer

Pursuant to his employment agreement, upon termination of his employment without "cause" by the Company or upon his death or disability, Mr. Guild is entitled to receive severance pay in an amount equal to the greater of six months' base salary at the then-current level or the balance of the term of the agreement, less applicable taxes and other required withholdings and amounts owed to the Company, and including all health and other benefits to which he had been entitled while employed by the Company at the Company's expense for at least six months. If the Company determines not to renew Mr. Guild's employment agreement, he is entitled to an amount equal to six months' base salary at the then-current level, less applicable taxes and other required withholdings and amounts owed to the Company, and the continuation of all health and other benefits to which he had been entitled while employed by the Company at the Company's expense for at least six months.

"Cause" is defined as Mr. Guild's failure or refusal to perform the services specified in his employment agreement or to carry out any lawful directions of the Board; conviction of a felony; fraud or embezzlement involving the assets of the Company, its customers, suppliers or affiliates; gross negligence or willful misconduct; or breach of any term of his employment agreement.

Mr. Guild may terminate his employment agreement upon prior written notice to the Company. Upon his voluntary termination, he is entitled to severance pay – defined as his base salary at the then-current level, less applicable taxes and other required withholdings and amounts owed to the Company – equal to six months if the termination date is on the renewal date of the agreement or the lesser of six months or the balance of the term of the agreement if the termination date is before such renewal date.

In the event of a change in control of the Company where Mr. Guild resigns or is terminated without cause by the Company within 24 months after such an event, any unvested options held shall automatically vest and become immediately exercisable. In addition, Mr. Guild would be entitled to receive severance pay in an amount equal to 24 months' base salary at the then-current level, less applicable taxes and other withholdings and amounts due and plus all

accrued and unpaid expenses and vacation time. In the event that any payment to be received pursuant to such change in control or the value of any acceleration right in any Company stock options held in connection with the change in control of the Company would be subject to an excise tax pursuant to Section 4999 of the Code, whether in whole or in part as a result of being an “excess parachute payment” within the meaning of such terms in Section 280G(b) of the Code, the amount payable will be increased (grossed up) to cover the excise tax liability due under Section 4999 of the Code, if otherwise permitted under the Code.

“Change in control” is defined as the occurrence of any one of the following: (a) any person or entity, including a “group” as defined in Section 13(d) of the Exchange Act (other than the Company, a wholly-owned subsidiary of the Company, or any employee benefit plan of the Company or its subsidiaries), becoming the beneficial owner of the Company’s securities having 51% or more of the combined voting power of the then-outstanding securities of the Company that may be cast for the election of directors of the Company; or (b) as the result of, or in connection with, any cash tender or exchange offer, merger or other business combination, sale of assets or contested election or any combination of the foregoing transactions, less than a majority of the combined voting power of the then-outstanding securities of the Company or any successor corporation or entity entitled to vote generally in the election of directors of the Company or such other corporation or entity after such transaction, are held in the aggregate by holders of the Company’s securities entitled to vote generally in the election of directors of the Company immediately prior to such transaction; or (c) the approval of the stockholders of the Company of a plan of liquidation.

Michael P. Malone, Treasurer and Chief Financial Officer

Under Mr. Malone’s employment agreement, the Company has the right, upon written notice, to terminate his employment (a) immediately at any time for “cause” or (b) at any time without “cause”. Cause is defined as his failure or refusal to perform the services specified in his employment agreement or to carry out any lawful directions of the Board; conviction of a felony; fraud or embezzlement involving the assets of the Company, its customers, suppliers or affiliates; gross negligence or willful misconduct; inability for a continuous period of at least 180 days in the aggregate during any 360-day period to perform his duties due to a physical or mental disability incapable of reasonable accommodation under applicable law; or breach of any term of his employment agreement.

Upon termination of employment without cause by the Company, Mr. Malone is entitled to receive severance pay in an amount equal to the greater of six months’ base salary at the then-current level or his base salary for the balance of the term of the agreement. If the Company determines not to renew Mr. Malone’s employment agreement, he is guaranteed, at the Company’s option, at will employment for six months or severance pay in an amount equal to six months’ base salary at the then-current level. In either case, such amounts shall be less applicable taxes and other required withholdings and amounts owed to the Company, plus all accrued but unpaid expenses and vacation time.

In the event of a change in control of the Company where Mr. Malone resigns or is terminated without cause by the Company within six months after such an event, any unvested options held shall automatically vest and become immediately exercisable. In addition, Mr. Malone would be entitled to receive severance pay in an amount equal to six months’ base salary at the then-current level, less applicable taxes and other withholdings and amounts due and plus all accrued and unpaid expenses and vacation time. In the event that any payment to be received pursuant to such change in control or the value of any acceleration right in any Company stock

options held in connection with the change in control of the Company would be subject to an excise tax pursuant to Section 4999 of the Code, whether in whole or in part as a result of being an “excess parachute payment” within the meaning of such terms in Section 280G(b) of the Code, the amount payable to Mr. Malone will be increased (grossed up) to cover the excise tax liability due under Section 4999 of the Code, if otherwise permitted under the Code. “Change in control” in Mr. Malone’s employment agreement has the same definition as that found in Mr. Guild’s agreement, provided above.

No other employees receive or are entitled to receive any retirement, severance or similar compensation.

#### *Perquisites and Other Benefits*

The Company generally does not provide its officers with “perks” or similar types of benefits. Messrs. Guild and Malone have life insurance policies for which the Company pays the premium, and the Company also typically matches up to a certain percentage of their contributions to the Company’s 401(k) plan. Both of these benefits are generally available to all Company employees, subject to certain limitations and restrictions. Messrs. Guild and Malone, like other employees, also are entitled to participate in TCC’s employee benefit plans offering group disability insurance, group medical and hospitalization plans, and retirement and profit-sharing plans.

#### **Chief Executive Officer Compensation**

Mr. Guild has been President and Chief Executive Officer of the Company since 1998 and Chairman of the Board of Directors since 2001. His base salary for each of fiscal years 2022 and 2021 was \$285,000.

Mr. Guild did not receive a bonus with respect to the fiscal years ended September 24, 2021 or September 25, 2021 due to the Company’s financial condition at year-end and the lack of achievement by the Company and Mr. Guild of specified performance milestones for the periods.

In fiscal 2022, the Board awarded Mr. Guild an option to purchase 7,000 shares of Common Stock for his service as a director, as it did for all other directors. These non-qualified options were granted on May 13, 2022 under the 2021 Plan at an exercise price of \$1.75 per share with a term of 10 years, and vest over a five year period. Mr. Guild did not receive any stock options in fiscal 2021. See “Director Compensation” in the *Compensation* section below for more information regarding such director option grants.

See “Retirement, Severance, Change in Control and Similar Compensation” above for a discussion of the severance payments payable to Mr. Guild under the terms of his employment agreement.

#### **Chief Financial Officer Compensation**

Mr. Malone has been Chief Financial Officer of the Company since 2000 and Treasurer since 1998. His base salary for each of fiscal years 2022 and 2021 was \$160,000.

Mr. Malone did not receive a bonus with respect to the fiscal years ended September 24, 2022 or September 25, 2021 due to the Company’s financial condition at year-end and the lack of achievement by the Company and Mr. Malone of specified performance milestones for the



periods. Mr. Malone also was not awarded any stock options or other equity incentives during fiscal years 2022 or 2021.

See “Retirement, Severance, Change in Control and Similar Compensation” above for a discussion of the severance payments payable to Mr. Malone under the terms of his employment agreement.

### **Tax Considerations**

Section 162(m) of the Code generally disallows a tax deduction to public companies for compensation over \$1,000,000 paid to certain employees, generally the Chief Executive Officer and the four other most highly compensated executive officers. Qualifying performance-based compensation is not subject to the deduction limit if certain requirements are met. In fiscal 2022, no compensation paid by the Company was nondeductible as a result of the \$1,000,000 limitation. Furthermore, the Board of Directors believes that, given the general range of salaries and bonuses for executive officers of the Company, the \$1,000,000 threshold of Section 162(m) will not be reached by any executive officer of the Company in the foreseeable future. Accordingly, the Board has not formulated a policy to address non-qualifying compensation.

### **Say on Pay Proposal and Vote**

As discussed under Proposal II below, stockholders will have the opportunity to cast their vote on the compensation of TCC’s named executive officers as described in this Proxy Statement at the Meeting. The advisory vote will not be binding on the Governance Committee or the Board of Directors. However, the Governance Committee and the Board will review the voting results and any concerns raised by stockholders will be considered when determining future compensation arrangements and making decisions about future compensation programs and practices. The Board and Governance Committee also may consult directly with stockholders to better understand any issues and concerns. Stockholders (not including broker non-votes) have voted in favor of the compensation of the Company’s named executive officers every year since being given the opportunity to do so. At the Company’s 2011 annual meeting of stockholders and again at the 2017 annual meeting of stockholders, stockholders voted in favor of including an advisory vote on executive compensation in the Company’s proxy materials every year as recommended by the Board, which annual vote the Board implemented.

## COMPENSATION

### Named Executive Officers

The following tables set forth all plan and non-plan compensation awarded to, earned by or paid to the Chief Executive Officer and Chief Financial Officer of the Company, who were the only “named executive officers” of the Company during its 2022 fiscal year, for all services rendered by such officers to the Company and its subsidiary in all capacities for the periods presented.

### Summary Compensation Table

<u>Name and Principal Position</u>	<u>Year</u>	<u>Salary (\$)</u>	<u>Bonus (\$)</u>	<u>Option Awards (\$)</u>	<u>All Other Compensation (\$)</u>	<u>Total (\$)</u>
<b>Carl H. Guild, Jr.</b> President, Chief Executive Officer and Chairman	2022	\$285,006(1)	--	\$10,755(2)	\$7,096(3)	\$302,857
	2021	\$254,313(1)	--	-	\$7,169(3)	\$261,482
<b>Michael P. Malone</b> Chief Financial Officer, Treasurer and Assistant Secretary	2022	\$152,245(4)	--	--	\$7,549(5)	\$159,794
	2021	\$142,782(4)	--	--	\$4,989(5)	\$147,771

- (1) Mr. Guild’s annual base salary was set at \$285,000 effective March 1, 2012. As a result of a company wide furlough between December 2020 and March of 2021 Mr. Guild’s salary was reduced by 40% during that period.
- (2) Amount represents an award on May 13, 2022 of a non-qualified option to purchase 7,000 shares of Common Stock at \$1.75 per share, which vests over a five year period and has a 10 year term. Such award was made to Mr. Guild for his service as a director of the Company. The dollar amount presented includes the aggregate fair value of the award on the date of grant. The fair value of the option was estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions: dividend yield of 0%, expected volatility of 118%, risk-free interest rate of 2.65%, and expected life of 6.5 years.
- (3) Includes the Company’s 25% match on the first 6%, and 30% match on the second 6%, of Mr. Guild’s 401(k) contributions for fiscal 2022 and 2021. Also includes life insurance premiums paid by the Company of \$504 for each of fiscal years 2022 and 2021, respectively.
- (4) Mr. Malone’s annual base salary was set at \$160,000 effective March 1, 2012. As a result of a company wide furlough between December 2020 and March of 2021 Mr. Malone’s salary was reduced by 40% during that period.
- (5) Includes the Company’s 25% match on the first 6%, and 30% match on the second

6%, of Mr. Malone's 401(k) contributions for fiscal 2022 and 2021. Also includes life insurance premiums paid by the Company of \$1,008 for each of fiscal years 2022 and 2021, respectively.

For further information on equity incentive awards granted to our named executive officers, see the disclosure below. For more information on compensation generally and information on severance and change of control rights, see the *Compensation Discussion and Analysis* section above.

### **Employment Agreements**

#### *Carl H. Guild, Jr.*

The Company entered into an employment agreement with Carl H. Guild, Jr., its President and Chief Executive Officer, effective as of November 19, 1998 and amended November 8, 2001. The original term of the agreement expired September 30, 2000; the agreement renews automatically thereafter for successive periods of one year unless earlier terminated or not renewed. Mr. Guild's agreement contains provisions specifying his annual compensation, subject to an annual merit review by the Board of Directors. The agreement also provides for performance awards to be paid at the discretion of the Company's Board of Directors, based on an assessment of exceptional performance. Mr. Guild's base salary was set at \$285,000 effective March 1, 2012 and has not changed since such date. No performance awards were earned with respect to fiscal 2022 or 2021.

For a more in-depth discussion of Mr. Guild's right to receive annual performance bonuses and his right to severance and change in control payments, see the *Compensation Discussion and Analysis* section above. For information on stock options granted to Mr. Guild, see "Outstanding Equity Awards at Fiscal Year-End" below.

#### *Michael P. Malone*

The Company entered into an employment agreement with Michael P. Malone, its Chief Financial Officer, effective as of February 12, 2001. The original term of the agreement was 12 months, and the agreement renews automatically for successive periods of one year unless earlier terminated or not renewed. Mr. Malone's agreement contains provisions specifying his annual base salary, subject to an annual merit review by the Board of Directors. The agreement also provides for performance awards to be paid at the discretion of the Company's Board of Directors, based on an exceptional performance assessment. Mr. Malone's base salary was set at \$160,000 effective March 1, 2012 and has not changed since such date. No performance awards were earned with respect to fiscal 2022 or 2021.

For a more in-depth discussion of Mr. Malone's right to receive annual performance bonuses and his right to severance and change in control payments, see the *Compensation Discussion and Analysis* section above. For information on stock options granted to Mr. Malone, see "Outstanding Equity Awards at Fiscal Year-End" below.

### **Outstanding Equity Awards at Fiscal Year-End**

The following table sets forth certain information regarding unexercised options held by our named executive officers outstanding as of the end of the Company's 2022 fiscal year, which date was September 24, 2022.

**Option Awards**

<b><u>Name</u></b>	<b>Equity Incentive Plan Awards:</b>				
	<b>Number of Securities Underlying Unexercised Options (#) Exercisable</b>	<b>Number of Securities Underlying Unexercised Options (#) Unexercisable</b>	<b>Number of Securities Underlying Unexercised Unearned Options (#)</b>	<b>Option Exercise Price (\$)</b>	<b>Option Expiration Date</b>
Carl H. Guild, Jr.	3,500 (1)	--	--	4.67	02/11/23
	3,500 (2)	--	--	7.65	02/12/24
	3,500 (3)	--	--	4.05	05/07/25
	3,500 (4)	--	--	2.90	02/08/26
	3,500 (5)	--	--	2.50	02/13/27
	2,800 (6)	700 (6)	--	7.25	02/12/28
	2,100 (7)	1,400 (7)	--	3.58	05/15/29
	1,400 (8)	2,100 (8)	--	2.48	05/07/30
	-- (9)	7,000 (9)	--	1.75	04/13/32

- (1) Granted on February 11, 2013 under the 2005 Plan; options have 10 year term and were fully vested as of February 11, 2013.
- (2) Granted on February 12, 2014 under the 2005 Plan; options have 10 year term and were fully vested as of February 12, 2014.
- (3) Granted on May 7, 2015 under the 2010 Plan; options have 10 year term and vest as to 20% of the shares on each of the first five anniversaries of the date of grant.
- (4) Granted on February 8, 2016 under the 2010 Plan; options have 10 year term and vest as to 20% of the shares on each of the first five anniversaries of the date of grant.
- (5) Granted on February 13, 2017 under the 2010 Plan; options have 10 year term and vest as to 20% of the shares on each of the first five anniversaries of the date of grant.
- (6) Granted on February 12, 2018 under the 2010 Plan; options have 10 year term and vest as to 20% of the shares on each of the first five anniversaries of the date of grant.
- (7) Granted on May 15, 2019 under the 2010 Plan; options have 10 year term and vest as to 20% of the shares on each of the first five anniversaries of the date of grant.
- (8) Granted on May 7, 2020 under the 2010 Plan; options have 10 year term and vest as to 20% of the shares on each of the first five anniversaries of the date of grant.
- (9) Granted on April 13, 2022 under the 2021 Plan; options have 10 year term and vest as to 20% of the shares on each of the first five anniversaries of the date of grant.

*Equity Incentive Plans*

The Company currently administers three plans that provided for the grant of equity incentive compensation to officers, directors and employees: the Technical Communications Corporation 2021 Equity Incentive Plan, the Technical Communications Corporation 2010 Equity Incentive Plan and the Technical Communications Corporation 2005 Non-Statutory Stock Option Plan. On July 29, 2020, the 2010 Plan expired; the 2005 Plan expired in May 2015. As of December 16, 2022, although awards were no longer able to be granted under either of the 2010 Plan and the 2005 Plan, options to purchase 119,400 and 17,500 shares granted under the 2010 Plan and 2005 Plan, respectively, remained outstanding.

In May 2021 the Board adopted the 2021 Equity Plan, which plan was approved by stockholders at the 2022 Meeting. The 2021 Plan provides for the issuance of awards with respect to 400,000 shares of Common Stock. As of December 16, 2022, there were 28,000 outstanding options to purchase shares pursuant to the 2021 Equity Plan.

Generally, these plans provided for the grant of equity awards to employees, officers, directors and consultants of the Company, in each case in amounts, at prices and subject to such restrictions and limitations as determined by the Board of Directors or a committee thereof and in compliance with applicable law, including the Code. For more information about each plan, see “Equity Incentives” in the Compensation Discussion and Analysis section above.

#### *Grants in Fiscal 2022*

There were 28,000 grants to members of the Board of Directors during fiscal 2022. Included in this grant were the options deferred by the directors in fiscal 2021.

#### **Retirement, Severance and Similar Compensation**

No retirement, severance or similar compensation was paid to any employee during the 2022 fiscal year. For a description of the amounts that may be payable to our named executive officers upon their resignation, retirement, termination or a change in control, please see “Retirement, Severance, Change in Control and Similar Compensation” above in the *Compensation Discussion and Analysis* section. The Company also provides to all employees a 401(k) tax qualified plan.

#### **Compensation of Directors**

The following table sets forth all compensation paid to the Company’s directors for the fiscal year ended September 24, 2022. Mr. Guild, our President, CEO and Chairman of the Board of Directors, did not receive any compensation for his service as a director during the 2022 fiscal year other than the option grant discussed above.

<b><u>Name</u></b>	<b><u>Fees Earned or Paid in Cash</u></b> (\$)	<b><u>Option Awards</u></b> (\$)	<b><u>All Other Compensation</u></b> (\$)	<b><u>Total</u></b> (\$)
Thomas E. Peoples	\$30,100(1)	-(2)	-	\$30,100
Francisco F. Blanco	\$24,500(1)	-(2)	-	\$24,500
Ralph M. Norwood	\$24,500(1)	-(2)	-	\$24,500

- (1) Includes quarterly stipend and fees paid for Board of Directors and committee meetings attended during the fiscal year. For Mr. Peoples, also includes quarterly stipend received for serving as Chairman of the Audit Committee. These amounts include unpaid fees as a result of the members of the Board of Directors electing to defer the fees due for the four quarters of fiscal 2022 and the third and fourth quarters of 2021 fiscal year. Unpaid fees amount to \$37,500 for Mr. Peoples and \$30,500 for both Mr. Blanco and Mr. Norwood.

- (2) Mr. Peoples had 32,900 options outstanding at the 2022 fiscal year-end, of which 21,700 were fully vested and exercisable. Mr. Blanco had 35,000 options outstanding at the 2022 fiscal year-end, of which 23,800 were fully vested and exercisable. Mr. Norwood had 10,500 options outstanding at the 2022 fiscal year-end, of which 1,400 were fully vested and exercisable. The Board of Directors elected to defer their annual stock option grant for fiscal year 2021. These options were granted to the directors in conjunction with the Fiscal 2022 grant.

Board members are entitled to receive a Board meeting fee of \$2,500 per meeting attended (whether in person or via telephone conference, so long as the duration of the meeting attended exceeds 30 minutes), which fee can be waived. Board members also receive a quarterly stipend of \$3,500 for their service. Members of the Audit Committee are paid \$1,000 for each Audit Committee meeting that is not held in connection with a regularly scheduled Board meeting, and the Audit Committee Chairman receives a quarterly stipend of \$1,400 in addition to the stipend he receives as a director of the Company. Members of the Governance Committee receive \$500 for each meeting that is held other than in connection with a regularly scheduled meeting of the Board of Directors. The Board of Directors elected to defer their fees due for the four quarters of fiscal 2022 and the third and fourth quarters of the 2021 fiscal year. Unpaid fees amount to \$37,300 for Mr. Peoples and \$30,300 for both Mr. Blanco and Mr. Norwood.

