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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

Form 10-Q

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

For the quarterly period ended September 30, 2023

Or

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

For the transition period from ______ to ______

Commission File Number 000-09587

ELECTRO-SENSORS, INC.
(Exact name of registrant as specified in its charter)

Minnesota	**41-0943459**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

6111 Blue Circle Drive
Minnetonka, Minnesota 55343-9108
(Address of principal executive offices)

(952) 930-0100
(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, $0.10 par value	ELSE	Nasdaq Capital Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 of 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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit 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 ☐	Accelerated filer ☐
Non-accelerated filer ☒	Smaller reporting company ☒
	Emerging growth company ☐

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

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

The number of shares outstanding of the registrant’s common stock, $0.10 par value, on November 13, 2023 was 3,428,021.

ELECTRO-SENSORS, INC.
Form 10-Q
For the Period Ended September 30, 2023

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

ELECTRO-SENSORS, INC.
CONDENSED BALANCE SHEETS
(in thousands except share and per share amounts)

	September 30, 2023 (unaudited)	December 31, 2022
ASSETS		
Current assets		
Cash and cash equivalents	**$ 3,902**	$ 7,646
Investments	**6,026**	2,036
Trade receivables, less allowance for credit losses of $11	**1,066**	1,161
Inventories	**1,836**	1,745
Other current assets	**279**	214
Income tax receivable	**136**	11
Total current assets	**13,245**	12,813
Deferred income tax asset, net	**198**	256
Property and equipment, net	**907**	975
Total assets	**$ 14,350**	$ 14,044
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Current maturities of financing lease	**$ 1**	$ 6
Accounts payable	**261**	274
Accrued expenses	**559**	350
Total current liabilities	**821**	630
Commitments and contingencies		
Stockholders' equity		
Common stock par value $0.10 per share; authorized 10,000,000 shares; 3,428,021 shares issued and outstanding	**342**	342
Additional paid-in capital	**2,201**	2,163
Retained earnings	**10,988**	10,908
Accumulated other comprehensive income (loss) (unrealized income (loss) on available-for-sale securities, net of income tax)	**(2)**	1
Total stockholders' equity	**13,529**	13,414
Total liabilities and stockholders' equity	**$ 14,350**	$ 14,044

See accompanying notes to unaudited condensed financial statements

ELECTRO-SENSORS, INC.
CONDENSED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(in thousands except share and per share amounts)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	**2022**	**2023**	**2022**
Net sales	**$ 2,057**	$ 2,216	**$ 6,239**	$ 6,915
Cost of goods sold	**1,064**	1,053	**3,156**	3,178
Gross profit	**993**	1,163	**3,083**	3,737
Operating expenses				
Selling and marketing	**307**	357	**1,021**	1,230
General and administrative	**494**	497	**1,458**	2,125
Research and development	**218**	190	**724**	642
Total operating expenses	**1,019**	1,044	**3,203**	3,997
Operating income (loss)	**(26)**	119	**(120)**	(260)
Non-operating income				
Interest expense	**0**	(1)	**(1)**	(1)
Interest income	**109**	36	**297**	44
Total non-operating income, net	**109**	35	**296**	43
Income (loss) before income tax expense (benefit)	**83**	154	**176**	(217)
Income tax expense (benefit)	**75**	32	**96**	(46)
Net income (loss)	**$ 8**	$ 122	**$ 80**	$ (171)
Other comprehensive loss				
Change in unrealized value of available-for-sale securities, net of income tax	**$ (1)**	$ (2)	**$ (3)**	$ 0
Other comprehensive loss	**(1)**	(2)	**(3)**	0
Net comprehensive income (loss)	**$ 7**	$ 120	**$ 77**	$ (171)
Net income (loss) per share data:				
Basic				
Net income (loss) per share	**$ 0.00**	$ 0.04	**$ 0.02**	$ (0.05)
Weighted average shares	**3,428,021**	3,401,880	**3,428,021**	3,397,664
Diluted				
Net income (loss) per share	**$ 0.00**	$ 0.04	**$ 0.02**	$ (0.05)
Weighted average shares	**3,428,021**	3,482,996	**3,428,021**	3,397,664

See accompanying notes to unaudited condensed financial statements

ELECTRO-SENSORS, INC.
CONDENSED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(in thousands except share and per share amounts)