Directors are annually granted options to purchase 3,500 shares of Common Stock at an exercise price equal to the closing price of the Common Stock on the date of grant. Stock options granted to directors are considered non-qualified and, beginning in fiscal year 2015, vest 20% per year commencing on the first anniversary of the date of grant; prior director option grants vested immediately. Each grant expires 10 years after the date of grant, except that if a director ceases to be a director, the option terminates at the earlier of 10 years from the date of grant or three years from the last day as a director. The Board of Directors elected to defer their annual stock option grant for the fiscal year 2021. These options were granted to the directors in conjunction with the fiscal 2022 grant.

TCC reimburses members of the Board of Directors for their reasonable out-of-pocket expenses incurred in attending Board and committee meetings. The Company believes that members of the Board of Directors received compensation during fiscal year 2022 commensurate with their responsibilities to the Company and appropriate for a company of TCC's size and revenues.

**PROPOSAL II. STOCKHOLDER ADVISORY VOTE**  
**ON EXECUTIVE COMPENSATION**

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Reform Act”) and Section 14A of the Exchange Act entitle stockholders to cast a non-binding, advisory vote on the compensation of executives as described in a company’s proxy statement, otherwise known as “say on pay” proposals. The legislation makes clear that these votes do not overrule a Board’s compensation decisions, impose additional fiduciary duties on the Board, or limit stockholders’ ability to make other compensation-related proposals.

The Company’s guiding compensation philosophy, as discussed above in *Compensation Discussion and Analysis*, is to provide compensation that rewards individual and organizational performance and align such compensation with the interests of long-term stockholders. The Company aims to make executive compensation sensitive to Company performance, which is defined in terms of revenue growth and profitability. Compensation also must be competitive, thereby enabling the Company to attract, retain and motivate highly-qualified individuals who contribute to the Company’s success.

We believe that the Company’s executive compensation programs have been effective at providing appropriate incentives for the achievement of targeted results, aligning pay and performance, creating an ownership culture in which award recipients think and act like stockholders, and enabling TCC to attract and retain some of the most talented executives in the communications security device and system industry.

Revenues for the Company’s 2022 fiscal year were \$1,304,000 with a net loss of \$2,331,000 or \$(1.26) per share. The continued delays in the receipt of certain foreign and domestic contracts due to the COVID-19 pandemic resulted in lower than expected revenue for fiscal 2022. Major domestic and international contracts also did not materialize during the fiscal year as expected due to the pandemic and responses thereto, including restrictions imposed on individuals and businesses by foreign and domestic federal and state governments.

Compensation actions taken with respect to fiscal 2022 for TCC’s named executive officers reflected the Company’s current and historical results. Specifically, in recognition of both the Company’s disappointing financial performance and poor individual achievement of performance milestones, no annual performance bonuses related to company performance were awarded to our CEO or CFO. Stockholders are encouraged to read the *Compensation Discussion and Analysis* and *Compensation* sections of this Proxy Statement for a more detailed discussion of how the Company’s compensation programs reflect our overarching compensation philosophy and core principles and how such philosophy and principles were implemented when making compensation decisions for the 2022 fiscal year.

Our Board values constructive dialogue on compensation and other governance topics, and recognizes the interest that investors have in executive compensation. In response to the passage of the Reform Act and in recognition of growing support for advisory votes on compensation and our stockholders’ say-on-pay and say-when-on-pay votes, stockholders currently have the opportunity to vote on an advisory resolution concerning the compensation of our executives on an annual basis.

At the Meeting, stockholders are being asked to vote on the following resolution:

**RESOLVED**, that the compensation paid to the Company’s named executive

officers as disclosed in the *Compensation* section (including the tables and narrative discussion therein) of this Proxy Statement be hereby APPROVED.

Stockholders will have the opportunity to vote for or against such resolution, or abstain from voting. The affirmative vote of the holders of a majority of the shares of Common Stock voting on the matter shall be required to approve the stockholder advisory vote on executive compensation as disclosed in this Proxy Statement. Abstentions and broker non-votes will not be included in the totals for the proposal, and will have no effect on the outcome of the vote.

The advisory vote will not be binding on the Governance Committee or the Board of Directors. However, the Governance Committee and the Board will review the voting results and any concerns raised by stockholders will be considered when determining future compensation arrangements and making decisions about future compensation programs and practices. The Board and Governance Committee also may consult directly with stockholders to better understand any issues and concerns.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE “FOR”  
THE ADVISORY RESOLUTION APPROVING EXECUTIVE COMPENSATION.**



**PROPOSAL III. STOCKHOLDER ADVISORY VOTE TO DETERMINE  
FREQUENCY OF VOTING ON EXECUTIVE COMPENSATION**

The Reform Act also enables our stockholders to vote, on a non-binding, advisory basis, on the frequency of the Company's say on pay proposals. These proposals, often referred to as "say when on pay", permit stockholders to select whether say on pay advisory votes occur every year, every two years or every three years. Shareholders also must be given the opportunity, at least once every six years, to have a separate vote to re-determine the frequency of the say on pay vote. At our annual meeting of stockholders in 2011 and again in 2017, shareholders voted to approve executive compensation on an annual basis. Shareholders are being given the opportunity at the Meeting to select the frequency of future votes.

TCC's Board of Directors and the Governance Committee have considered carefully the advantages and disadvantages of each frequency option, and have determined to again recommend to stockholders that they vote for an annual vote on executive compensation. The Board believes that having an annual vote makes compensation more responsive to and reflective of stockholders' interests and concerns, and decreases the chance that poor compensation decisions in one year will have a continuing, long-term effect.

Stockholders will have the opportunity to vote for one of three options with respect to this say when on pay proposal: one year, two years or three years. The option that receives the plurality of the votes cast at the Meeting shall be considered when determining the frequency of voting by stockholders on the compensation of our named executive officers. Abstentions and broker non-votes will not be included in the totals for the proposal, and will have no effect on the outcome of the vote.

The advisory vote will not be binding on the Governance Committee or the Board of Directors. However, the Governance Committee and the Board will review the voting results when determining the frequency with which stockholders will vote on executive compensation.

To be clear, stockholders are choosing the frequency with which stockholders will cast their non-binding, advisory votes on the Company's executive compensation. The choices provided to stockholders are one year, two years and three years. Stockholders are voting on the actual frequency of the vote, not voting to approve or disapprove the Board of Directors' recommendation as discussed above.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR  
ONE YEAR FOR THE FREQUENCY OF THE SAY ON PAY VOTE.**

**PROPOSAL IV. RATIFICATION OF SELECTION OF  
INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Audit Committee has selected the firm of Stowe & Degon LLC (“Stowe & Degon”), independent certified public accountants, to serve as the Company’s independent registered public accounting firm for the fiscal year ending September 30, 2023. Stowe & Degon acted as the Company’s independent registered public accounting firm for the Company’s 2022 and 2021 fiscal years.

It is expected that a member of Stowe & Degon will be present at the Meeting and will be available to respond to appropriate questions and make a statement if he or she so desires.

**Fees**

*Audit Fees.* The aggregate fees billed by Stowe & Degon for professional services rendered for the audit of the Company’s annual financial statements for fiscal year 2022 and for the reviews of the financial statements included in the Company’s quarterly reports during fiscal year 2022 were approximately \$36,000. There are unbilled audit fees of approximately \$75,000 for fiscal year 2022. The aggregate fees billed by Stowe & Degon for professional services rendered for the audit of the Company’s annual financial statements for fiscal year 2021 and for the reviews of the financial statements included in the Company’s quarterly reports during fiscal year 2021 were approximately \$111,000.

*Audit-Related Fees.* No fees were billed by Stowe & Degon for assurance and related services that were reasonably related to the performance of such firm’s audit or review of the Company’s financial statements for fiscal years 2022 and 2021.

*Tax Fees.* The aggregate fees billed by Verdolino & Lowey, P.C. for professional services rendered for tax compliance, tax advice and tax planning for the Company for the fiscal years 2022 and 2021 were approximately \$18,000 and \$9,000, respectively.

*All Other Fees.* No fees were billed by Stowe & Degon for products or services provided other than those otherwise described above for fiscal years 2022 and 2021.

**Pre-Approval Policies**

It is the policy of the Audit Committee to pre-approve the audit and permissible non-audit services performed by the Company’s independent registered public accounting firm in order to ensure that the provision of such services does not impair such firm’s independence, in appearance or fact. In fiscal year 2022, the Audit Committee pre-approved all such services performed by Stowe & Degon.

**Ratification**

Stockholder ratification of the appointment of the Company’s independent registered public accounting firm is not required by the Company’s By-laws or otherwise, but is being done as a matter of good corporate governance. If stockholders fail to ratify the selection, the Audit Committee will reconsider this selection. Even if the selection is ratified, the Audit Committee in its discretion may direct the appointment of a different independent registered public accounting firm at any time during the year if it determines that such a change would be in the best interests of the Company and its stockholders.

The affirmative vote of the holders of a majority of the shares of Common Stock voting on the matter is required for the ratification of the selection of the independent registered public accounting firm. Abstentions and broker non-votes will not be included in the totals for the proposal, and will have no effect on the outcome of the vote.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE “FOR” THE RATIFICATION  
OF THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM  
FOR FISCAL YEAR 2023.**

**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS  
AND MANAGEMENT**

The following table shows, as of December 16, 2022, the beneficial ownership of Common Stock of the Company by (i) any person or group who is known to the Company to be the beneficial owner of more than 5% of the Company's Common Stock, (ii) each of TCC's current directors and nominees, (iii) each of the Company's named executive officers, and (iv) all current directors and executive officers of the Company as a group. As of December 16, 2022, there were 1,854,403 shares of Common Stock outstanding.

<b><u>Name and Address of Beneficial Owner<sup>(1)</sup></u></b>	<b><u>Amount and Nature of Beneficial Ownership<sup>(1)</sup></u></b>	<b><u>Percent of Class</u></b>
Francisco F. Blanco	23,800(2)	1.3%
Carl H. Guild, Jr.	322,459(3)	17.2%
Thomas E. Peoples	26,490(4)	1.4%
Ralph M. Norwood	5,400(5)	0.3%
Michael P. Malone	40,127	2.2%
<b>All current directors, executive officers and 5% holders as a group (5 persons)</b>	418,276(6)	21.7%

(1) Unless otherwise indicated, each of the persons named in the table has sole voting and investment power with respect to the shares set forth opposite such person's name. With respect to each person or group, percentages are calculated based on the number of shares beneficially owned, including shares that may be acquired by such person or group, within 60 days of December 16, 2022, upon the exercise of stock options or other purchase rights, but not the exercise of options or warrants held by any other person. The address of Messrs. Blanco, Guild, Peoples, Norwood and Malone is c/o Technical Communications Corporation, 100 Domino Drive, Concord, Massachusetts 01742.

(2) Represents 23,800 shares issuable upon the exercise of stock options.

(3) Includes 24,500 shares issuable upon the exercise of stock options, and 297,959 shares held jointly by Mr. Guild and his wife.

(4) Includes 21,700 shares issuable upon the exercise of stock options.

(5) Includes 1,400 shares issuable upon the exercise of stock options.

(6) Includes an aggregate 71,400 shares issuable upon the exercise of stock options.

**Change in Control**

The Company knows of no arrangements (including any pledge by any person of securities of TCC) that may result or have resulted in a change in control of the Company.

## **ADDITIONAL INFORMATION**

### **Other Matters**

The Board of Directors of the Company is not aware of any matter, other than those described above, that may come before the Meeting. However, if any other matters are properly presented to the Meeting for action, it is intended that the persons named in the enclosed proxy card will vote on such matters in accordance with their best judgment and applicable law.

### **Stockholder Proposals for 2024 Annual Meeting**

Proposals of stockholders for inclusion in the Proxy Statement and form of proxy, including director nominees, for the Company's 2024 Annual Meeting of Stockholders (which is expected to be held on Monday, February 12, 2024) must be received by the Company at its principal executive offices no later than September 13, 2023, and must comply with the applicable requirements of federal securities laws and the Company's nomination procedures as discussed herein. Stockholder proposals received outside this process will be considered untimely if the Company is not provided written notice thereof at least 45 days prior to the first anniversary of the date of mailing of this year's proxy materials, as set forth on the first page of this Proxy Statement, or November 26, 2023. In order to curtail controversy as to the date on which the Company received a proposal, it is suggested that proponents submit their proposals by certified mail, return receipt requested.

### **Expenses and Solicitations**

The cost of the solicitation of proxies will be borne by the Company. Proxies will be solicited principally through the mail. Further solicitation of proxies from some stockholders may be personally made by directors, officers and regular employees of the Company, by telephone, electronic mail, facsimile or special letter. No additional compensation, except for reimbursement of reasonable out-of-pocket expenses, will be paid for any such further solicitation by such individuals.

In addition, the Company may request banks, brokers, custodians, nominees, and fiduciaries to forward copies of the Company's proxy materials to those persons for whom they hold shares to request instructions for voting the proxies. The Company will reimburse any such persons for their reasonable out-of-pocket costs.

### **Householding**

Certain stockholders who share the same address may receive only one copy of this Proxy Statement (which includes the Notice of Internet Availability of Proxy Materials) and the 2022 Annual Report on Form 10-K in accordance with a notice delivered from such stockholders' bank, broker or other holder of record, unless the applicable bank, broker or other holder of record received contrary instructions. This practice, known as "householding," is designed to reduce printing and postage costs. If you own your shares through a bank, broker or other holder of record and wish to either stop or begin householding, you may do so, or you may request a separate copy of this Proxy Statement (which includes the Notice of Internet Availability of Proxy Materials) or the Annual Report, either by contacting your bank, broker or other holder of record at the telephone number or address provided in the above referenced notice, or by contacting TCC via telephone at (978) 287-5100 or in writing at Technical Communications Corporation, 100 Domino Drive, Concord, Massachusetts, 01742, Attention: Investor Relations.

The Company will promptly provide separate copies of the requested materials. If you request to begin or stop householding, you should provide your name, the name of your broker, bank or other record holder, and your account information.

**Annual Report on Form 10-K**

The Company will provide, promptly upon written request and without charge to each stockholder entitled to vote at the Meeting, a copy of the Company's Annual Report on Form 10-K as filed with the Commission for the fiscal year ended September 24, 2022. A request for copies of such report should be addressed to the Company at 100 Domino Drive, Concord, Massachusetts 01742, Attention: Investor Relations.







U.S. SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended September 24, 2022

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

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

Commission File Number 001-34816

Technical Communications Corporation  
(Exact name of registrant as specified in its charter)

Massachusetts  
(State or other jurisdiction of incorporation or organization)

04-2295040  
(I.R.S. Employer Identification No.)

100 Domino Drive, Concord, MA  
(Address of principal executive offices)

01742-2892  
(Zip code)

(978) 287-5100  
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: None.

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, par value \$0.10 per share  
(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES  NO

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. YES  NO

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES  NO

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

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

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

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

Based on the closing price as of March 25, 2022, the aggregate market value of the registrant’s common stock held by non-affiliates of the registrant was \$2,261,291.

The number of shares of the registrant’s common stock, par value \$0.10 per share, outstanding as of December 16, 2022 was 1,854,403.

Portions of the Company’s Definitive Proxy Statement to be delivered to shareholders in connection with the Company’s 2023 Annual Meeting of Shareholders are incorporated by reference into Part III of this Form 10-K.

# TECHNICAL COMMUNICATIONS CORPORATION

## Annual Report on Form 10-K For the Year Ended September 24, 2022

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This Annual Report on Form 10-K contains or incorporates by reference not only historical information, but also forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and are subject to the safe harbors created by those sections. We refer you to the disclosure under the heading "Forward-Looking Statements." As used in this Annual Report on Form 10-K, references to the "Company," "TCC," "we," "our" or "us," unless the context otherwise requires, refer to Technical Communications Corporation and our subsidiary. All trademarks or trade names referred to in this report are the property of their respective owners.

## PART I

### Item 1. BUSINESS

Technical Communications Corporation was organized in 1961 as a Massachusetts corporation to engage primarily in consulting activities. Since the late 1960s, the business has consisted entirely of the design, development, manufacture, distribution, marketing and sale of communications security devices, systems and services. The secure communications solutions provided by TCC protect vital information transmitted over a wide range of data, video, fax and voice networks. TCC's products have been sold into over 115 countries to governments, military agencies, telecommunications carriers, financial institutions and multinational corporations. The Company's business consists of one industry segment, which is the design, development, manufacture, distribution, marketing and sale of communications security devices, systems and services.

#### Overview

The Company's products consist of sophisticated electronic devices that enable users to transmit information in an encrypted format and permit recipients to reconstitute the information in a deciphered format if the recipient possesses the right decryption "key." The Company's products can be used to protect confidentiality in communications between radios, landline telephones, mobile phones, facsimile machines and data network equipment over wires, fiber optic cables, radio waves, and microwave and satellite links. The principal markets for the Company's products are foreign and domestic governmental entities, law enforcement and military agencies, telecommunications carriers, financial institutions, and multinational companies requiring protection of mission-critical information.

TCC historically and presently designs and develops its own equipment and software to meet the requirements of general secure communications applications, as well as the custom-tailored requirements of specific users. A customer may order equipment that is specially programmed to encrypt transmissions in accordance with a code to which only the customer has access. Management believes the coordinated development of cryptographic software and associated hardware allows TCC to provide high-strength encryption security products with efficient processing and transmission. Both criteria, the Company believes, are essential to customer satisfaction.

TCC manufactures most of its products using third-party vendors for the supply of components and selected processing. Final assembly, software loading, testing and quality assurance are performed by TCC at its factory. This manufacturing approach allows TCC to competitively procure the components from multiple suppliers while maintaining control of the manufacture and performance of the final product.

TCC's products are sold worldwide through a variety of channels depending on the country and the customer. Generally, TCC does not use stocking distributors because the Company's products are required to be sold under an applicable U.S. government license, which generally requires end-user information. Rather, the Company sells directly to customers, original equipment manufacturers, or OEMs, and value-added resellers using its in-house sales force as well as domestic and international representatives, consultants and distributors. The marketing and selling approach varies with each country and often involves extensive test and demonstration activity prior to the consummation of a sale. TCC has a network of in-country representatives and consultants who conduct performance demonstrations, market the products and close the sale, and who handle on behalf of TCC many of the ancillary requirements pertaining to importation duties, taxes, registration fees, and product receipt and acceptance. After-sale, in-country support by the representatives maintains customer satisfaction and provides a liaison for the Company's customer support services.

Providing secure communications systems and services for government and military markets worldwide remains a principal focus for TCC, as the Company believes continued concerns over security will sustain demand for increased protection of both voice and data networks. Our focus in the government market also now includes law enforcement special operations customers. Additionally, we see increased interest for secure communications in the corporate industrial sector. The Company is pursuing selected, evolutionary upgrades and product derivatives of our government/military products both to provide entry into these markets and meet new requirements of our existing customers.

## Products and Services

Described below is TCC's portfolio of communications security solutions for mission-critical voice, data, fax and video networks for military, government and corporate/industrial applications.

The Government Systems product line has traditionally been the Company's core product base and typically generates the majority of the Company's revenue. During fiscal 2022, 18% of revenue was generated from our Government Systems product line and 76% was generated by our engineering services. During fiscal 2021, 40% of revenue was generated from our Government Systems product line and 59% was generated by our engineering services. Although we expect engineering services to remain strong, we also expect that revenue from our Government Systems products will constitute the majority of our revenue in the future. These products, such as the internet protocol data encryption systems and the DSP 9000/HSE 6000 radio encryption system, have proven to be highly durable, and have led to significant repeat business from our government customers. The Company believes that these products and their derivatives will continue to be the Company's most significant source of near-term future revenues.

With the availability of our next-generation IP encryptors and the ability to integrate customer-specific national algorithms, the Company believes that its Network Security Systems are competitive for a growing niche of mission-critical government and industrial/corporate network applications worldwide. TCC expects that future derivatives of its IP encryptor and KEYNET IP Manager system will expand the market opportunity for these products.

The Company's Secure Office Systems product line had primarily consisted of products that were originally acquired through an asset and rights purchase from a subsidiary of AT&T in 1995. These products are no longer being marketed although several are still available and will continue to be offered as inventory permits. TCC also continues to offer CipherTalk<sup>®</sup> secure mobile phone communication solutions. The Cipher Talk 8500, a secure mobile IP-based phone that targets the high-end secure wireless mobile phone market, is competitive but product demand has not developed as expected. We will continue to market this product with reduced expectations.

The Company also provides customized tools, products and training upon a customer's request, as well as design solutions for OEM requirements. In addition, the Company actively sells its engineering services in support of funded research and system development. These services are typically billed to a customer on a time and materials basis and can run for several months to several years depending on the scope of the project. Fiscal year 2019 was a significant year for sales of our engineering services, with more modest revenue generated from services during fiscal 2022, 2021 and 2020; we expect demand for such services to remain strong in the future.

## **Government Systems**

The Company's DSP 9000 and HSE 6000 secure radio product lines offer strategic-level security for voice and data communications sent over High Frequency, or HF, Very High Frequency, or VHF, and Ultra High Frequency, or UHF, channels. Designed for military environments, the Company believes these products provide high voice quality over poor line connections, making them an attractive security solution for military aircraft, naval, base station and man-pack radio applications. These products provide automated key distribution for security and ease of use. They are also radio independent because software programmable interfaces allow radio interface levels to be changed without configuring the hardware. Base station, handset and embedded board configurations are available options. All versions interoperate with TCC's HSE 6000 Squad Radio Headset and Telephone Encryptor

for cross-network secure voice conferencing. The DSP 9000 base station model also interoperates with the Company's CSD 3324 SE secure telephone system to enable "office-to-field" communications.

TCC's HSE 6000 Squad Radio Headset and Telephone Encryptor is designed for public safety special operations, land mobile radio applications, as well as military applications. With the optional telephone interconnect kit, the HSE 6000 connects to corded handset telephones for secure voice communications and radio-to-telephone conferencing over Voice over IP, digital, and analog telephone networks. It is also interoperable with the DSP 9000 radio security product family, enabling secure voice communications and cross-network conferencing across and between air, land, sea and office.

The Company's CSD 3324 SE Secure Telephone, Fax and Data system provides strategic-level communications security for voice, fax and data encryption in a telephone package designed for government applications needing high reliability. The product has a fallback mode, which was originally developed for poor HF channels. As a result, secure communications are possible even over poor line conditions. TCC's high-level encryption and automated key distribution system protect sensitive information, and internal storage of 800 keys provides hands-off security.

The Company's CSD 3324 SP telephone and fax system provides integrated secure voice and fax security in a telephone package designed for government and corporate applications. The CSD 3324 SPV secure telephone secures voice communications over the public switched telephone network and interoperates with the CSD 3324 SP system.

Government customers can also utilize the Company's Cipher X family of Cyber Security Appliances, described below, to achieve superior-grade network encryption and secure communications.

The Government Systems product line also includes the Company's DSD 72A-SP Military Bulk Ciphering System, a rugged military system that provides a high level of cryptographic security for military data networks operating at up to 34 million bits per second. The product supports a wide variety of interfaces and is designed to integrate into existing networks. Due to diminished demand in recent years, this product is no longer being marketed. However, we continue to support a large installed base of such equipment still in use with our customers, as there remains a demand for spare parts and small network upgrades. Foreign military requirements for the DSD 72A-SP are expected to transition over time to the data encryption systems product line using the Internet Protocol, described below.

### **Network Security Systems**

TCC offers network encryption systems with centralized key and device management for Internet protocol, or IP, Synchronous Optical Network & Synchronous Digital Hierarchy, or SONET/SDH, and frame relay networks to secure data in transit from local area network to local area network and across wide area networks. TCC's KEYNET IP Manager is designed to centrally configure and manage a network of encryption appliances for secure communications and can be used globally. The Company also offers KEYNET Lite, a version of KEYNET for small networks.

The Company supports the industry standard Advanced Encryption Standard, or AES, 256-bit cryptographic algorithm and can integrate customer-specific national algorithms to meet customer-specific needs. All of TCC's encryption systems are designed to seamlessly overlay onto existing networks without requiring infrastructure changes. Network performance impact is negligible and we believe the systems are easy to deploy, use, monitor and manage. Additionally, the Cipher X family offers scalable performance to higher speeds without changing hardware. This minimizes the entry cost of deploying a security solution and provides a cost-effective path to meet evolving business needs. Upgrades are licensed and made available on-demand via the KEYNET management system. All performance levels interoperate and are designed to have identical functionality.

The Cipher X 7211 network security device is the 100 Mb/s to 1 Gb/s model of the family of TCC Cyber Security Appliances. Cipher X 7211 IP Encryption with KEYNET IP Manager provides strategic-level secure communications for large global IP networks for point-to-point and multicast applications such as video conferencing. It offers a unique combination of flexibility, scalable 1 gigabit per second performance and KEYNET

IP Manager for ease of use. The Cipher X 7211 is a hardware-based, FIPS 140-2 Level 3 designed encryption device.

The Cipher X 7220 network security device is the 10 Gb/s model of the family of TCC Cyber Security Appliances. The Cipher X 7220 is ideally suited for global Ethernet networks with high performance requirements, and we believe it integrates seamlessly into existing networks without degrading performance. Its hardware-based layer 2, 3 and 4 encryption engines encrypt and decrypt outbound and inbound traffic at full wire speed.

The Cipher X 7210 network security device is the 100 Mb/s model in the product family, best suited for applications with low-bandwidth requirements, such as remote offices. Like the 7220, it is designed to integrate into existing networks without degrading network performance and provide encryption and decryption of outbound and inbound traffic at full wire speed.

### **Secure Office Systems**

The CipherTalk 8500 secure mobile phone is designed to provide military-grade encrypted voice and text communications anywhere in the world over Global System for Mobile Communications, or GSM, and Wi-Fi networks. Introduced in fiscal 2016, the CipherTalk 8500 IP-based secure wireless phone is built on a hardened Android™ smartphone platform for security and ease of use. TCC also offers a server-based, network management system that provides the customer with total control of network connectivity.

The Company's CSD 4100 executive secure telephone offers strategic-level voice and data security in an executive telephone package. Exceptional voice quality can be achieved with three different voice-coding algorithms. The product provides ease-of-use security features such as automated key management, authentication, certification and access control. Due to diminished demand in recent years, this product is no longer being marketed but we continue to provide support to existing customers that have installed equipment bases requiring expansion or modification. The Company also continues to offer the CSD 3324 SE, our encrypted office telephone that offers secure voice, fax and radio communications, as part of its Secure Office Systems product line.

### **Services**

The Company performs funded research and development and technology development for commercial companies and government agencies under both cost reimbursement and fixed-price contracts. Cost reimbursement contracts provide for the reimbursement of allowable costs and, in some situations, the payment of a fee. These contracts may contain incentive clauses providing for increases or decreases in the fee depending on how actual costs compare with a budget. On fixed-price contracts that are expected to exceed one year in duration, revenue is recognized pursuant to the proportional performance method based upon the proportion of actual costs incurred to the total estimated costs for the contract. The Company typically receives periodic progress payments on these types of contracts.

TCC offers general communications security education for businesses and other users, including military and government entities, as well as product-specific training for its customers. TCC also specializes in developing and designing custom cryptographic solutions for customers' unique secure voice, data and video communications requirements and integrating such solutions into existing systems. The Company has designed embedded secure radio encryption solutions, national algorithms for military data applications, cryptographic modules for National Secure Mode Identification Friend or Foe, or IFF, systems, as well as rocket-borne telemetry encryption modules, and country-unique secure telephone and fax algorithms. In addition, TCC has partnered with network and telecommunications equipment providers to add security in unique applications.

### **Competition**

The market for communications security devices and systems is highly competitive and characterized by rapid technological change. The Company has several competitors, including foreign-based companies, in the communications security device field. The Company believes its principal competitors include Thales Group, Codan Limited and Fortinet, Inc.

The Company competes based on its service, the operational and technical features of its products, its customization abilities, its sales expertise, and pricing. Many of TCC's competitors have substantially greater financial, technical, sales and marketing, distribution and other resources, greater name recognition and longer standing relationships with customers. Competitors with greater financial resources can be more aggressive in marketing campaigns, can survive sustained price reductions in order to gain market share and can devote greater resources to support existing products and develop new competing products.

Our competitive position also depends on our ability to attract and retain qualified personnel, obtain and maintain intellectual property protection or otherwise develop proprietary products or processes, and secure sufficient capital resources for product, research and development efforts. We believe the ability of TCC to custom-tailor cryptographic functions and systems to satisfy unique customer requirements is an important competitive differentiator, and will meet a growing demand as customers become more sophisticated in defining their communications security needs.

### Net Revenue and Backlog

In fiscal 2022, the Company had two customers representing 91% of total net revenue. This revenue was derived from sales of our engineering services amounting to \$996,000 and shipments of our narrowband radio encryptors and various accessories to one Far East country amounting to \$192,000 and a shipment of our internet protocol data encryptors amounting to \$80,000 and some training provided to a North African country in the amount of \$36,000.

In fiscal 2021, the Company had two customers representing 74% of total net revenue. This revenue was derived from sales of our engineering services amounting to \$1,107,000 and shipments of our narrowband radio encryptors and various accessories to one north African country amounting to \$148,000 and three domestic customers for deployment into a Middle Eastern country amounting to \$270,000, for deployment into a North African country amounting to \$98,000 and for deployment into Afghanistan amounting to \$77,000, and shipments of our internet protocol data encryptors amounting to \$19,000.

The Company sells directly to customers, original equipment manufacturers and value-added resellers using its in-house sales force as well as domestic and international representatives, consultants and distributors. International sales are made primarily through our main office. We seldom have long-term contractual relationships with our customers and, therefore, generally have no assurance of a continuing relationship within a given market.

Orders for our products are usually placed by customers on an as-needed basis and we typically ship products within 30 to 180 days of receipt of a customer's firm purchase order. Our backlog consists of orders received where the anticipated shipping date or services to be performed are within 12 months of the order date. Because of the possibility of customer changes in delivery schedules or the cancellation of orders, our backlog as of any particular date may not be indicative of revenue in any future period. Our backlog as of September 24, 2022 and September 25, 2021 was approximately \$80,000 and \$1,090,000, respectively.

For certain services contracts, the Company will bill customers in accordance with the terms of the contract, but recognize revenue as the services are performed. The billings in excess of revenue are recorded as deferred revenue on the balance sheet. These deferred revenues are recognized in future periods as we perform the services. There was no deferred revenue at September 24, 2022 or September 25, 2021.

Consistent with TCC's historical experience, the Company expects that sales to a relatively small number of customers will continue to account for a high percentage of the Company's revenues for the foreseeable future. A reduction in orders from any such customer, or the cancellation of any significant order and failure to replace such order with orders from other customers, would have a material adverse effect on the Company's financial condition and results of operations.

### Regulatory Matters

As a party to a number of contracts with the U.S. government and its agencies, the Company must comply with extensive regulations with respect to bid proposals and billing practices. Should the U.S. government or its



agencies conclude that the Company has not adhered to federal regulations, any contracts to which the Company is a party could be canceled and the Company could be prohibited from bidding on or participating in future contracts. Such a prohibition would have a material adverse effect on the Company.

All payments to the Company for work performed on contracts with agencies of the U.S. government are subject to adjustment upon audit by the U.S. Defense Contract Audit Agency, the U.S. Government Accountability Office, and other agencies. The Company could be required to return any payments received from U.S. government agencies if it is found to have violated federal regulations. There have been no government audits in recent years and the Company believes the result of such audits, should they occur, would not have a material adverse effect on its financial position or results of operations, although we can give no assurances. In addition, U.S. government contracts may be canceled at any time by the government with limited or no notice or penalty. Contract awards are also subject to funding approval from the U.S. government, which involves political, budgetary and other considerations over which the Company has no control.

The Company's security products are subject to export restrictions administered by the U.S. Department of Commerce and U.S. Department of State, which license the export of encryption products, subject to certain technical restrictions. In addition, U.S. export laws prohibit the export of encryption products to a number of hostile countries. Although to date the Company has been able to secure necessary U.S. government export licenses, there can be no assurance that the Company will continue to be able to secure such licenses in a timely manner in the future, or at all.

The U.S. government controls, through a licensing process, the distribution of encryption technology and the sale of encryption products. The procedure for obtaining the applicable license from either the Department of Commerce or the Department of State, depending on the U.S. government's determination of jurisdiction, is well documented. The Company submits a license request application, which contains information pertaining to:

- the type of equipment being sold;
- detailed technical description (if required);
- the buyer;
- the end-user and use;
- quantity; and
- destination location.

The appropriate departments of the U.S. government review the application and a licensing decision is provided to the Company. Pursuant to the receipt of the license, the Company may ship the product.

Many of TCC's products can be sold under existing "blanket" licenses that have been obtained through a variant of the licensing process that approves products for sale to certain classes of customers, such as financial institutions, civilian government entities and commercial users. The Company has obtained "blanket" licenses for its secure telephone and office system products and its family of network encryptors. Licenses for sales of certain other products and/or to certain end users must be submitted for specific approval as described above. Although the U.S. government retains the right and ability to restrict product exports, the Company does not believe that U.S. government licensing will become more restrictive or an impediment to its business. The trend has been for the U.S. government to reduce the restrictions on the foreign sale of cryptographic equipment. TCC believes this trend is driven by the government's recognition of the technology available from foreign sources and the need to allow domestic corporations to compete in foreign markets. However, should the regulations become more restrictive, it would have a negative impact on the Company's international business, the impact of which could be material.

The costs and effects of compliance by the Company with applicable environmental laws during fiscal 2022 were, and historically have been, immaterial. In 2003, the European Union adopted the "Restriction of Hazardous Substances Directive 2002/95/EC". In the event the Company's sales to Europe increase, the Company may have to incur additional costs to provide for the disposal of its products in compliance with that directive.

## Manufacturing

TCC has several manufacturing subcontractors and suppliers that provide outside processing of electronic circuit boards, fabrication of metal components, and supply of electronic components. For the majority of purchased materials and services, TCC has multiple suppliers that are able to deliver materials and services under short-term delivery purchase orders. Payment is typically made after delivery, based upon standard credit arrangements. For a small minority of parts, there are limited sources of supply. In such cases, TCC monitors source availability and usually stocks for anticipated long-term requirements to assure manufacturing continuity. Notwithstanding the Company's efforts to maintain material supplies, shortages can and do develop, resulting in delays in production, significant engineering development effort to find alternative solutions and, if production cannot be maintained, the discontinuation of the affected product design.

The Company's internal manufacturing process consists primarily of adding critical components, final assembly, system burn-in, quality control and testing. Delivery times vary depending on the products and options ordered.

## Technological Expertise

TCC's technological expertise and experience, including certain proprietary rights which it has developed and maintains as trade secrets, are crucial to the conduct of the Company's business. TCC has been designing and producing secure, cryptography-based communications systems for over 50 years, during which time the Company has developed many technological techniques and practices. This expertise and experience are in the areas of cryptographic algorithm design and implementation, key distribution and management systems, cryptographic processors, voice and fax encryption, and electronic hardware design. TCC relies on its internal technical expertise and experience, which TCC considers to be proprietary. These proprietary technologies are owned by TCC, are under TCC's control, and have been documented consistent with standard engineering practices. It is estimated that the majority of revenue during the past two years and during the next two years will be of products that are based upon TCC-proprietary designs.

Such technological experience and expertise are important as they enable an efficient design and development process. Loss of this experience and expertise would have an adverse impact on the Company. However, TCC's practices governing the internal documentation of design data mitigate some of the risk associated with the loss of personnel who are skilled in the core competencies described above.

TCC's existing intellectual property portfolio includes a number of registered and unregistered trademarks; while eight patents have been issued to the Company, such patents have expired. Management is of the opinion that, while patent protection was desirable with respect to certain products, none of the Company's patents are currently material to the conduct of its business and the expiration of such patents is not expected to have any significant impact.

TCC has an on-going technology license for communications protocol software used in the CipherONE family of Network Security System products. The license is royalty-based and runs without a specified termination date. The cost of this license is immaterial.

With the exception of the technology license referred to above, TCC has no material third party rights upon which the Company relies. Revenue from the sale of products associated with this license has not been and is not anticipated to be significant to the Company's revenues.

## Research and Development

Research and development efforts are undertaken by the Company primarily on its own initiative. In order to compete successfully, the Company must improve existing products and develop new products as well as attract and retain qualified personnel. No assurances can be given that the Company will be able to hire and train such technical, management and sales personnel or successfully improve and develop its products.

During the fiscal years ended September 24, 2022 and September 25, 2021, the Company spent \$817,000 and \$732,000, respectively, on internal product development. The Company also spent \$636,000 and \$711,000 on billable development efforts during fiscal 2022 and 2021, respectively. In fiscal 2022, the Company's total product development costs were \$10,000 higher than fiscal 2021 levels and reflected the costs of custom development, product capability enhancements and production readiness. It is expected that product development expenses in fiscal 2023 will be consistent with fiscal 2022 levels.

Technical work continued to focus on three principal areas: development of solutions that meet the needs of OEMs; product enhancements that include expanded features, planned capability and applications growth; and custom solutions that tailor our products and services to meet the unique needs of our customers. Going forward, the Company expects to continue focusing technical efforts in these areas while also increasing our systems design and integration capabilities and services offering portfolio. The following are highlights of our product development efforts in fiscal 2022:

- Completed the development of functional enhancements for the CX7211 digital data encryptor.
- Completed the development of the aircraft-compatible, VOX HSE 6000 radio encryption product variants.
- Provision of custom engineering services for secure communications.

### Foreign Operations

The Company's results of operations are dependent upon its foreign revenue, including domestic sales shipped to foreign end-users. Sales to foreign markets have been and will continue to be affected by, among other things, the stability of foreign governments, foreign and domestic economic conditions, export and other governmental regulations, and changes in technology. The Company attempts to minimize the financial risks normally associated with foreign sales by utilizing letters of credit confirmed by U.S. and foreign banks. Foreign sales contracts are usually denominated in U.S. dollars.

The Company utilizes the services of sales representatives, consultants and distributors in connection with foreign sales. Typically, representatives are paid commissions and consultants are paid fixed amounts on a stipulated schedule in return for services rendered. Distributors are granted discounted pricing.

The export from the United States of many of the Company's products may require the issuance of a license by the U.S. Department of State under the Arms Export Control Act of 1976, as amended, or by the U.S. Department of Commerce under the Export Administration Act as kept in force by the International Emergency Economic Powers Act of 1977, as amended. The licensing process is discussed in more detail under the "Regulatory Matters" section above.

In fiscal years 2022 and 2021, sales directly to international customers accounted for approximately 24% and 13%, respectively, of our net revenue. Based on our historical results we expect that international revenue, including sales to domestic customers that ship to foreign end-users, will continue to account for a significant portion of our revenues for the foreseeable future. As a result, we are subject to the risks of doing business internationally, including:

- changes in regulatory requirements,
- domestic and foreign government policies, including requirements to expend a portion of program funds locally and governmental industrial cooperation requirements,
- delays in placing orders,
- fluctuations in foreign currency exchange rates,
- the complexity and necessity of using foreign representatives, consultants and distributors,
- the uncertainty of the ability of foreign customers to finance purchases,
- uncertainties and restrictions concerning the availability of funding credit or guarantees,
- imposition of tariffs or embargoes, export controls and other trade restrictions,
- the difficulty of managing and operating an enterprise spanning several countries,
- compliance with a variety of foreign laws, as well as U.S. laws affecting the activities of U.S. companies abroad, and
- economic and geopolitical developments and conditions, including international hostilities, acts of

terrorism and governmental reactions, inflation, trade relationships and military and political alliances.

While these factors and their impact are difficult to predict, any one or more of these factors could adversely affect our operations in the future.

We also may not be successful in obtaining the necessary licenses to conduct operations abroad, and the U.S. government may prevent proposed sales to foreign governments or other end-users.

### Employees

As of September 24, 2022, the Company employed 19 full-time employees and two part-time employees, as well as several consultants. The Company believes that its relationship with its employees is good.

### Available Information

The U.S. Securities and Exchange Commission, or the SEC, maintains an Internet site that contains current and periodic reports, proxy and information statements, and other information regarding issuers, including TCC, that file electronically with the SEC at [www.sec.gov](http://www.sec.gov). Additional information about TCC's filings can also be obtained at our website at [www.tccsecure.com](http://www.tccsecure.com) under "Investor Relations." We make available free of charge on our website the Company's Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. The contents of our website are not a part of this Annual Report on Form 10-K and should not be considered to be a part of, or incorporated into, this report.

## Item 1A. **RISK FACTORS**

*You should carefully consider the following risk factors that affect our business. Such risks could cause our actual results to differ materially from those that are expressed or implied by forward-looking statements contained herein. The risks and uncertainties described below are not the only ones facing us. Additional risks and uncertainties that we are unaware of, or that we currently deem immaterial, also may become important factors that affect us. If any of the following risks occur, our business, financial condition or results of operations could be materially and adversely affected. You should also consider the other information included in this Annual Report on Form 10-K for the fiscal year ended September 24, 2022 and subsequent quarterly reports filed with the SEC.*

***We have suffered recurring operating losses from operations and there is doubt about our ability to continue as a going concern.***

For the year ended September 24, 2022, the Company generated a net loss of \$2,331,000. For the fiscal year ended September 25, 2021, the Company generated a net loss of \$1,088,000 and, the Company suffered recurring losses from operations during the prior seven year period from fiscal 2012 to fiscal 2018 and had an accumulated deficit of \$6,485,000 at September 24, 2022. We anticipate that our principal sources of liquidity, including the recent line of credit, will be sufficient to fund our activities through January 2023. We may never achieve or sustain profitability. We must raise additional capital to pursue our development initiatives, penetrate markets for the sale of our products and continue as a going concern. We cannot provide any assurance that we will be able to raise additional capital. If we are unable to secure additional capital, we may be required to curtail our research and development initiatives and take additional measures to reduce costs in order to conserve cash in amounts sufficient to sustain operations and meet our obligations. These factors continue to raise substantial doubt about the Company's ability to continue as a going concern. Such consolidated financial statements do not include any adjustments to reflect the substantial doubt about the Company's ability to continue as a going concern.

***We may not have sufficient cash to execute our business plan or sustain operations.***

We used net cash in operations of \$2,278,334 and \$2,706,235 during fiscal years ended September 24, 2022 and September 25, 2021, respectively. At September 24, 2022, we had \$6,727 in cash and cash equivalents. On August

4, 2022, Technical Communications Corporation (the “Company”) issued an amended and restated demand promissory note in the principal amount of up to \$4,000,000 in favor of Carl H. Guild, Jr. Mr. Guild, the Company’s Chief Executive Officer, President and Chairman of the Board, loaned the money to the Company to provide working capital. The \$4,000,000 consists of \$1,000,000 previously loaned to the Company at an interest rate of 6% and \$2,000,000 previously loaned to the Company at an interest rate of 7.5% and an additional \$1,000,000 at an interest rate of 7.5%. The additional funds will be available to the Company to borrow from Mr. Guild on a revolving basis and the loan has no specified term and may be prepaid at any time without premium or penalty. The outstanding principal balance at September 24, 2022 was \$3,000,000, plus accrued interest of \$106,000. An interest payment of \$30,000 was made in January of 2022.

In December 2022 the Company implemented a partial furlough plan for the majority of salaried employees. Although we have been able to and believe we will continue to be able to retain our employees and maintain all vital functions, it is likely that in a period of continued sustained disruption we would be forced to further furlough or terminate some or all of our employees.

We anticipate that our principal sources of liquidity, including the recent line of credit, will be sufficient to fund our activities through January 2023. We must raise additional capital to pursue our development initiatives, penetrate markets for the sale of our products and continue as a going concern. We cannot provide any assurance that we will be able to raise additional capital. If we are unable to secure additional capital, we may be required to curtail our research and development initiatives and take additional measures to reduce costs in order to conserve cash in amounts sufficient to sustain operations and meet our obligations.

***The COVID-19 pandemic has disrupted our business and may adversely affect our operations and results of operations.***

The COVID-19 pandemic may have a significant and adverse impact on our business. The full extent to which COVID-19 will impact our operating results and financial condition will depend on future developments that are highly uncertain and cannot be accurately predicted, including new medical and other information that may emerge concerning the virus and the actions by governmental entities or others to address and contain it.

As a result of COVID-19, many of our customers have curtailed their operations and as a result we are experiencing delays in orders. We believe these are only delays and that as we and our customers return to more normal operations these orders will be restored and future orders will resume on a more predictable basis, but we can make no assurances. While we have not experienced any significant supply problems and there have been no materially late deliveries of components or parts to date, it is possible that in a period of sustained disruption we may encounter problems in the manufacturing process or shortages in parts, components or other elements vital to the manufacture, production and sale of our products.

Finally, we cannot be certain that we will have access to sufficient liquidity to meet our obligations for the time required to allow our customer operations to resume or normalize. Although we were able to secure loans under the Small Business Administration’s Payroll Protection Program and Economic Injury Disaster Loan program during fiscal 2020, we may not be able to obtain additional funding on acceptable terms or at all, and any additional relief provided by lenders or governmental agencies may be insufficient to support our operations until business returns to normal.

***Our management has determined that the Company’s disclosure control and procedures and internal control over financial reporting were not effective for fiscal year-end September 24, 2022.***

Our management team, under the supervision and with the participation of our Chief Executive Officer and our Chief Financial Officer, conducted an assessment of the effectiveness of the Company’s disclosure controls and procedures and internal control over financial reporting as of the end of the Company’s 2019 fiscal year. Management had concluded that the Company did not maintain effective internal control over financial reporting due to the misapplication of generally accepted accounting principles associated with revenue recognition, inventory reserves, accruals and the preparation of the consolidated financial statements, as well as the classification and disclosure of financial information, all caused by a lack of adequate skills and experience within the accounting department. In addition, management identified a material weakness due to a lack of sufficient staff to segregate

accounting duties, as well as a material weakness in internal control over significant non-routine transactions, all as disclosed in the relevant quarterly reports filed during our 2022 fiscal year. These conditions have led management to conclude that neither the Company's disclosure controls and procedures nor its internal control over financial reporting were effective at September 24, 2022.

The Company has made significant progress in improving its internal control over financial reporting but remediation efforts are ongoing; the Company's goal is to have all material weaknesses remediated in the early part of its 2023 fiscal year.

Although we review and evaluate our internal control systems on a regular basis, we cannot assure you that we will not discover additional weaknesses in the future or that any corrective actions taken to remediate issues identified during the course of an assessment will be effective. Any such additional weaknesses could materially adversely affect our financial condition or ability to comply with applicable financial reporting requirements.

***Our quarterly operating results typically fluctuate and our future revenues and profitability are uncertain.***

We have experienced significant fluctuations in our quarterly operating results during the last several years and anticipate continued substantial fluctuations in our future operating results. A number of factors have contributed to these quarterly fluctuations, including but not limited to:

- foreign political unrest;
- budgeting cycles of customers, including the U.S. government;
- introduction and market acceptance of new products and product enhancements by us and our competitors;
- timing and execution of individual contracts;
- competitive conditions in the communications security industry;
- changes in general economic conditions; and
- shortfalls of revenues in relation to expectations that formed the basis for the calculation of fixed expenses.

***Our international operations expose us to additional risks.***

The Company is dependent upon its foreign revenue (including domestic sales shipped to foreign end-users) and we expect that revenue to foreign end-users will continue to account for a significant portion of our revenues for the foreseeable future. As a result, we are subject to the risks of doing business internationally, including imposition of tariffs or embargoes, export controls, trade barriers and trade disputes, regulations related to customs and export/import matters, fluctuations in foreign economies and currency exchange rates, longer payment cycles and difficulties in collecting accounts receivable, the complexity and necessity of using foreign representatives, consultants and distributors, tax uncertainties and unanticipated tax costs due to foreign taxing regimes, the difficulty of managing and operating an enterprise spanning several countries, the uncertainty of protection for intellectual property rights and differing legal systems generally, compliance with a variety of laws, and economic and geopolitical developments and conditions, including international hostilities, armed conflicts, acts of terrorism and governmental reactions, inflation, trade relationships, and military and political alliances.

We also may not be successful in obtaining the necessary licenses to conduct operations abroad, including the export of many of the Company's products, and the U.S. government may prevent proposed sales to foreign governments or certain international end-users. Export restrictions, compliance with which imposes additional burdens on the Company, may further provide a competitive advantage to foreign competitors facing less stringent controls on their products and services.

We continue to focus efforts in emerging markets, including the Middle East, Northern Africa and Southwest Asia. In many of these emerging markets, we may be faced with risks that are more significant than if we were to do business in developed countries, including undeveloped legal systems, unstable governments and economies, and potential governmental actions affecting the flow of goods and currency.

***We continue to face a number of risks related to current global economic and political conditions that could unfavorably impact our business.***

Global economic conditions continue to be challenging for the secure communications markets, as many economies and financial markets remain in a recession resulting from a number of factors, including the impact of the pandemic, adverse credit conditions, low economic growth rates, continuing high rates of unemployment, and reduced corporate capital spending. Economic growth in many other countries has remained low and the length of time these adverse economic conditions may persist, including as a result of COVID-19, is unknown. In addition, conflicts in the Middle East and elsewhere have created many economic and political uncertainties that have impacted worldwide markets. These global economic and political conditions have impacted and will continue to impact our business in a number of ways, including:

- *Budgeting and forecasting are difficult:* It is difficult to estimate changes in various parts of the U.S. and world economy, including the markets in which we participate. Components of our budgeting and forecasting are dependent upon estimates of demand for our products, and the prevailing economic and political uncertainties make estimating future income and expenditures difficult.
- *Potential deferment or cancellation of purchases and orders by customers:* Uncertainty about current and future global economic and political conditions may cause, and in some cases has caused, governments and businesses to defer or cancel purchases. If future demand for our products declines due to deteriorating global economic and political conditions, it will negatively impact our financial results.
- *Customers' inability to obtain financing to make purchases:* Some of our customers require substantial financing, including government financing, in order to fund their operations and make purchases from us. The inability of these customers to obtain sufficient credit or other funds to finance purchases and/or meet their payment obligations could have a negative impact on our financial results.

***Our future success will depend on our ability to respond to rapid technological changes in the markets in which we compete.***

The markets for TCC's products and services are characterized by rapid technological developments, changing customer technological requirements and preferences, frequent new product introductions, enhancements and modifications, and evolving industry standards. Our success will depend in large part on our ability to correctly identify emerging technological trends, enhance capabilities, and develop and manufacture new technologies and products quickly, in a cost-effective manner, and at competitive prices. The development of new and enhanced products is a complex and costly process. We may need to make substantial capital expenditures and incur significant research and development costs to develop and introduce such new products and enhancements. Our choices for developing technologies may prove incorrect if customers do not adopt the products we develop or if the technologies ultimately prove to be technically or commercially unviable. Development schedules also may be adversely affected as the result of the discovery of performance problems. If we fail to timely develop and introduce competitive new technologies, our business, financial condition and results of operations would be adversely affected.

***Existing or new competitors may develop competing or superior technologies.***

The industry in which the Company competes is highly competitive, and the Company has several domestic and foreign competitors. Many of these competitors have substantially greater financial, technical, sales and marketing, distribution and other resources, greater name recognition and longer standing relationships with customers. Competitors with greater financial resources can be more aggressive in marketing campaigns, can survive sustained price reductions in order to gain market share, and can devote greater resources to support existing products and develop new competing products. Any period of sustained price reductions for our products would have a material adverse effect on the Company's financial condition and results of operations. TCC may not be able to compete successfully in the future and competitive pressures may result in price reductions, loss of market share or otherwise have a material adverse effect on the Company's financial condition and results of operations. It is also possible that competing products will emerge that may be superior in quality and performance and/or less expensive

than those of the Company, or that similar technologies may render TCC's products obsolete or uncompetitive and prevent the Company from achieving or sustaining profitable operations.

***The operating performance of our products is critical to our business and reputation.***

The sale and use of our products entail a risk of product failure, product liability or other claims. Occasionally, some of our products have quality issues resulting from the design or manufacture of the product or the software used in the product. Often these issues are discovered prior to shipment and may result in shipping delays or even cancellation of orders by customers. Other times problems are discovered after the products have shipped, requiring us to resolve issues in a manner that is timely and least disruptive to our customers. Such pre-shipment and post-shipment problems have ramifications for TCC, including cancellation of orders, product returns, increased costs associated with product repair or replacement, and a negative impact on our goodwill and reputation.

Once our products are in use, any product failure, including software or hardware failure, which causes a breach of security with respect to our customer's confidential communications could have a material adverse effect on TCC. There is no guarantee of product performance or that our products are adequate to protect against all security breaches. While we attempt to mitigate such risks by maintaining insurance and including warranty disclaimers and liability limitation clauses in our arrangements with customers, such mitigation measures may not protect us against liability in all instances. If our products failed for any reason, our clients could experience data loss, financial loss, personal and property losses, harm to reputation, and significant business interruption. Such events may expose us to substantial liability, increased regulation and/or penalties, as well as loss of customer business and a diminished reputation. Any product liability claims and related litigation would likely be time-consuming and expensive, may not be adequately covered by insurance, and may delay or terminate research and development efforts, regulatory approvals and commercialization activities.

***If our products and services do not interoperate with our end-users' products, orders could be delayed or cancelled, which could significantly reduce our revenues.***

Our products are designed to interface with our end-users' existing products, each of which have different specifications and utilizes multiple protocol standards. Many of our end-users' systems contain multiple generations of products that have been added over time as these systems have grown and evolved. Our products and services must interoperate with all of these products and services as well as with future products and services that might be added to meet our end-users' requirements. If our products do not interface with those within our end-users' products and systems, orders for our products could be delayed or cancelled, which could significantly reduce our revenues.

***Government regulation and legal uncertainties could harm our business.***

As a party to a number of contracts with the U.S. government and its agencies, the Company must comply with extensive regulations with respect to bid proposals and billing practices. Should the U.S. government or its agencies conclude that the Company has not adhered to federal regulations, any contracts to which the Company is a party could be canceled and the Company could be prohibited from bidding on or participating in future contracts. Moreover, payments to the Company for work performed on contracts with agencies of the U.S. government are subject to audit and adjustment. The Company could be required to return any payments received from U.S. government agencies if it is found to have violated federal regulations. There have been no government audits in recent years and the Company believes the result of such audits, should they occur, would not have a material adverse effect on its financial position or results of operations, though we can give no assurances.

The Company's security products are subject to export restrictions administered by the U.S. Department of Commerce and U.S. Department of State, which license the export of encryption products, subject to certain technical restrictions. In addition, U.S. export laws prohibit the export of encryption products to a number of hostile countries and some end-users. Although to date the Company has been able to secure necessary U.S. government export licenses, there can be no assurance that the Company will continue to be able to secure such licenses in a timely manner in the future, or at all. Delays in obtaining necessary approvals could be costly in terms of lost sales opportunities and compliance costs. Should export restrictions increase or regulations become more restrictive, or



should new laws be enacted, it could have a negative impact on the Company's international business, which impact could be material.

***Contracts with the U.S. government may not be fully funded at inception and are subject to termination.***

A portion of our revenues has historically been generated under agreements with the U.S. government. Any changes or delays in the budget of the U.S. government, and in particular defense spending, could affect our business, and funding levels are difficult to predict with any certainty. Moreover, certain multi-year contracts are conditioned on the continuing availability of appropriations. However, funds are typically appropriated on a fiscal-year basis, even though contract performance may extend over many years, making future sales and revenues under multi-year contracts uncertain. Changes in appropriations and budgets as well as economic conditions generally in subsequent years may impact the funding for these contracts. In addition, changes in funding and other factors may lead to the termination of such contracts. In addition, U.S. government contracts may be canceled at any time by the government with limited or no notice or penalty. Adverse changes in funding and the termination of government contracts could have a material adverse impact on the Company's financial condition and results of operations.

***If the protection of our intellectual property is inadequate, our competitors may gain access to our technologies.***

The Company's technological expertise and experience, including certain proprietary rights that it has developed and maintains as trade secrets, are crucial to the conduct of the Company's business and its ability to compete in the marketplace. Such technological expertise and experience are important as they enable an efficient design and development process. Loss of this experience and expertise would have an adverse impact on the Company. To protect our proprietary information, we rely primarily on a combination of internal procedures, contractual provisions, and copyright, trademark and trade secret laws. Such internal procedures and contractual provisions may not prove sufficient to maintain the confidentiality and proprietary nature of such information and may not provide meaningful protection in the event of any unauthorized use or disclosure. Trade secret and copyright laws afford only limited protection. Current and potential trademarks and patents may not provide us with any competitive advantage and patents and trademarks must be enforced and maintained in order to provide protection, which may prove costly and time-consuming.

Despite our efforts to safeguard and maintain our proprietary rights, we may not be successful in doing so or the steps taken by us may be inadequate to deter unauthorized parties from misappropriating our technologies or prevent them from obtaining and using our proprietary information, products and technologies. Moreover, our competitors may independently develop similar technologies or design around patents issued to us.

Other parties may have patent rights relating to the same subject matter covered by our products or technologies, enabling them to prevent us from operating without obtaining a license and paying royalties. Third parties also may challenge our proprietary rights or claim we are infringing on their rights. Any claims of infringement or misappropriation, with or without merit, would likely be time-consuming, result in costly litigation and diversion of resources, and cause delays in the development and commercialization of our products. We may be required to expend significant resources to develop non-infringing intellectual property, pay royalties, or obtain licenses to the intellectual property that is the subject of such litigation. Royalties may be costly and licenses, if required, may not be available on terms acceptable to us, the absence of which could seriously harm our business.

In addition, the laws and enforcement mechanisms of some foreign countries with respect to intellectual property may not offer the same level of protection as do the laws of the United States. Legal protections of our rights may be ineffective in such countries, and technologies developed in such countries may not be protected in jurisdictions where protection is ordinarily available. Our inability to protect our intellectual property both in the United States and abroad would have a material adverse effect on our financial condition and results of operations.

***The Company relies on a small number of customers for a large percentage of its revenues.***

We will be successful only if a significant number of customers adopt our secure communications products. Historically the Company has had a small number of customers representing a large percentage of its total revenue. Although the Company endeavors to expand its customer base, we expect that sales to a limited number of customers will continue to account for a high percentage of our revenues in any given period for the foreseeable

future. This reliance makes us particularly susceptible to factors affecting those customers. If such customers' business declines and as a result our sales to such customers decline without corresponding sales orders from other customers, our financial condition and results of operations would be adversely affected. It is difficult to predict the rate at which customers will use our products, even in the case of repeat customers, and we do not typically have long-term contractual arrangements.

***We may not be able to maintain effective product distribution channels.***

We rely on an in-house sales force as well as domestic and international representatives, consultants and distributors for the sale and distribution of our products. Our sales and marketing organization may be unable to successfully compete against more extensive and well-funded operations of certain of our competitors. In addition, we must manage sales and marketing personnel in numerous countries around the world with the concomitant difficulties in maintaining effective communications due to distance, language and cultural barriers. Further, certain of our distributors may carry competing products lines, which may negatively impact our net revenues.

***We rely on single or limited sources for the manufacture and supply of certain product components.***

For a small percentage of parts, we rely upon a single or limited number of manufacturers and suppliers. Moreover, because we depend on third party manufacturers and suppliers, we do not directly control product delivery schedules or component quality. In addition, we may not be able to maintain satisfactory contractual relations with our manufacturers and suppliers. A significant delay in delivering products to our customers, whether from unforeseen events such as the coronavirus, natural disasters or otherwise, or unforeseen quality issues could have a material adverse effect on our results of operations and financial condition. If we lose any of the manufacturers or suppliers of certain product components, we expect that it would take from three to six months for a new manufacturer or supplier to begin full-scale production of one of our products. The delay and expense associated with qualifying a new manufacturer or supplier and commencing production could result in a material loss of revenue and reduced operating margins and harm our relationships with customers. While we have not experienced any significant supply problems or problems with the quality of the manufacturing process of our suppliers and there have been no materially late deliveries of components or parts to date, it is possible that in the future we may encounter problems in the manufacturing process or shortages in parts, components or other elements vital to the manufacture, production and sale of our products.

***The loss of existing key management and technical personnel and the inability to attract new hires could have a detrimental effect on the Company.***

Our success depends on identifying, hiring, training, and retaining qualified professionals. Competition for qualified employees in our industry is intense and made more difficult due to the historically tight labor market in Massachusetts, prior to the pandemic. We expect these conditions to remain so for the foreseeable future. If we were unable to attract and hire a sufficient number of employees, or if a significant number of our current employees or any of our senior managers resign, we may be unable to complete or maintain existing projects or bid for new projects of similar scope and revenue. The Company's success is particularly dependent on the retention of existing management and technical personnel, including Carl H. Guild, Jr., the Company's President and Chief Executive Officer. Although the Company has entered into an employment agreement with Mr. Guild, the loss or unavailability of his services could impede our ability to effectively manage our operations.

***We may need to expand our operations and we may not effectively manage any future growth.***

As of December 16, 2022, we employed 19 full-time and two part-time employees as well as several consultants. In the event our products and services obtain greater market acceptance, we may be required to expand our management team and hire and train additional technical and skilled personnel. We may need to scale up our operations in order to service our customers, which may strain our resources, and we may be unable to manage our growth effectively. If our systems, procedures, and controls are inadequate to support our operations, growth could be delayed or halted, and we could lose our opportunity to gain significant market share. In order to achieve and manage growth effectively, we must continue to improve and expand our operational and financial management capabilities. Any inability to manage growth effectively could have a material adverse effect on our business, results of operations, and financial condition.

***Security breaches and other disruptions could interfere with the Company's operations and could compromise the Company's and its customer's information, exposing the Company to liability that would cause the Company's business and reputation to suffer.***

In the ordinary course of business, the Company relies upon information technology networks and systems, some of which are managed by third parties, to process, transmit and store electronic information, and to manage or support a variety of business processes and activities, including collection of payments from purchasers of our products. The Company also uses information technology systems to record, process and summarize financial information and results of operations for internal reporting purposes, and to comply with regulatory financial reporting, legal, and tax requirements. Additionally, the Company collects and stores sensitive data, including personally identifiable information of the Company's employees, in data centers and on information technology networks. The secure operation of these information technology networks and the processing and maintenance of this information is material to the Company's business operations and strategy. Despite security measures, the Company's information technology networks and infrastructure may be vulnerable to damage, disruptions, or shutdowns due to attacks by cyber criminals or breaches due to employee error or malfeasance or other disruptions, power outages, computer viruses, telecommunication or utility failures, terrorist acts, natural disasters or other catastrophic events. The occurrence of any of these events could compromise the Company's networks, and the information stored there could be accessed, publicly disclosed, lost, or stolen. Any such access, disclosure, or other loss of information could result in legal claims, liability, and regulatory proceedings and penalties under laws protecting the privacy of personal information, disrupt operations, and damage the Company's reputation, which could adversely affect the Company's business, results of operations and financial condition. In addition, as security threats continue to evolve and increase in frequency and sophistication, the Company may need to invest additional resources to protect the security of its systems.

**Item 1B. UNRESOLVED STAFF COMMENTS**

Not applicable.

**Item 2. PROPERTIES**

On March 27, 2014, the Company entered into a lease commencing April 1, 2014 for its facility located at 100 Domino Drive, Concord, MA. The Company has been a tenant in this space since 1983. This is the Company's only facility and houses all manufacturing, research and development, and corporate operations. The initial term of the lease was for five years through March 31, 2019 at an annual rate of \$171,000. In addition, the lease contains options to extend the lease for two and one half years through September 30, 2021 and another two and one half years through March 31, 2024 at an annual rate of \$171,000. Rent expense for each of the years ended September 24, 2022 and September 25, 2021 was \$171,000. On September 25, 2018, the Company exercised its option to renew the lease through September 30, 2021 and on March 31, 2021, the Company exercised its option to renew the lease through March 30, 2024.

**Item 3. LEGAL PROCEEDINGS**

Our Company, on occasion, may become involved in legal matters arising in the ordinary course of our business, which could have a material adverse effect on our business, financial condition or results of operations. We are currently not aware of any pending or threatened litigation against us or our officers and directors in their capacity as such that could have a material impact on our operations or finances.

**Item 4. MINE SAFETY DISCLOSURES**

Not applicable.

## PART II

### Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

#### Market Information

The Company's common stock, \$0.10 par value, trades on the OTC Market under the symbol "TCCO."

#### Holders

As of December 16, 2022, there were 52 record holders of our Common Stock. We believe there are approximately 1,931 beneficial holders of our stock based on information reported to TCC by the Company's transfer agent.

#### Dividends

We do not intend to pay dividends unless future profits warrant such actions.

#### Equity Compensation Plan Information

The following table presents information about the Technical Communications Corporation 2021 Equity Incentive Plan, the 2010 Equity Incentive Plan and the Technical Communications Corporation 2005 Non-Statutory Stock Option Plan as of the fiscal year ended September 24, 2022. For more information on these plans, see the discussion of the Company's stock option plans and stock-based compensation plans included in Note 2 to the Company's financial statements as of and for the year ended September 24, 2022, included herewith.

<u>Plan category</u>	<u>Number of securities to be issued upon exercise of outstanding options</u>	<u>Weighted average exercise price of outstanding options</u>	<u>Number of securities remaining available for future issuance</u>
Equity compensation plans approved by security holders	147,400 <sup>(1)</sup>	\$ 3.10	-
Equity compensation plans not approved by security holders	17,500	\$ 6.46	-
Total	164,900	\$ 3.46	-

(1) Of the 147,400 options outstanding as of September 24, 2022, 90,700 were exercisable as of such date at an average exercise price of \$3.53 per share.

#### Sales of Unregistered Securities and Purchases by the Issuer and Affiliated Purchasers

There was a sale by the Company of 4,000 unregistered shares of the Company's common stock at \$4.00 per share on July 15, 2021 to Ralph M. Norwood, a member of the Board of Directors. There were no purchases of TCC stock by or on behalf of the Company or any affiliated purchaser during the fourth fiscal quarter of our 2022 fiscal year.

### Item 6. RESERVED

Item 7. **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following discussion of the Company's financial condition and results of operations should be read in conjunction with the Company's audited consolidated financial statements and notes thereto appearing elsewhere herein.

**Forward-Looking Statements**

The following discussion may contain statements that are not purely historical. Such statements contained herein or as may otherwise be incorporated by reference herein constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include but are not limited to statements regarding anticipated operating results, future earnings, and the ability to achieve growth and profitability. Such forward-looking statements involve known and unknown risks, uncertainties and other factors, including but not limited to the impact of the COVID-19 pandemic (including its duration and severity) and governmental actions in response thereto; the effect of foreign political unrest; domestic and foreign government policies and economic conditions; future changes in export laws or regulations; changes in technology; the ability to hire, retain and motivate technical, management and sales personnel; the risks associated with the technical feasibility and market acceptance of new products; changes in telecommunications protocols; the effects of changing costs, exchange rates and interest rates; and the Company's ability to secure adequate capital resources. Such risks, uncertainties and other factors could cause the actual results, performance or achievements of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. For a more detailed discussion of the risks facing the Company, see the Company's filings with the SEC, including this Form 10-K for the fiscal year ended September 24, 2022 and the "Risk Factors" section included herein.

**Impact of COVID-19 Coronavirus**

As a result of the economic slowdown due to the COVID-19 pandemic, there has been a noticeable delay in the receipt of customer orders. While we remain in contact with our customers and their requirements have not changed, the operations of certain of our customers have been slowed or shut down entirely. Our suppliers thus far have been able to timely deliver components and parts necessary for the manufacture and production of the Company's products to fulfill orders, although we cannot be sure this trend will continue. It is uncertain how long our customers' operations will be impacted, and those of our suppliers and our ability to respond to customer requirements and supplier issues will become more challenging during a period of sustained disruption. Any period of sustained disruption would have a material adverse effect on the Company's financial condition and results of operations.

**Critical Accounting Policies and Significant Judgments and Estimates**

The discussion and analysis of our financial condition and results of operations are based on our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these consolidated financial statements 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 periods. The Company's significant accounting policies are more fully described in Note 2, "Summary of Significant Accounting Policies and Basis of Presentation", to the Company's Consolidated Financial Statements appearing elsewhere in this Annual Report on Form 10-K.

On an ongoing basis, management evaluates its estimates and judgments, including those related to revenue recognition, inventory reserves, receivable reserves, impairment of long-lived assets, income taxes, fair value and stock-based compensation. Management bases its estimates on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. By their nature estimates are subject to an inherent degree of uncertainty. Actual results may differ from these estimates under different assumptions or conditions and such differences may be material.

## **Results of Operations**

*Year ended September 24, 2022 compared to year ended September 25, 2021*

### **Net Revenue**

Net revenue for the years ended September 24, 2022 and September 25, 2021 was \$1,304,000 and \$1,866,000, respectively, a decrease of \$562,000 or 30%. Revenue for fiscal 2022 consisted of \$996,000, or 76%, from domestic sources and \$308,000, or 24%, from international customers as compared to fiscal 2021, in which revenue consisted of \$1,630,000, or 87%, from domestic sources and \$237,000, or 13%, from international customers. International revenues continued to be impacted by the effects of the Covid-19 pandemic.

Foreign revenue consisted of shipments to three countries during the year ended September 24, 2022 and four countries during the year ended September 25, 2021. A sale is attributed to a foreign country based on the location of the contracting party. Domestic revenue may include the sale of products shipped through domestic resellers or manufacturers to international destinations. The table below summarizes our principal foreign revenue by country:

	<u>2022</u>	<u>2021</u>
Morocco	\$ 36,000	\$ 148,000
Egypt	-	58,000
Saudi Arabia	80,000	19,000
Philippines	192,000	12,000
	<u>\$ 308,000</u>	<u>\$ 237,000</u>

For the year ended September 24, 2022, revenue was derived from sales of our engineering services amounting to \$996,000 and shipments of our narrowband radio encryptors and various accessories to one Far East country amounting to \$192,000, a shipment of our internet protocol data encryptors amounting to \$80,000 and some training provided to a North African country in the amount of \$36,000.

For the year ended September 25, 2021, revenue was derived from sales of our engineering services amounting to \$1,107,000 and shipments of our narrowband radio encryptors and various accessories to one north African country amounting to \$148,000 and three domestic customers for deployment into a Middle Eastern country amounting to \$270,000, for deployment into a North African country amounting to \$98,000 and for deployment into Afghanistan amounting to \$77,000, and shipments of our internet protocol data encryptors amounting to \$19,000.

### **Gross Profit**

Gross profit for fiscal 2022 was \$14,000, compared to gross profit of \$557,000 for fiscal 2021, a decrease of 97%. Gross profit expressed as a percentage of revenue was 1% for fiscal 2022 compared to 30% for fiscal 2021, which lower gross profit percentage for 2022 was due to the lower sales volume and higher concentration of lower margin engineering sales during the year.

### **Operating Costs and Expenses**

#### *Selling, General and Administrative*

Selling, general and administrative expenses for fiscal 2022 were \$1,914,000, compared to \$1,842,000 for fiscal 2021. This increase of \$72,000, or 4%, was attributable to an increase in general and administrative expenses of \$38,000 and an increase in selling and marketing expenses of \$34,000 during the 2022 fiscal year.

The increase in general and administrative expenses for the year ended September 24, 2022 was primarily attributable increases in payroll and payroll related expenses of \$60,000, inspection and certification fees of \$7,000,

audit fees of \$6,000 and outside consulting costs of \$13,000 after a return to normal operations in the current period compared to the previous period where a temporary furlough was in place. These increases were partially offset by decreases in shareholder related costs of \$19,000, legal fees of \$14,000 and a decrease in insurance costs of \$17,000 during the quarter.

The increase in selling and marketing expenses for the year ended September 24, 2022 was attributable to increases in payroll and payroll related expenses of \$67,000 after a return to normal operations in the current quarter compared to the previous period where a temporary furlough was in place. Also contributing to the increase were increases in product demonstration costs of \$30,000 and travel expenses of \$19,000. Partially offsetting these increases were decreases to outside consulting costs of \$25,000, commissions of \$13,000 and product evaluation costs of \$5,000. Also an increase in sales support activities has led to a decrease in selling and marketing expenses of \$37,000, during the period.

### *Product Development Costs*

Product development costs for fiscal years 2022 and 2021 were \$817,000 and \$732,000, respectively. This increase of \$85,000, or 12%, was primarily attributable to an increase in payroll and payroll-related expenses of \$32,000 and an increase in project consulting and material costs of \$29,000 during the period. In addition a decrease in billable engineering services contracts during fiscal 2022 resulted in increased product development costs of \$24,000.

The Company actively sells its engineering services in support of funded research and development. The receipt of these orders is sporadic, although such programs can span over several months to several years. In addition to these programs, the Company invests in research and development to enhance its existing products or to develop new products, as it deems appropriate. There was \$996,000 of billable engineering services revenue generated during fiscal 2022 and \$1,107,000 of billable engineering services revenue generated during fiscal 2021.

### **Net Loss**

The Company generated a net loss of \$2,331,000 for fiscal 2022, compared to a net loss of \$1,088,000 for fiscal 2021. This increase in net loss is primarily attributable to a 97% decrease in gross profit during fiscal 2022, an increase of 6% in operating expenses and the forgiveness of two PPP loans amounting to \$949,000, which reduced our net loss in fiscal 2021.

The effects of inflation and changing costs have not had a significant impact on revenue or earnings in recent years. As of September 24, 2022, none of the Company's monetary assets or liabilities was subject to foreign exchange risks. The Company usually includes an inflation factor in its pricing when negotiating multi-year contracts with customers.

### **Liquidity and Capital Resources**

Our cash and cash equivalents at September 24, 2022 totaled \$7,000.

#### *Liquidity and Ability to Continue as a Going Concern*

For the years ended September 24, 2022, September 25, 2021 and September 26, 2020, the Company generated net losses of \$2,331,139, \$1,088,386 and \$910,650 and, although the Company generated \$631,426 of net income in the fiscal year ended September 28, 2019, the Company suffered recurring losses from operations during the prior seven year period from fiscal 2012 to fiscal 2018. The Company has an accumulated deficit of \$6,485,106 at September 24, 2022. These factors continue to raise substantial doubt about the Company's ability to continue as a going concern. Such consolidated financial statements do not include any adjustments to reflect the substantial doubt about the Company's ability to continue as a going concern.

On August 4, 2022, the Company issued an amended and restated demand promissory note in the principal amount of up to \$4,000,000 in favor of Carl H. Guild, Jr. Mr. Guild, the Company's Chief Executive Officer,

President and Chairman of the Board, loaned the money to the Company to provide working capital. The \$4,000,000 consists of \$1,000,000 previously loaned to the Company at an interest rate of 6% and \$2,000,000 previously loaned to the Company at an interest rate of 7.5% and an additional \$1,000,000 at an interest rate of 7.5%. The additional funds will be available to the Company to borrow from Mr. Guild on a revolving basis and the loan has no specified term year and may be prepaid at any time without premium or penalty. The outstanding principal balance at September 24, 2022 was \$3,000,000, plus accrued interest of \$106,000. An interest payment of \$30,000 was made in January of 2022.

Also on March 15, 2021, the Company ended its furlough plan instituted in December 2020 and all employees returned to work on a full time basis following the Company's receipt of the proceeds of its second PPP loan, described below. During the furlough, the Company had reduced the workweek for the majority of salaried employees to 24 hours and reduced salaries commensurately.

In December 2022 the Company implemented a partial furlough plan for the majority of salaried employees. This plan reduces the workweek to 24 hours and salaries have been reduced commensurately. With this furlough plan in place we anticipate that our principal sources of liquidity will be sufficient to fund our activities to January 2023. In order to have sufficient cash to fund our operations beyond that point, we will need to secure new customer contracts, raise additional equity or debt capital, and reduce expenses, including payroll and payroll-related expenses through another employee furlough and/or separations.

In order to have sufficient capital resources to fund operations, the Company has been working diligently to secure several large orders with new and existing customers. The receipt of these orders has been significantly delayed and will continue to be difficult to predict due to the impact of the COVID-19 pandemic on our customers as a result of their operations being reduced or shut down. TCC has been able to maintain its operations during this sustained period of disruption, but a continuation of the disruption in either our customers' operations or those of the Company will continue to have a material adverse impact on sales activity and revenue.

Since the start of the pandemic, the Company has been able to secure capital in the form of debt financing to assist with funding its operations. On April 17, 2020, the Company was granted a loan from bankHometown under the U.S. Small Business Administration's, or SBA, Paycheck Protection Program, or PPP, in the principal amount of \$474,400. The loan, which was evidenced by a note dated April 17, 2020, was payable over 18 months at an annual interest rate of 1% to the extent not forgiven. The Company used the entire original PPP loan amount for qualifying expenses and the SBA forgave the loan in its entirety on January 11, 2021.

On February 1, 2021, the Company received a second loan from bankHometown under the PPP as authorized under the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act, or the Economic Aid Act. The loan, evidenced by a promissory note, was in the principal amount of \$474,405. The Company used the entire second PPP loan amount for qualifying expenses and the loan was forgiven on August 10, 2021 under the provisions of the Economic Aid Act.

During fiscal year 2020, the Company was granted a loan from the SBA in the principal amount of \$150,000 pursuant to the Economic Injury Disaster Loan program. This loan is payable monthly over 30 years at an annual interest rate of 3.75% commencing thirty months from the date of issuance.

The Company is working diligently to secure additional capital through equity or debt arrangements in addition to the recent funding received from the SBA and Mr. Guild. The Company is actively working with equity investors as well as debt investors, such as the SBA and Mr. Guild to secure additional funding, although we cannot provide assurances we will be able to secure such new funding, especially in light of the tightening of the credit markets and continuing volatility of the capital markets as a result of the coronavirus. Moreover, the Company's common stock was delisted from the Nasdaq Capital Market effective January 25, 2021; while our common stock is quoted on the OTC Bulletin Board, the change in listing may have a negative impact on the liquidity of the stock and the Company's ability to raise capital through offerings of its equity securities.

Should the Company be unsuccessful in these efforts, it would be forced to implement headcount reductions, additional employee furloughs and/or reduced hours for certain employees, or cease operations completely.



### *Sources and Uses of Cash*

The following table presents our abbreviated cash flows for the years ended September 24, 2022 and September 25, 2021:

	<u>2022</u>	<u>2021</u>
Net loss	\$ (2,331,000)	\$(1,088,000)
Changes not affecting cash	58,000	(882,000)
Changes in current assets and current liabilities	<u>(5,000)</u>	<u>(736,000)</u>
Cash used in operating activities	(2,278,000)	(2,706,000)
Cash used in investing activities	(13,000)	-
Cash provided by financing activities	<u>2,000,000</u>	<u>1,490,000</u>
Net decrease in cash and cash equivalents	(291,000)	(1,216,000)
Cash and cash equivalents - beginning of year	<u>298,000</u>	<u>1,514,000</u>
Cash and cash equivalents - end of year	<u>\$ 7,000</u>	<u>\$ 298,000</u>

### *Operating Activities*

The Company used approximately \$428,000 less in cash from operations due to a decrease of \$949,000 in forgiveness of PPP loans, the proceeds of which are included in financing activities on the Company's fiscal 2021 statement of cash flows, a net difference in the change in inventory of \$446,000, a \$412,000 in the change in accounts receivable, a \$314,000 change in accounts payable and accrued expenses and a change in customer deposits of \$75,000 offset by a receivable for Employee Retention Credits of \$516,000 and a change in net loss of \$1,243,000 in fiscal 2022 compared to fiscal 2021.

### *Investing Activities*

Cash used in investing activities during fiscal 2022 increased by approximately \$13,000. This increase was attributable to additions to equipment and leasehold improvements in 2022.

### *Financing Activities*

Cash provided by financing activities in fiscal 2022 and 2021 was a result of proceeds from long-term debt, described below.

### *Debt Instruments*

On April 17, 2020, the Company was granted a loan from bankHometown in the principal amount of \$474,400 pursuant to the PPP under the CARES Act. The loan, which was evidenced by a Note dated April 17, 2020, was payable over 18 months at an annual interest rate of 1% to the extent not forgiven. The Company used the entire original PPP loan amount for qualifying expenses and the SBA forgave the loan in its entirety on January 11, 2021.

The Company also was granted a loan by the SBA in August 2020. This loan is evidenced by a promissory note dated August 10, 2020 in the principal amount of \$150,000 and was made under the Economic Injury Disaster Loan program of the SBA. This note is payable monthly over 30 years at an annual interest rate of 3.75% commencing thirty months from the date of issuance.

On February 1, 2021, the Company was granted a second PPP loan from bankHometown in the principal amount of \$474,405 under the Economic Aid Act. Any amounts not forgiven will be paid back over five years at an interest rate of 1% per year. Program rules provide that loan payments will be deferred for borrowers who apply for loan forgiveness until the SBA remits the borrower's loan forgiveness amount to the lender. If a borrower does not

apply for loan forgiveness, payments are deferred for 10 months following the end of the covered period for the borrower's loan forgiveness (between 8 and 24 weeks). The Company used the entire original PPP loan amount for qualifying expenses and the SBA forgave the loan in its entirety on August 10, 2021.

On August 4, 2022, the Company issued an amended and restated demand promissory note in the principal amount of up to \$4,000,000 in favor of Carl H. Guild, Jr. Mr. Guild, the Company's Chief Executive Officer, President and Chairman of the Board, loaned the money to the Company to provide working capital. The \$4,000,000 consists of \$1,000,000 previously loaned to the Company at an interest rate of 6% and \$2,000,000 previously loaned to the Company at an interest rate of 7.5% and an additional \$1,000,000 at an interest rate of 7.5%. The additional funds will be available to the Company to borrow from Mr. Guild on a revolving basis and the loan has no specified term year and may be prepaid at any time without premium or penalty. The outstanding principal balance at September 24, 2022 was \$3,000,000, plus accrued interest of \$106,000. An interest payment of \$30,000 was made in January of 2022.

### *Backlog*

Backlog at September 24, 2022 and September 25, 2021 amounted to \$80,000 and \$1,090,000, respectively. The orders in backlog at September 24, 2022 are expected to ship and/or services are expected to be performed over the next 12 months depending on customer requirements and product availability.

### *Performance guarantees*

Certain foreign customers require the Company to guarantee bid bonds and performance of products sold. These guaranties typically take the form of standby letters of credit. Guarantees are generally required in amounts of 5% to 10% of the purchase price and last in duration from three months to one year. At September 24, 2022 and September 25, 2021, the Company had no outstanding letters of credit.

### *Research and Development*

Research and development efforts are undertaken by the Company primarily on its own initiative. In order to compete successfully, the Company must improve existing products and develop new products as well as attract and retain qualified personnel. No assurances can be given that the Company will be able to hire and train such technical, management and sales personnel or successfully improve and develop its products.

During the fiscal years ended September 24, 2022 and September 25, 2021, the Company spent \$817,000 and \$732,000, respectively, on internal product development. The Company also spent \$636,000 and \$711,000 on billable development efforts during fiscal 2022 and 2021, respectively. In fiscal 2022, the Company's total product development costs were \$10,000 higher than fiscal 2021 levels and reflected the costs of custom development, product capability enhancements and production readiness. It is expected that product development expenses in fiscal 2023 will be consistent with fiscal 2022 levels.

### *Capital Expenditures*

Other than those stated above, there are no plans for material commitments for capital expenditures in fiscal 2023.

### **Material Trends and Uncertainties**

As a result of the current economic slowdown due to the COVID-19 pandemic, there has been a noticeable delay in the receipt of customer orders. While we remain in contact with our customers and their requirements have not changed, the operations of certain of our customers have been slowed or shut down entirely. Our suppliers thus far have been able to timely deliver components and parts necessary for the manufacture and production of the Company's products to fulfill orders. However we cannot be sure this condition will continue and there is emerging evidence that certain parts are becoming more difficult to obtain and are adversely impacting delivery times. Nonetheless, the Company has been able to maintain its operations, and believes it will be in a strong position to respond to our customers' needs as their operations return to normal, but can give no assurances. It is uncertain how

long our and our customers' operations will be impacted, and those of our suppliers, especially in light of recent increases in COVID-19 infection rates worldwide, and our ability to respond to customer requirements and supplier issues will become more challenging during a period of sustained disruption. Any period of sustained disruption would have a material adverse effect on the Company's financial condition and results of operations.

In order to have sufficient capital resources to fund operations, the Company has been working diligently to secure several large orders with new and existing customers. The receipt of these orders has been significantly delayed and will continue to be difficult to predict due to the impact of the COVID-19 pandemic on our customers as a result of their operations being reduced or shut down. Without the near term receipt of these new orders the Company will have to secure other sources of financing such as debt or equity capital.

### **Off-Balance Sheet Arrangements**

The Company does not have any off-balance sheet arrangements.

### **Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Not applicable.

### **Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

The financial statements and notes thereto listed in the accompanying index to financial statements (Item 15) are filed as part of this Annual Report on Form 10-K and are incorporated herein by reference.

### **Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

Not applicable.

### **Item 9A. CONTROLS AND PROCEDURES**

*Evaluation of disclosure controls and procedures.* The Company's Chief Executive Officer and Chief Financial Officer have reviewed and evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Exchange Act) as of the end of the period covered by this Annual Report on Form 10-K. Based on that review and evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures are not effective as of September 24, 2022 due to the material weaknesses described below.

*Management's annual report on internal control over financial reporting.* Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) promulgated under the Exchange Act. Under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, we conducted an assessment of the effectiveness of our internal control over financial reporting as of September 24, 2022. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control—Integrated Framework (2013)*. Based on such an assessment, management concluded that the Company's internal control over financial reporting was not effective as of September 24, 2022.

Our internal control over financial reporting is a process designed under the supervision of our Chief Executive Officer and Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our financial statements for external reporting purposes in accordance with U.S. GAAP. Internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP, and that receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (iii) provide reasonable assurance regarding prevention or

timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluations of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may deteriorate.

A goal of the assessment was to determine whether any material weaknesses existed with respect to the Company's internal control over financial reporting. A "material weakness" is defined as a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the registrant's annual or interim financial statements will not be prevented or detected on a timely basis by the Company's internal controls.

Based upon that assessment management identified a deficiency that rose to the level of a material weakness in our internal control over financial reporting related to generally accepted accounting principles associated with revenue recognition caused by an error in judgement within the accounting department. The Company identified this material weakness at year end, but remediated those material weaknesses it had identified in prior years, as described below.

As disclosed in the Company's periodic and annual reports for prior periods through fiscal year end 2019, management had concluded that the Company did not maintain effective internal control over financial reporting due to material weaknesses in such internal control related to the misapplication of generally accepted accounting principles associated with revenue recognition, inventory reserves, accruals and the preparation of the consolidated financial statements, as well as the classification and disclosure of financial information, all caused by a lack of adequate skills and experience within the accounting department. In addition, management also previously identified a material weakness due to a lack of sufficient staff to segregate accounting duties.

Nonetheless, management believes that our consolidated financial statements included in this Annual Report on Form 10-K have been prepared in accordance with generally accepted accounting principles. Our Chief Executive Officer and Chief Financial Officer have certified that, based on such officer's knowledge, the financial statements and other financial information included in this Annual Report on Form 10-K fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report. In addition, we initiated a remediation plan for the material weaknesses, described above.

Our management, with oversight from the Audit Committee, actively engaged in remediating the identified material weaknesses. As part of these remediation efforts management undertook education and training for TCC's accounting staff and management to address certain core competencies that resulted in the lack of operational effectiveness. Management will continue to assess the design of controls to determine if enhancements are needed to increase effectiveness of our internal control over financial reporting. Management has retained a subject matter expert in the area of income tax accounting and is assessing the need to retain additional subject matter experts to ensure compliance with generally accepted accounting principles and SEC rules and regulations. Both management and the Audit Committee have increased their oversight of non-routine transactions. This includes oversight of large revenue contracts as well as judgement areas, including inventory reserves and accruals. This oversight will contribute to the assessment of the need to retain additional subject matter experts.

The Company has made significant progress in improving its internal control over financial reporting but remediation efforts are ongoing; the Company's goal is to have all material weaknesses remediated in the early part of its 2022 fiscal year.

*Changes in internal control over financial reporting.* The changes in the aforementioned internal control over financial reporting and the remediation efforts undertaken as of year-end and undertaken in the fourth quarter of the Company's fiscal 2022 have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. No other changes in the Company's internal control over financial reporting occurred during the fourth quarter of its 2022 fiscal year.

Item 9B. **OTHER INFORMATION**

Not applicable.

Item 9C. **DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTION**

Not applicable.

**Part III**

Item 10. **DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

The information required by this Item 10 is incorporated herein by reference to our Definitive Proxy Statement, under the captions “Members of the Board of Directors, Nominees and Executive Officers,” “Certain Relationships and Related Person Transactions; Legal Proceedings,” “Corporate Governance,” and “Section 16(a) Beneficial Ownership Reporting Compliance,” with respect to our 2023 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission not later than 120 days after the end of the Company’s 2022 fiscal year.

The Company has adopted a Code of Business Conduct and Ethics, which applies to all of its employees, officers and directors. A copy of this code can be found on the Company’s website at [www.tccsecure.com/investors.aspx](http://www.tccsecure.com/investors.aspx).

Item 11. **EXECUTIVE COMPENSATION**

The information required by this Item 11 is incorporated herein by reference to our Definitive Proxy Statement, under the captions “Compensation” and “Compensation Discussion and Analysis” with respect to our 2023 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission not later than 120 days after the end of the Company’s 2022 fiscal year.

Item 12. **SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

The information required by this Item 12 is incorporated herein by reference to Part II, Item 5 herein under the caption “Equity Compensation Plan Information” and by reference to our Definitive Proxy Statement, under the caption “Security Ownership of Certain Beneficial Owners and Management,” with respect to our 2023 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission not later than 120 days after the end of the Company’s 2022 fiscal year.

Item 13. **CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

The information required by this Item 13 is incorporated herein by reference to our Definitive Proxy Statement, under the captions “Certain Relationships and Related Person Transactions; Legal Proceedings” and “Corporate Governance” with respect to our 2023 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission not later than 120 days after the end of the Company’s 2022 fiscal year.

Item 14. **PRINCIPAL ACCOUNTANT FEES AND SERVICES**

The information required by this Item 14 is incorporated herein by reference to our Definitive Proxy Statement, under the caption Proposal III – Ratification of Selection of Independent Registered Public Accounting Firm with respect to our 2023 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission not later than 120 days after the end of the Company’s 2022 fiscal year.

The Independent Registered Accounting Firm is Stowe & Degon LLC (PCAOB Firm ID 557) located in Westborough, Massachusetts.

## PART IV

### Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

- (1) Financial Statements The following Consolidated Financial Statements and Notes thereto are filed as part of Part II, Item 8 of this report:

	<u>Page</u>
<a href="#"><u>Consolidated Balance Sheets as of September 24, 2022 and September 25, 2021</u></a>	<a href="#"><u>31</u></a>
<a href="#"><u>Consolidated Statements of Operations for the Years Ended September 24, 2022 and September 25, 2021</u></a>	<a href="#"><u>32</u></a>
<a href="#"><u>Consolidated Statements of Cash Flows for the Years Ended September 24, 2022 and September 25, 2021</u></a>	<a href="#"><u>33</u></a>
<a href="#"><u>Consolidated Statements of Changes in Stockholders' Equity for the Years Ended September 24, 2022 and September 25, 2021</u></a>	<a href="#"><u>34</u></a>
<a href="#"><u>Notes to Consolidated Financial Statements</u></a>	<a href="#"><u>35-47</u></a>

- (2) List of Exhibits

- 3.1 [Articles of Organization of the Company \(incorporated by reference to the Company's Annual Report for 2005 on Form 10-KSB, filed with the Securities and Exchange Commission on December 21, 2005\)](#)
- 3.2 [By-laws of the Company \(incorporated by reference to the Company's 8-K filed with the Securities and Exchange Commission on May 5, 1998\)](#)
- 4 [Rights Agreement, dated as of August 7, 2014, by and between the Company and American Stock Transfer & Trust Company, as Rights Agent \(incorporated by reference to the Company's 8-K filed with the Securities and Exchange Commission on August 12, 2014\)](#)
- 10.1<sup>+</sup> [Employment Agreement, effective November 19, 1998, with Carl H. Guild, Jr. \(incorporated by reference to the Company's Annual Report for 1998 on Form 10-K, as amended, filed with the Securities and Exchange Commission on December 21, 1998\)](#)
- 10.2<sup>+</sup> [Employment Agreement, effective February 12, 2001, with Michael P. Malone \(incorporated by reference to the Company's Form 10-QSB filed with the Securities and Exchange Commission on May 15, 2001\)](#)
- 10.3<sup>+</sup> [Amendment to Employment Agreement between the Company and Carl H. Guild Jr., as of November 8, 2001 \(incorporated by reference to the Company's Form 10-QSB filed with the Securities and Exchange Commission on August 13, 2002\)](#)
- 10.4 [Standard Form Commercial Lease, dated March 27, 2014, between the Company and Batstone LLC \(incorporated by reference to the Company's 8-K filed with the Securities and Exchange Commission on April 2, 2014\)](#)
- 10.5<sup>+</sup> [2005 Non-Statutory Stock Option Plan \(incorporated by reference to the Company's Form 10-QSB filed with the Securities and Exchange Commission on May 10, 2005.\)](#)
- 10.6<sup>+</sup> [2010 Equity Incentive Plan \(incorporated by reference to Exhibit 10.17 to the Company's Form 10-K filed with the Securities and Exchange Commission on December 22, 2010.\)](#)
- 10.7 [Demand Promissory Note, dated August 29, 2019, made by the Company in favor of Carl H. Guild, Jr. \(incorporated by reference to the Company's Annual Report for 2019 on Form 10-K, filed with the Securities and Exchange Commission on December 13, 2019\)](#)
- 10.8 [SBA Note in favor of bankHometown dated April 17, 2020 \(incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q filed with the Securities and Exchange Commission on May 28, 2020.\)](#)
- 10.9 [Purchase Order from ADS, Inc. dated May 19, 2020 \(Confidential portions of this exhibit have been omitted\). \(incorporated by reference to Exhibit 10.10 to the Company's Form 10-Q filed with the Securities and Exchange Commission on August 11, 2020.\)](#)

- 10.10 [SBA Loan Authorization and Agreement, Promissory Note and Security Agreement, dated August 10, 2020 \(incorporated by reference to Exhibit 10.10 to the Company's Form 10-K filed with the Securities and Exchange Commission on December 28, 2020.\)](#)
- 10.11 [SBA Note in favor of bankHometown dated January 28, 2021 \(incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q filed with the Securities and Exchange Commission on February 9, 2021.\)](#)
- 10.12 [Demand Promissory Note with Carl H. Guild, Jr. dated May 6, 2021 \(incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q filed with the Securities and Exchange Commission on May 11, 2021.\)](#)
- 10.13 [Amended and Restated Demand Promissory Note, dated November 18, 2021, made by the Company in favor of Carl H. Guild, Jr \(incorporated by reference to Exhibit 10.1 to the Company's Form 10-K filed with the Securities and Exchange Commission on December 22, 2021.\)](#)
- 10.14 [Amended and Restated Demand Promissory Note, dated April 7, 2022, made by the Company in favor of Carl H. Guild, Jr \(incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q filed with the Securities and Exchange Commission on May 10, 2022.\)](#)
- 10.15 [Amended and Restated Demand Promissory Note, dated August 4, 2022, made by the Company in favor of Carl H. Guild, Jr \(incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed with the Securities and Exchange Commission on August 8, 2022.\)](#)
- 10.16<sup>+</sup> [2021 Equity Incentive Plan \(incorporated by reference to Exhibit 10.1 to the Company's Form 10-K filed with the Securities and Exchange Commission on December 22, 2021.\)](#)
- 14<sup>+</sup> [Code of Business Conduct and Ethics \(incorporated by reference to the Company's Annual Report for 2003 on Form 10-KSB, filed with the Securities and Exchange Commission on December 22, 2004.\)](#)
- 21\* [List of Subsidiaries of the Company](#)
- 23\* [Consent of Stowe & Degon LLC](#)
- 31.1\* [Certification of principal executive officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002](#)
- 31.2\* [Certification of principal financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002](#)
- 32\* [Certifications of Chief Executive and Chief Financial Officers pursuant to 18 U.S.C. Section 1350](#)
- 101.INS Inline XBRL Report Instance Document
- 101.SCH Inline XBRL Taxonomy Extension Schema Document
- 101.CAL Inline XBRL Taxonomy Calculation Linkbase Document
- 101.LAB Inline XBRL Taxonomy Label Linkbase Document
- 101.PRE Inline XBRL Presentation Linkbase Document
- 101.DEF Inline XBRL Taxonomy Extension Definition Linkbase Document
- 104 Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

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**Footnotes:**

- \* Attached to this filing
- + Denotes a management contract or compensatory plan or arrangement

**Item 16. FORM 10-K SUMMARY**

Not applicable.

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15 (d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TECHNICAL COMMUNICATIONS CORPORATION

By: /s/ Carl H. Guild, Jr.  
Carl H. Guild, Jr.  
Chief Executive Officer and President  
Chairman of the Board, Director

Date: December 22, 2022

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Carl H. Guild, Jr.</u> Carl H. Guild, Jr.	Chief Executive Officer and President Chairman of the Board, Director (Principal Executive Officer)	December 22, 2022
<u>/s/ Michael P. Malone</u> Michael P. Malone	Treasurer and Chief Financial Officer (Principal Financial and Accounting Officer)	December 22, 2022
<u>/s/ Thomas E. Peoples</u> Thomas E. Peoples	Director	December 22, 2022
<u>/s/ Francisco F. Blanco</u> Francisco F. Blanco	Director	December 22, 2022
<u>/s/ Ralph M. Norwood</u> Ralph M. Norwood	Director	December 22, 2022



**Technical Communications Corporation and Subsidiary**  
**Consolidated Balance Sheets**  
**September 24, 2022 and September 25, 2021**

<b>ASSETS</b>	<b>2022</b>	<b>2021</b>
<b>Current assets:</b>		
Cash and cash equivalents	\$ 6,727	\$ 298,022
Accounts receivable - trade	15,174	280,807
Government grant receivable – Employee retention credit (Note 11)	515,966	-
Inventories, net	966,185	1,157,382
Other current assets	186,963	169,479
Total current assets	<u>1,691,015</u>	<u>1,905,690</u>
<b>Equipment and leasehold improvements</b>		
Equipment and leasehold improvements	4,556,144	4,543,183
Less accumulated depreciation and amortization	(4,544,778)	(4,538,782)
Equipment and leasehold improvements, net	<u>11,366</u>	<u>4,401</u>
<b>Operating lease right-of-use asset</b>		
Operating lease right-of-use asset	<u>248,462</u>	<u>406,519</u>
<b>Total assets</b>	<u><u>\$ 1,950,843</u></u>	<u><u>\$ 2,316,610</u></u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities:</b>		
Current maturities of notes payable – long-term (Notes 9 and 14)	\$ 1,996	\$ 494
Notes payable – related party (Note 9)	3,000,000	1,000,000
Current operating lease liabilities	164,086	158,070
Accounts payable	159,388	105,676
Customer deposits	3,933	45,124
<b>Accrued liabilities:</b>		
Compensation and related expenses	204,412	219,271
Interest expense	118,208	19,158
Commissions	-	16,248
Other current liabilities	1,419	10,172
Total current liabilities	<u>3,653,442</u>	<u>1,574,213</u>
Long-term operating lease liabilities	84,376	248,449
Notes payable – long-term, net of current maturities (Note 9)	148,004	149,506
<b>Commitments and contingencies</b>		
<b>Stockholders' equity</b>		
Common stock - par value \$0.10 per share; 7,000,000 shares authorized, 1,854,403 issued and outstanding at September 24, 2022 and September 25, 2021	185,440	185,440
Additional paid-in capital	4,364,687	4,312,969
Accumulated deficit	(6,485,106)	(4,153,967)
Total stockholders' equity (deficit)	<u>(1,934,979)</u>	<u>344,442</u>
<b>Total liabilities and stockholders' equity</b>	<u><u>\$ 1,950,843</u></u>	<u><u>\$ 2,316,610</u></u>

The accompanying notes are an integral part of these consolidated financial statements.

**Technical Communications Corporation and Subsidiary**  
**Consolidated Statements of Operations**  
**Years ended September 24, 2022 and September 25, 2021**

	2022	2021
Net revenue	\$ 1,303,935	\$ 1,866,379
Cost of revenue	1,289,920	1,309,712
Gross profit	<u>14,015</u>	<u>556,667</u>
<b>Operating expenses:</b>		
Selling, general and administrative	1,914,336	1,842,094
Product development	816,633	732,020
Total operating expenses	<u>2,730,969</u>	<u>2,574,114</u>
Operating loss	<u>(2,716,954)</u>	<u>(2,017,447)</u>
<b>Other income (expense)</b>		
Grant income (Note 9)	-	948,805
Government grant income - ERC (Note 11)	515,966	-
Interest expense	(130,151)	(19,744)
Total other income	<u>385,815</u>	<u>929,061</u>
Net loss	<u>\$ (2,331,139)</u>	<u>\$ (1,088,386)</u>
<b>Net loss per common share</b>		
Basic	\$ (1.26)	\$ (0.59)
Diluted	\$ (1.26)	\$ (0.59)
<b>Weighted average shares</b>		
Basic	1,854,403	1,851,194
Diluted	1,854,403	1,851,194

The accompanying notes are an integral part of these consolidated financial statements.

**Technical Communications Corporation and Subsidiary**  
**Consolidated Statements of Cash Flows**  
**Years ended September 24, 2022 and September 25, 2021**

	<b>2022</b>	<b>2021</b>
<b>Operating activities:</b>		
Net loss	\$ (2,331,139)	\$ (1,088,386)
Adjustments to reconcile net loss to cash (used in) provided by operating activities:		
Depreciation and amortization	5,996	14,328
Stock-based compensation	51,718	52,404
PPP loan forgiveness reported as grant income	-	(948,805)
Changes in current assets and current liabilities:		
Accounts receivable	265,633	(146,395)
Government grant receivable - ERC	(515,966)	-
Inventories	191,197	(255,331)
Other current assets	(17,484)	(15,996)
Customer deposits	(41,191)	(116,829)
Accounts payable and accrued liabilities	112,902	(201,224)
	<hr/>	<hr/>
Cash used in operating activities	(2,278,334)	(2,706,234)
<b>Investing activities:</b>		
Additions to equipment and leasehold improvements	(12,961)	-
	<hr/>	<hr/>
Cash used in investing activities	(12,961)	-
<b>Financing activities:</b>		
Proceeds from issuance of common stock	-	15,999
Proceeds from PPP loans	-	474,405
Proceeds from notes payable – related party	2,000,000	1,000,000
	<hr/>	<hr/>
Cash provided by financing activities	2,000,000	1,490,404
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(291,295)	(1,215,830)
	<hr/>	<hr/>
Cash and cash equivalents at beginning of year	298,022	1,513,852
	<hr/>	<hr/>
Cash and cash equivalents at end of year	\$ 6,727	\$ 298,022
<b>Supplemental disclosures:</b>		
Interest paid	\$ 30,433	\$ -
Income taxes paid	912	912

The accompanying notes are an integral part of these consolidated financial statements.

**Technical Communications Corporation and Subsidiary**  
**Consolidated Statements of Changes in Stockholders' Equity**  
**Years ended September 24, 2022 and September 25, 2021**

	<b>2022</b>	<b>2021</b>
<b>Stockholders' Equity</b>		
Shares of common stock:		
Beginning balance	1,854,403	1,850,403
Issuance of common stock	-	4,000
Ending balance	1,854,403	1,854,403
Common stock at par value:		
Beginning balance	\$ 185,440	\$ 185,041
Issuance of common stock	-	399
Ending balance	185,440	185,440
Additional paid-in capital:		
Beginning balance	4,312,969	4,244,965
Issuance of common stock	-	15,600
Stock-based compensation	51,718	52,404
Ending balance	\$ 4,364,687	\$ 4,312,969
Accumulated deficit:		
Beginning balance	(4,153,967)	(3,065,581)
Net loss	(2,331,139)	(1,088,386)
Ending balance	\$(6,485,106)	\$(4,153,967)
Total stockholders' equity	\$ (1,934,979)	\$ 344,442

The accompanying notes are an integral part of these consolidated financial statements.

## Notes to Consolidated Financial Statements

### (1) Company Operations

Technical Communications Corporation (“TCC” or the “Company”) was incorporated in Massachusetts in 1961; its wholly-owned subsidiary, TCC Investment Corp., was organized in that jurisdiction in 1982. Technical Communications Corporation and TCC Investment Corp. are collectively referred to herein as the “Company”. The Company’s business consists of only one industry segment, which is the design, development, manufacture, distribution, marketing and sale of communications security devices, systems and services. The secure communications solutions provided by TCC protect vital information transmitted over a wide range of data, video, fax and voice networks. TCC’s products have been sold into over 115 countries and are in service with governments, military agencies, telecommunications carriers, financial institutions and multinational corporations.

#### Liquidity and Ability to Continue as a Going Concern

For the years ended September 24, 2022, September 25, 2021 and September 26, 2020, the Company generated net losses of \$2,331,139, \$1,088,386 and \$910,650 and, although the Company generated \$631,426 of net income in the fiscal year ended September 28, 2019, the Company suffered recurring losses from operations during the prior seven year period from fiscal 2012 to fiscal 2018. The Company has an accumulated deficit of \$6,485,106 at September 24, 2022. These factors continue to raise substantial doubt about the Company's ability to continue as a going concern. Such consolidated financial statements do not include any adjustments to reflect the substantial doubt about the Company’s ability to continue as a going concern.

On August 4, 2022, the Company issued an amended and restated demand promissory note in the principal amount of up to \$4,000,000 in favor of Carl H. Guild, Jr. Mr. Guild, the Company’s Chief Executive Officer, President and Chairman of the Board, loaned the money to the Company to provide working capital. The \$4,000,000 consists of \$1,000,000 previously loaned to the Company at an interest rate of 6% and \$2,000,000 previously loaned to the Company at an interest rate of 7.5% and an additional \$1,000,000 at an interest rate of 7.5%. The additional funds will be available to the Company to borrow from Mr. Guild on a revolving basis and the loan has no specified term year and may be prepaid at any time without premium or penalty. The outstanding principal balance at September 24, 2022 was \$3,000,000, plus accrued interest of \$106,000. An interest payment of \$30,000 was made in January of 2022.

In December 2022 the Company implemented a partial furlough plan for the majority of salaried employees. The plan reduces the workweek to 24 hours and salaries have been reduced commensurately. With this furlough plan in place we anticipate that our principal sources of liquidity, including the recent line of credit, will be sufficient to fund our activities through January 2023. In order to have sufficient cash to fund our operations beyond that point, we will need to secure new customer contracts, raise additional equity or debt capital, and reduce expenses, including payroll and payroll-related expenses through another employee furlough and/or separations.

In order to have sufficient capital resources to fund operations, the Company has been working diligently to secure several large orders with new and existing customers. The receipt of these orders has been significantly delayed and will continue to be difficult to predict due to the impact of the COVID-19 pandemic on our customers as a result of their operations being reduced or shut down. TCC has been able to maintain its operations during this sustained period of disruption, but a continuation of the disruption in either our customers’ operations or those of the Company will continue to have a material adverse impact on sales activity and revenue.

Since the start of the pandemic, the Company has been able to secure capital in the form of debt financing to assist with funding its operations. On April 17, 2020, the Company was granted a loan from bankHometown under the U.S. Small Business Administration’s, or SBA, Paycheck Protection Program, or PPP, in the principal amount of \$474,400. The loan, which was evidenced by a note dated April 17, 2020, was payable over 18 months at an annual interest rate of 1% to the extent not forgiven. The Company used the entire original PPP loan amount for qualifying expenses and the SBA forgave the loan in its entirety on January 11, 2021.

## Notes to Consolidated Financial Statements (continued)

On February 1, 2021, the Company received a second loan from bankHometown under the PPP as authorized under the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act, or the Economic Aid Act. The loan, evidenced by a promissory note, was in the principal amount of \$474,405. The Company used the entire second PPP loan amount for qualifying expenses and the loan was forgiven on August 10, 2021 under the provisions of the Economic Aid Act.

During fiscal year 2020, the Company was granted a loan from the SBA in the principal amount of \$150,000 pursuant to the Economic Injury Disaster Loan program. This loan is payable monthly over 30 years at an annual interest rate of 3.75% commencing thirty months from the date of issuance.

The Company is working diligently to secure additional capital through equity or debt arrangements in addition to the recent funding received from the SBA and Mr. Guild. The Company is actively working with equity investors as well as debt investors, such as the SBA and Mr. Guild to secure additional funding, although we cannot provide assurances we will be able to secure such new funding, especially in light of the tightening of the credit markets and continuing volatility of the capital markets as a result of the coronavirus. Moreover, the Company's common stock was delisted from the Nasdaq Capital Market effective January 25, 2021; while the common stock is quoted on the OTC Bulletin Board, the change in listing may have a negative impact on the liquidity of the stock and the Company's ability to raise capital through offerings of its equity securities.

Should the Company be unsuccessful in these efforts, it would be forced to implement headcount reductions, additional employee furloughs and/or reduced hours for certain employees, or cease operations completely.

### (2) Summary of Significant Accounting Policies

The Company follows accounting standards set by the Financial Accounting Standards Board, commonly referred to as the FASB. The FASB sets generally accepted accounting principles ("GAAP") that the Company follows to ensure it consistently reports its financial condition, results of operations, and cash flows. References to GAAP issued by the FASB in these footnotes are to the *FASB Accounting Standards Codification*<sup>TM</sup>, sometimes referred to as the Codification or ASC.

#### *Principles of Consolidation*

The accompanying consolidated financial statements include the accounts of TCC and its wholly-owned subsidiary, TCC Investment Corp., a Massachusetts corporation. All significant intercompany accounts and transactions have been eliminated in consolidation.

#### *Use of Estimates*

The preparation of financial statements in conformity with GAAP in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Significant judgments and estimates include those related to revenue recognition, receivable reserves, inventory reserves, impairment of long-lived assets, income taxes, fair value and stock-based compensation. Actual results could differ from those estimates.

#### *Cash, Cash Equivalents and Marketable Securities*

The Company considers all highly liquid instruments with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents include demand deposits at banks and other investments (including mutual funds) readily convertible into cash. The Company maintains its cash and cash equivalents

in bank deposit accounts and money market mutual funds that, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any

## Notes to Consolidated Financial Statements (continued)

significant credit risk on its cash, cash equivalents or marketable securities. The Company accounts for marketable securities in accordance with FASB ASC 320, *Investments—Debt and Equity Securities*.

### *Accounts Receivable*

Accounts receivable are reduced by an allowance for amounts that management believes may become uncollectible in the future. The estimated allowance for uncollectible amounts is based primarily on a specific analysis of accounts in the receivable portfolio and historical write-off experience. When the financial condition of the Company's customers deteriorates, resulting in an impairment of their ability to make payments, additional allowances are recorded. In addition, if the Company becomes aware of a customer's inability to meet its financial obligations to TCC, a specific write-off is recorded in that amount. There was no allowance for doubtful accounts at September 24, 2022 or September 25, 2021.

### *Inventories*

The Company values its inventory at the lower of actual cost (based on the first-in, first-out method) to purchase and/or manufacture and net realizable value (based on estimated selling prices, less the cost to sell) of the inventory. The Company periodically reviews inventory quantities on hand and records a provision for excess and/or obsolete inventory based primarily on its estimated forecast of product demand, as well as historical usage. The Company evaluates the carrying value of inventory on a quarterly basis to determine if the carrying value is recoverable at estimated selling prices. To the extent that estimated selling prices are less than the associated carrying values, inventory carrying values are written down. In addition, the Company makes judgments as to future demand requirements and compares those with the current or committed inventory levels. Reserves are established for inventory levels that exceed the Company's judgment of future demand. It is possible that additional reserves above those already established may be required in the future if market conditions for the Company's products should deteriorate.

### *Equipment and Leasehold Improvements*

Equipment and leasehold improvements are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are computed using the straight-line method over the lesser of the estimated useful life of the asset or the applicable lease term. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation and amortization are removed from the accounts, and any resulting gain or loss is recognized in operations for the period. The costs of maintenance and repairs are charged to operations as incurred; significant renewals and betterments are capitalized.

### *Long-lived Assets*

The Company's only long-lived assets are equipment and leasehold improvements. Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. These events include a significant decrease in the market price of a long-lived asset, a significant adverse change in the extent or manner in which a long-lived asset is being used or in its physical condition, a significant adverse change in legal factors or in the business climate that could affect the value of a long-lived asset, including an adverse action or assessment by a regulator, an accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of a long-lived asset, a current-period operating or cash flow loss combined with a history of operating or cash flow losses, or a projection or forecast that demonstrates continuing losses associated with the use of a long-lived asset, among other items. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the asset to the estimated undiscounted future cash flows expected to be generated by such asset. If the carrying amount of the asset exceeds its estimated undiscounted future cash flows, an impairment charge is recognized in the amount by which the carrying amount exceeds the fair value of the asset. There were no events or changes in circumstances that required the Company to review long-lived assets for impairment during fiscal years 2022 and 2021.

## Notes to Consolidated Financial Statements (continued)

### *Revenue Recognition*

The Company's engineering services revenue is derived from performing funded research and development and technology development for commercial companies and government agencies under both cost reimbursement and fixed-price contracts. Cost reimbursement contracts provide for the reimbursement of allowable costs and, in some situations, the payment of a fee. These contracts may contain incentive clauses providing for increases or decreases in the fee depending on how actual costs compare with a budget. On fixed-price contracts that are expected to exceed one year in duration, revenue is recognized pursuant to the proportional performance method based upon the proportion of actual costs incurred to the total estimated costs for the contract. The Company may receive periodic progress payments and it retains the rights to the intellectual property developed in government contracts.

The Company recognizes equipment sales revenue when there is persuasive evidence of an arrangement, the fee is fixed or determinable, delivery of the product and passage of title to the customer has occurred and the Company has determined that collection of the fee is probable. Title to the product generally passes upon shipment of the product, as the products are shipped freight on board shipping point, except for certain foreign shipments for which title passes upon entry of the product into the first port in the buyer's country. If the product requires installation to be performed by TCC or other acceptance criteria exist, all revenue related to the product is deferred and recognized upon completion of the installation or satisfaction of the customer acceptance criteria. The Company provides for a warranty reserve at the time the product revenue is recognized.

All payments to the Company for work performed on contracts with agencies of the U.S. government are subject to audit and adjustment by the Defense Contract Audit Agency, the U.S. Government Accountability Office and other agencies. Adjustments are recognized in the period made. There have been no audits in recent years and the Company believes the result of such audits, should they occur, would not have a material adverse effect on its financial position or results of operations

Costs incurred in connection with funded research and development are included in cost of revenue. Product development costs are charged to billable engineering services, bid and proposal efforts or business development activities, as appropriate. Product development costs charged to billable projects are recorded as cost of revenue; engineering costs charged to bid and proposal efforts are recorded as selling expenses; and product development costs charged to business development activities are recorded as marketing expenses.

Product development costs consist primarily of costs associated with personnel, outside contractor and engineering services, supplies and materials. Cost of product revenue includes material, labor and overhead.

### *Income Taxes*

The Company accounts for income taxes using the asset/liability method. Under the asset/liability method, deferred income taxes are recognized at current income tax rates to reflect the tax effect of temporary differences between the consolidated financial reporting basis and tax basis of assets and liabilities. The Company provides a valuation allowance, if necessary, to reduce deferred tax assets to their estimated realizable value.

The Company follows the appropriate guidance relative to uncertain tax positions. This standard provides detailed guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions recognized in the financial statements. Uncertain tax positions must meet a recognition threshold of more-likely-than-not in order for those tax positions to be recognized in the financial statements. There were no uncertain tax positions as of September 24, 2022 and September 25, 2021.



## Notes to Consolidated Financial Statements (continued)

### *Warranty Costs*

The Company provides for estimated warranty costs at the time product revenue is recognized based upon historical experience.

### *Fair Value of Financial Measurements*

The Company's available for sale securities consist of money market mutual funds held in a brokerage account, which are classified as cash equivalents and measured at fair value.

As of September 24, 2022 and September 25, 2021, the Company did not hold any assets classified as Level 1, Level 2 or Level 3. There were no assets or liabilities measured at fair value on a nonrecurring basis at September 24, 2022 and September 25, 2021.

### *Earnings (Loss) per Share (EPS)*

The Company presents both a "basic" and a "diluted" EPS. Basic EPS is computed by dividing net income (loss) by the weighted average number of shares of common stock outstanding during the period. In computing diluted EPS, stock options that are dilutive (i.e., those that reduce earnings per share) are included in the calculation of EPS using the treasury stock method. The exercise of outstanding stock options is not included if the result would be antidilutive, such as when a net loss is reported for the period or the option exercise price is greater than the average market price for the period presented.

### *Research and Development*

Research and development costs are included in product development expenses in the consolidated statements of operations. Expenditures for Company-sponsored research and development projects are expensed as incurred and were \$816,633 and \$732,020 in fiscal 2022 and 2021, respectively. Customer-sponsored research and development projects performed under contracts are accounted for as contract costs as the work is performed and included in cost of revenue; such amounts were \$636,318 and \$711,335 in fiscal years 2022 and 2021, respectively.

### *Fiscal Year-End Policy*

The Company's by-laws call for its fiscal year to end on the Saturday closest to the last day of September, unless otherwise decided by its Board of Directors. The 2022 fiscal year ended on September 24, 2022 and included 52 weeks. The 2021 fiscal year ended on September 25, 2021 and included 52 weeks.

### *Reclassification*

Certain reclassifications have been made to the consolidated financial statements for fiscal 2021 to conform with the fiscal year 2022 presentation.

### *SBA Payroll Protection Program Loan*

During fiscal year 2020, the Company adopted IAS 20 - *Accounting for Government Grants and Disclosure of Government Assistance* ("IAS 20") to account for the receipt of the loan under the SBA's Payroll Protection Program. IAS 20 requires the loan to be recognized as deferred income. Derecognition of the liability for any portion of the loan that is forgivable or has been forgiven will occur only when there is a reasonable assurance any conditions attached to the assistance will be met. The income statement effect for the portion of the loan that is forgivable or has been forgiven will consist of either (1) a credit in the income statement, either separately or under a general heading such as "other income," or (2) a reduction of the related expenses, as the entity recognizes the related cost to which the loan relates. The Company has elected to treat the forgiven part of the loan as other income. As the Company used 100% (minimum

## Notes to Consolidated Financial Statements (continued)

requirement is 75%) of the loan proceeds to cover its payroll expenses during the “Alternate Covered Period”, the full amount of the loans were forgiven.

### New Accounting Pronouncements

Recent accounting pronouncements were issued by the FASB (including its Emerging Issues Task Force) and the SEC during the Company’s 2022 fiscal year but such pronouncements are not believed by management to have a material impact on the Company’s present or future financial statements.

### (3) Revenue

The following table presents the Company’s revenues disaggregated by revenue type for the years ended September 24, 2022 and September 25, 2021.

#### Revenue type:

	<u>September 24, 2022</u>	<u>September 25, 2021</u>
Engineering services	\$ 995,833	\$ 1,106,709
Equipment sales	308,102	759,670
Total sales	<u>\$ 1,303,935</u>	<u>\$ 1,866,379</u>

Engineering services revenue consists of funded research and development and technology development for commercial companies and government agencies primarily under fixed-price contracts. The Company also derives revenue from developing and designing custom cryptographic solutions for customers’ unique secure voice, data and video communications requirements and integrating such solutions into existing systems. These contracts can vary but typically call for fixed monthly payments or payments due upon meeting certain milestones. Customers are billed monthly or upon achieving the milestone, and payments are due on a net basis after the billing date.

Equipment sales revenue consists of sales of communications security equipment for voice, data, facsimile and video networks for military, government and corporate/industrial applications. Equipment sales are billed to the customer upon shipment with typical payment terms requiring a down payment at the time of order with the balance due prior to shipment. For government and certain long term customers, the Company may grant net payment terms.

### (4) Net Loss Per Share

Outstanding potentially dilutive stock options, which were not included in the net loss per share amounts as their effect would have been anti-dilutive, were 164,900 and 143,900 shares in fiscal years 2022 and 2021, respectively.

### (5) Stock Based Compensation

Stock-based compensation expense is measured at the grant date based on the calculated fair value of the award. The expense is recognized over the employee’s requisite service period, generally the vesting period of the award. The related excess tax benefit received upon the exercise of stock options, if any, is reflected in the Company’s statement of cash flows as an operating activity. There were no excess tax benefits for the fiscal years ended September 24, 2022 and September 25, 2021.

The Company uses the Black-Scholes option pricing model as the method for determining the estimated fair value of its stock option awards. The Black-Scholes method of valuation requires several assumptions: (1) the expected term of the stock award, (2) the expected future stock price volatility over the expected term, (3) a risk-free interest rate and (4) the expected dividend rate. The expected term represents the expected period of time the Company believes the options will be outstanding based on historical information. Estimates of expected future stock price volatility are

## Notes to Consolidated Financial Statements (continued)

based on the historic volatility of the Company's common stock and the risk free interest rate is based on the U.S. Treasury Note rate. The Company utilizes a forfeiture rate based on an analysis of its actual experience. The forfeiture rate is not material to the calculation of stock-based compensation.

The fair value of options at date of grant was estimated with the following assumptions:

	<u>September 24, 2022</u>	<u>September 25, 2021</u>
<b>Assumptions:</b>		
Option life (years)	6.5	6.5
Risk-free interest rate	2.0 %	0.7 %
Stock volatility	117 %	113 %
Dividend yield	0 %	0 %

There were 28,000 options granted during the fiscal year ended September 24, 2022 and no options were granted during the fiscal year ended September 25, 2021. The weighted average grant date fair value of options granted during the year September 24, 2022 was \$1.54. The following table summarizes stock-based compensation costs included in the Company's consolidated statements of operations for the years ended September 24, 2022 and September 25, 2021:

	<u>2022</u>	<u>2021</u>
Selling, general and administrative	\$ 43,776	\$ 43,292
Product development	7,942	9,112
Total stock-based compensation expense before taxes	<u>\$ 51,718</u>	<u>\$ 52,404</u>

As of September 24, 2022, there was \$89,090 of unrecognized compensation expense related to options outstanding. The unrecognized compensation expense will be recognized over the remaining requisite service period. As of September 24, 2022, the weighted average period over which the compensation expense is expected to be recognized 2.9 years.

On May 6, 2021 the Company adopted the 2021 Equity Incentive Plan (the "Plan"). The Plan authorizes the issuance of up to 300,000 shares. The Plan has not been approved by shareholders and allows for non-qualified stock option grants, stock appreciation rights (SARS), restricted stock and stock units and other stock and stock based awards. There were 28,000 options granted under this Plan during the year ended September 24, 2022. Vesting periods are at the discretion of the Board of Directors and typically range between zero and five years. Options under the Plan are granted with an exercise price equal to fair value at time of grant and have a term of ten years from the date of grant.

The Technical Communications Corporation 2005 Non-Statutory Stock Option Plan and 2010 Equity Incentive Plan are expired as of September 24, 2022 and options are no longer available for grant thereunder, although vested, unexercised options under such plans remain outstanding. There were an aggregate of 600,000 shares authorized for issuance under these plans, of which options to purchase 136,900 shares were outstanding at September 24, 2022. Vesting periods are at the discretion of the Board of Directors and typically range between zero and five years. Options under these plans are granted with an exercise price equal to fair value at time of grant and have a term of ten years from the date of grant.

## Notes to Consolidated Financial Statements (continued)

The following tables summarize stock option activity during fiscal years 2021 and 2022:

	Options Outstanding			Weighted Average Contractual Life (years)	
	Number of Shares				Weighted Average Exercise Price
	Unvested	Vested	Total		
<b>Outstanding, September 26, 2020</b>	71,600	86,300	157,900	\$ 4.54	
Grants	-	-	-	-	
Vested	(21,900)	21,900	-	3.32	
Exercises	-	-	-	-	
Cancellations/forfeitures	(1,200)	(12,800)	(14,000)	8.92	
<b>Outstanding, September 25, 2021</b>	48,500	95,400	143,900	\$ 4.11	
Grants	28,000	-	28,000	1.75	
Vested	(19,800)	19,800	-	3.37	
Exercises	-	-	-	-	
Cancellations/forfeitures	-	(7,000)	(7,000)	10.20	
<b>Outstanding, September 24, 2022</b>	56,700	108,200	164,900	\$ 3.45	

Information related to the stock options vested or expected to vest as of September 24, 2022 is as follows:

Range of Exercise Prices	Number of Shares	Weighted- Average Remaining Contractual Life (years)	Weighted- Average Exercise Price	Exercisable Number of Shares	Exercisable Weighted- Average Exercise Price
\$1.01 - \$2.00	48,000	8.57	\$ 1.80	12,000	\$ 1.87
\$2.01 - \$3.00	34,300	5.42	2.61	25,900	2.65
\$3.01 - \$4.00	43,500	6.59	3.60	33,300	3.60
\$4.01 - \$5.00	16,600	1.75	4.34	16,600	4.33
\$5.01 - \$10.00	22,500	3.27	7.36	20,400	7.37
	<u>164,900</u>	5.98	\$ 3.45	<u>108,200</u>	\$ 4.00

The aggregate intrinsic value of the Company's "in-the-money" outstanding and exercisable options was \$0 as of September 24, 2022 and \$14,226 as of September 25, 2021. There were no stock options exercised during the years ended September 24, 2022 and September 25, 2021. Nonvested common stock options are subject to the risk of forfeiture until the fulfillment of specified conditions.

### (6) Inventories

Inventories consist of the following:

	September 24, 2022	September 25, 2021
Finished goods	\$ -	\$ 57,006
Work in process	489,854	487,276
Raw materials and supplies	476,331	613,100
Total inventories	<u>\$ 966,185</u>	<u>\$ 1,157,382</u>

## Notes to Consolidated Financial Statements (continued)

### (7) Equipment and Leasehold Improvements

Equipment and leasehold improvements consist of the following:

	September 24, 2022	September 25, 2021	Estimated Useful Life (years)
Engineering and manufacturing equipment	\$ 2,162,241	\$ 2,149,280	3 - 8
Demonstration equipment	834,137	834,137	3
Furniture and fixtures	1,015,816	1,015,816	3 - 8
Automobile	49,441	49,441	5
Leasehold improvements	494,509	494,509	Lesser of useful life or term of lease
Total equipment and leasehold improvements	4,556,144	4,543,183	
Less accumulated depreciation and amortization	(4,544,778)	(4,538,782)	
Equipment and leasehold improvements, net	<u>\$ 11,366</u>	<u>\$ 4,401</u>	

Depreciation expense was \$5,996 and \$14,328 for the fiscal years ended September 24, 2022 and September 25, 2021, respectively.

### (8) Leases

The Company leases space from a third party for all manufacturing, research and development, and corporate operations. The initial term of the lease was for five years through March 31, 2019 at an annual rate of \$171,000. In addition, the lease contains options to extend the lease for two and one-half years through September 30, 2021 and another two and one-half years through March 31, 2024 at an annual rate of \$171,000. In September 2018, the Company exercised its option to extend the term of the lease through September 2021. The Company exercised the option on March 31, 2021, and the new term will run until March 30, 2024. As such, the Company uses the extended lease term in its calculation of the lease liability and right-of-use asset. The Company classifies this lease as an operating lease with the costs recognized as a selling, general and administrative expense in its consolidated statements of operations. The lease expense for each of the years ended September 24, 2022 and September 25, 2021 was approximately \$171,000.

The table below presents the maturity of the Company's operating lease liability as of September 24, 2022:

2023	170,603
2024	<u>85,301</u>
Total lease payments	255,904
Less: Imputed interest	<u>(7,442)</u>
Total lease liability	<u>\$ 248,462</u>

### (9) Debt

On April 17, 2020, the Company was granted an initial PPP loan from bankHometown in the principal amount of \$474,400 under the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act"). The loan, which was evidenced by a Note dated April 17, 2020, was payable over 18 months at an annual interest rate of 1% to the extent not forgiven. The Company used the entire loan amount for qualifying expenses and the loan was forgiven in its entirety on January 11, 2021. The AICPA and the SEC Office of the Chief Accountant have indicated that a borrower may elect to account for a PPP loan as a government grant in substance by applying the guidance in IAS 20, *Accounting for Government Grants and Disclosure of Government Assistance* by analogy if it is probable that it will meet both (a) the eligibility criteria for a PPP loan, and (b) the loan forgiveness criteria for all or substantially all of the PPP loan. The Company has elected to adopt this method of accounting for this PPP loan under IAS 20, and has recognized the loan forgiveness as grant income for the full amount of the loan.

## Notes to Consolidated Financial Statements (continued)

On August 10, 2020, the Company also was granted a loan (the “SBA Loan”) from the SBA in the principal amount of \$150,000 pursuant to the Economic Injury Disaster Loan program. The SBA Loan, which is evidenced by a Promissory Note dated August 10, 2020, is payable in monthly installments of \$731, including principal and interest, over 30 years at an interest rate of 3.75% per year. The SBA Loan may be prepaid by the Company at any time prior to maturity with no prepayment penalties. The proceeds from this loan must be used solely as working capital to alleviate economic injury caused by the Covid-19 pandemic. Although originally repayable commencing one year after grant, on March 15, 2022 the SBA announced that payments on the SBA Loan would be deferred an additional six months. Payments on the loan will now commence on February 10, 2023.

As part of the SBA Loan, the Company granted the SBA a continuing security interest in and to any and all “Collateral” to secure payment and performance of all debts, liabilities and obligations of the Company to the SBA under the SBA Loan. The Collateral includes all tangible and intangible personal property that the Company owns or acquires or creates immediately upon the acquisition or creation thereof, including, but not limited to: (a) inventory, (b) equipment, (c) instruments, including promissory notes, (d) chattel paper, including tangible chattel paper and electronic chattel paper, (e) documents, (f) letter of credit rights, (g) accounts, including health-care insurance receivables and credit card receivables, (h) deposit accounts, (i) commercial tort claims, (j) general intangibles, including payment intangibles and software, and (k) as-extracted collateral, in each case as such terms may from time to time be defined in the Uniform Commercial Code.

The aggregate amounts of principal maturities of long-term debt for the following fiscal years are:

2023	\$ 1,996
2024	3,089
2025	3,207
2026	3,329
2027	3,739
Thereafter	<u>134,640</u>
	<u>\$ 150,000</u>

On February 1, 2021, the Company received a second PPP loan from bankHometown as authorized under the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act (the “Economic Aid Act”). The loan, which was evidenced by a promissory note, is in the principal amount of \$474,405 was payable over 60 months at an annual interest rate of 1% to the extent not forgiven. The Company used the entire loan amount for qualifying expenses and the loan was forgiven in its entirety on August 30, 2021 under the provisions of the Economic Aid Act.

On August 4, 2022, the Company issued an amended and restated demand promissory note in the principal amount of up to \$4,000,000 in favor of Carl H. Guild, Jr. Mr. Guild, the Company’s Chief Executive Officer, President and Chairman of the Board, loaned the money to the Company to provide working capital. The \$4,000,000 consists of \$1,000,000 previously loaned to the Company at an interest rate of 6% and \$2,000,000 previously loaned to the Company at an interest rate of 7.5% and an additional \$1,000,000 at an interest rate of 7.5%. The additional funds will be available to the Company to borrow from Mr. Guild on a revolving basis and the loan has no specified term year and may be prepaid at any time without premium or penalty. The outstanding principal balance at September 24, 2022 was \$3,000,000, plus accrued interest of \$106,000. An interest payment of approximately \$30,000 was made in January of 2022.

### (10) Warranty

The Company's products generally carry a standard 15 month warranty. The Company records a reserve based on anticipated warranty claims at the time product revenue is recognized. Factors that affect the Company's product warranty liability include the number of installed units, the anticipated cost of warranty repairs and historical and anticipated rates of warranty claims. The warranty reserve is included in other current liabilities on the balance sheet.

## Notes to Consolidated Financial Statements (continued)

The following table reflects changes in the Company's accrued warranty account:

	<b>September 24, 2022</b>	<b>September 25, 2021</b>
Beginning balance	\$ 13,764	\$ 28,211
Plus: accruals related to new sales	1,174	2,290
Less: payments and adjustments to prior period accruals	(13,519)	(16,737)
Ending balance	<u>\$ 1,419</u>	<u>\$ 13,764</u>

### (11) Income Taxes

The income tax expense (benefit) is different from what would be obtained by applying the statutory federal income tax rate to income (loss) before income taxes due to the following:

	<b>September 24, 2022</b>		<b>September 25, 2021</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Tax expense (benefit) at U.S. statutory rate	\$ (489,072)	(21.0%)	\$ (228,561)	(21.0%)
State income tax provision, net of federal benefit	(125,112)	(5.4%)	(104,451)	(9.6%)
Federal research credits	-	-	-	-
Change in state income tax rate	(32,518)	(1.4%)	(160,738)	(14.8%)
Other	13,241	0.6%	(105,280)	(9.6%)
Valuation allowance	633,461	27.2%	599,030	55.0%
Total income tax expense (benefit)	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>

Deferred income taxes consist of the following:

	<b>September 24, 2022</b>	<b>September 25, 2021</b>
Inventory differences	\$ 1,054,281	\$ 1,046,749
Net operating losses	3,407,197	2,789,142
Stock based compensation	138,736	133,173
Tax credits	539,421	516,542
Other	49,617	70,168
Total	<u>5,189,252</u>	<u>4,555,791</u>
Less: valuation allowance	<u>(5,189,252)</u>	<u>(4,555,791)</u>
Total	<u>\$ -</u>	<u>\$ -</u>

During fiscal year 2014, the Company established a valuation allowance against deferred tax assets. The valuation allowance is related to uncertainty with respect to the Company's ability to realize its deferred tax assets. Deferred tax assets consist of net operating loss carryforwards, tax credits, inventory differences and other temporary differences. During fiscal years 2022 and 2021, the change in the valuation allowance was \$633,461 and \$599,030, respectively and related primarily to changes in net operating losses.

Due to the nature of the Company's current operations in foreign countries (selling products into these countries with the assistance of local representatives), the Company has not been subject to any foreign taxes in recent years. Also, it is not anticipated that the Company will be subject to foreign taxes in the near future.

The Company files income tax returns in the U.S. federal jurisdiction and in the states of Massachusetts and New Hampshire. For U.S. federal and state purposes, the tax years 2018 through 2021 remain open to examination. In

## Notes to Consolidated Financial Statements (continued)

addition, the amount of the Company's federal and state net operating loss carryforwards utilized in prior periods may be subject to examination and adjustment. The Company has federal research credits of \$365,897 available through fiscal year 2040 and net operating loss carryforwards of \$5,859,642 available through fiscal year 2039 and the net operating loss carryforwards generated in fiscal years 2022 through 2019 of \$7,276,985 will carryforward indefinitely. In addition, the Company has Massachusetts research credits of \$189,318 available through fiscal year 2036 and net operating loss carryforwards of \$11,633,242 available through fiscal year 2041.

Under the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act") the Company is entitled to Employee Retention Credits for parts of its fiscal 2020 and 2021 years. The Company has filed amended Employer's Quarterly Federal Tax returns to apply for these credits. As a result the Company is due \$515,966 in credits and expects to receive refunds from the IRS in fiscal 2023.

### (12) Employee Benefit Plans

The Company has a qualified, contributory, profit sharing plan covering substantially all employees. The Company's policy is to fund contributions as they are accrued. The contributions are allocated based on the employee's proportionate share of total compensation. The Company's contributions to the plan are determined by the Board of Directors and are subject to other specified limitations. There were no Company profit sharing contributions during fiscal years 2022 or 2021. The Company's matching contributions were \$73,824 and \$56,435 in fiscal years 2022 and 2021, respectively.

The Company has an Executive Incentive Bonus Plan for the benefit of key management employees. The bonus pool is determined based on the Company's performance as defined by the plan. Under the plan, there were no bonuses earned, accrued or paid to eligible employees at September 24, 2022 or September 25, 2021.

### (13) Major Customers and Export Revenue

In fiscal year 2022, the Company had two customers representing 91% (76% and 15%) of total net revenue and at September 24, 2022 had one customer representing 100% of accounts receivable. In fiscal year 2021, the Company had two customers representing 74% (59% and 15%) of total net revenue and at September 25, 2021 had one customer representing 97% of accounts receivable.

A breakdown of net revenue is as follows:

	<u>September 24, 2022</u>	<u>September 25, 2021</u>
Domestic	\$ 995,833	\$ 1,629,824
Foreign	308,102	236,555
Total Revenue	<u>\$ 1,303,935</u>	<u>\$ 1,866,379</u>

A summary of foreign sales, as a percentage of total foreign revenue, by geographic area, is as follows:

	<u>September 24, 2022</u>	<u>September 25, 2021</u>
Far East	62.3%	5.0%
Mid-East and Africa	37.7%	95.0%

The Company sold products to customers located in three countries during the year ended September 24, 2022 and to customers located in four countries during the year ended September 25, 2021. A sale is attributed to a foreign country based on the location of the contracting party. Domestic revenue may include the sale of products shipped through domestic resellers or manufacturers to international destinations. The table below summarizes the Company's foreign revenues by country as a percentage of total foreign revenue.



## Notes to Consolidated Financial Statements (continued)

	<u>September 24, 2022</u>	<u>September 25, 2021</u>
Philippines	62.3%	5.0%
Saudi Arabia	25.9%	8.0%
Morocco	11.8%	62.5%
Egypt	-	24.5%

### (14) Related Party Transactions

On August 4, 2022, the Company issued an amended and restated demand promissory note in the principal amount of up to \$4,000,000 in favor of Carl H. Guild, Jr. Mr. Guild, the Company's Chief Executive Officer, President and Chairman of the Board, loaned the money to the Company to provide working capital. The \$4,000,000 consists of \$1,000,000 previously loaned to the Company at an interest rate of 6% and \$2,000,000 previously loaned to the Company at an interest rate of 7.5% and an additional \$1,000,000 at an interest rate of 7.5%. The additional funds will be available to the Company to borrow from Mr. Guild on a revolving basis and the loan has no specified term year and may be prepaid at any time without premium or penalty. The outstanding principal balance at September 24, 2022 was \$3,000,000, plus accrued interest of \$106,000. An interest payment of \$30,000 was made in January of 2022.

On July 15, 2021 there was a sale by the Company of 4,000 unregistered shares of the Company's common stock at \$4.00 per share to a member of the Board of Directors.

### (15) Shareholder Rights Plan

On August 7, 2014, the Board of Directors of the Company adopted a Stockholder Rights Plan to replace the Company's former plan, which had expired on August 5, 2014. The new plan is substantially similar to the former plan, and was not adopted in response to any specific takeover threat. In adopting the plan, the Board declared a dividend distribution of one common stock purchase right for each outstanding share of common stock of the Company, payable to stockholders of record at the close of business on August 18, 2014. Until the rights become exercisable, which occurs with certain exceptions when a person or affiliated group acquires 15% or more of TCC's common stock, they will trade automatically with the common stock and separate rights certificates will not be issued. Each right, once exercisable, will entitle the holder (other than rights owned by the acquiring person or group) to buy one share of the common stock at a price of \$25 per share, subject to certain adjustments. The rights can generally be redeemed by the Company at \$.001 per right at any time prior to the close of business on the tenth business day after there has been a public announcement of the acquisition of beneficial ownership by any person or group of 15% or more of the Company's outstanding common stock, subject to certain exceptions. The rights will expire on August 6, 2024 unless earlier redeemed.

### (16) Impact of COVID-19 Coronavirus

As a result of the economic slowdown due to the COVID-19 pandemic, there has been a noticeable delay in the receipt of customer orders. While we remain in contact with our customers and their requirements have not changed, the operations of certain of our customers have been slowed or shut down entirely. Our suppliers thus far have been able to timely deliver components and parts necessary for the manufacture and production of the Company's products to fulfill orders, although we cannot be sure this trend will continue. While the Company was able to reopen its facility in June 2020 after a brief government-mandated shutdown, we believe it is possible that new restrictions may be imposed in the near future. In December 2020 the Company implemented a partial furlough plan for the majority of salaried employees and all employees returned to work on a full time basis following the Company's receipt of the proceeds of its second PPP loan. In December of 2022 the Company implemented a new partial furlough plan for the majority of salaried employees. With this furlough plan in place we anticipate that our principal sources of liquidity will be sufficient to fund activities to January 2023. It is uncertain how long our customers' operations will be impacted, and those of our suppliers and our ability to respond to customer requirements and supplier issues will become more challenging during a period of sustained disruption. Any period of sustained disruption would have a material adverse effect on the Company's financial condition and results of operations.

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and

Stockholders of Technical Communications Corporation:

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

We have audited the accompanying consolidated balance sheets of Technical Communications Corporation and Subsidiary (the Company) as of September 24, 2022 and September 25, 2021, and the related consolidated statements of operations, cash flows and changes in stockholders' equity for the year then ended, and the related notes (collectively referred to as the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of September 24, 2022 and September 25, 2021, and the results of its operations and its cash flows for the years ended September 24, 2022 and September 25, 2021, in conformity with accounting principles generally accepted in the United States of America.

### **Substantial Doubt About the Company's Ability to Continue as a Going Concern**

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company has an accumulated deficit, has suffered significant net losses and negative cash flows from operations and has limited working capital that raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

### **Basis for Opinion**

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

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

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

### **Critical Audit Matters**

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

/s/ Stowe & Degon LLC

Westborough, Massachusetts  
December 22, 2022

We have served as the Company's auditors since 2019.



**CORPORATE INFORMATION  
AS OF DECEMBER 2022**

**OFFICERS**

Carl H. Guild, Jr.  
Chairman, President  
and Chief Executive Officer

Michael P. Malone  
Chief Financial Officer  
and Treasurer

Thomas J. Conte  
Secretary  
Partner, Mirick, O'Connell, DeMallie & Lougee, LLP

**DIRECTORS**

Carl H. Guild, Jr.  
Chairman, President  
and Chief Executive Officer, TCC

Ralph M. Norwood  
Consultant

Francisco F. Blanco  
President and CEO of The Pola Group, LLC

Thomas E. Peoples  
Consultant

**INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS**

Stowe & Degon, LLC  
Westborough, Massachusetts

**GENERAL COUNSEL**

Mirick, O'Connell, DeMallie & Lougee, LLP  
Worcester, Massachusetts

**ANNUAL STOCKHOLDERS MEETING**

This year's annual meeting will be held Monday, February 13, 2023 at 10:00 a.m. at TCC's facilities in Concord, Massachusetts. The shareholder record date is December 16, 2022.

**STOCK EXCHANGE LISTING**

The common stock is traded on the NASDAQ Capital Market, NASDAQ Symbol: TCCO.

**10-K REPORT**

A copy of the Company's Annual Report on Form 10-K for 2022, filed with the Securities and Exchange Commission, may be obtained upon written request to the Company.

**TRANSFER AGENT AND REGISTRAR**

American Stock Transfer & Trust Company  
59 Maiden Lane  
New York, New York 10038

**INVESTOR RELATIONS**

Technical Communications Corporation  
100 Domino Drive  
Concord, MA 01742  
(978) 287-5100

The discussion in this Annual Report and Form 10-K may contain statements that are not purely historical. Such statements contained herein or as may otherwise be incorporated by reference herein constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include but are not limited to statements regarding anticipated operating results, future earnings, and the ability to achieve growth and profitability. Such forward-looking statements involve known and unknown risks, uncertainties and other factors, including but not limited to the impact of the COVID-19 pandemic (including its duration and severity) and governmental actions in response thereto; the effect of foreign political unrest; domestic and foreign government policies and economic conditions; future changes in export laws or regulations; changes in technology; the ability to hire, retain and motivate technical, management and sales personnel; the risks associated with the technical feasibility and market acceptance of new products; changes in telecommunications protocols; the effects of changing costs, exchange rates and interest rates; and the Company's ability to secure adequate capital resources. Such risks, uncertainties and other factors could cause the actual results, performance or achievements of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. For a more detailed discussion of the risks facing the Company, see the Company's filings with the SEC, including this Form 10-K for the fiscal year ended September 24, 2022 and the "Risk Factors" section included herein.



**TECHNICAL COMMUNICATIONS CORPORATION**  
*Communicate in Confidence*

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