For the three months ended September 30

	Common Stock Issued Shares	Common Stock Issued Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
June 30, 2023	3,428,021	$ 342	$ 2,163	$10,980	$ (1)	$ **13,484**
Other comprehensive loss					(1)	**(1)**
Stock-based compensation expense			38			**38**
Net income				8		**8**
Balance September 30, 2023 (unaudited)	**3,428,021**	$ **342**	$ **2,201**	$**10,988**	$ **(2)**	$ **13,529**
June 30, 2022	3,395,521	$ 339	$ 2,043	$10,515	$ 2	$ 12,899
Exercise of common stock options	7,500	1	30			31
Other comprehensive income					(2)	(2)
Stock-based compensation expense			2			2
Net income				122		122
Balance September 30, 2022 (unaudited)	3,403,021	$ 340	$ 2,075	$10,637	$ 0	$ 13,052

For the nine months ended September 30

	Common Stock Issued Shares	Common Stock Issued Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Stockholders' Equity
December 31, 2022	3,428,021	$ 342	$ 2,163	$10,908	$ 1	$ **13,414**
Other comprehensive loss					(3)	**(3)**
Stock-based compensation expense			38			**38**
Net income				80		**80**
Balance September 30, 2023 (unaudited)	**3,428,021**	$ **342**	$ **2,201**	$**10,988**	$ **(2)**	$ **13,529**
December 31, 2021	3,395,521	$ 339	$ 2,041	$10,808	$ 0	$ 13,188
Exercise of common stock options	7,500	1	30			31
Stock-based compensation expense			4			4
Net loss				(171)		(171)
Balance September 30, 2022 (unaudited)	3,403,021	$ 340	$ 2,075	$10,637	$ 0	$ 13,052

See accompanying notes to unaudited condensed financial statements

ELECTRO-SENSORS, INC.
CONDENSED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Cash flows from (used in) operating activities		
Net income (loss)	**$ 80**	$ (171)
Adjustments to reconcile net income (loss) to net cash from (used in) operating activities:		
Depreciation and amortization	**69**	117
Deferred income taxes	**58**	(15)
Stock-based compensation expense	**38**	4
Interest accrued on Treasury Bills	**(163)**	(8)
Change in:		
Trade receivables	**95**	(175)
Inventories	**(91)**	(127)
Other current assets	**(65)**	13
Accounts payable	**(13)**	(48)
Accrued expenses	**209**	250
Income tax receivable/payable	**(125)**	(53)
Net cash from (used in) operating activities	**92**	(213)
Cash flows from (used in) investing activities		
Purchases of Treasury Bills	**(13,830)**	(4,992)
Proceeds from the maturity of Treasury Bills	**10,000**	8,000
Purchase of property and equipment	**(1)**	(17)
Net cash from (used in) investing activities	**(3,831)**	2,991
Cash flows from (used in) financing activities		
Proceeds from the exercise of common stock options	**0**	31
Payments on financing lease	**(5)**	(4)
Net cash from (used in) financing activities	**(5)**	27
Net increase (decrease) in cash and cash equivalents	**(3,744)**	2,805
Cash and cash equivalents, beginning	**7,646**	6,713
Cash and cash equivalents, ending	**$ 3,902**	$ 9,518
Supplemental cash flow information		
Cash paid for income taxes	**$ 164**	$ 22
Cash paid for interest	**$ 1**	$ 1

See accompanying notes to unaudited condensed financial statements

ELECTRO-SENSORS, INC.
NOTES TO CONDENSED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2023
(in thousands except share and per share amounts)
(unaudited)

Note 1. Basis of Presentation

The accompanying unaudited financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions and regulations of the Securities and Exchange Commission to Form 10-Q. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements.

This report should be read together with the Company's Annual Report on Form 10-K for the year ended December 31, 2022, including the audited financial statements and footnotes therein.

Management believes that the unaudited financial statements include all adjustments, consisting of normal recurring accruals, necessary to fairly state the financial position and results of operations as of September 30, 2023 and for the three and nine-month periods ended September 30, 2023 and 2022, in accordance with accounting principles generally accepted in the United States of America. The results of interim periods may not be indicative of results to be expected for the year.

Nature of Business

Electro-Sensors, Inc. (the "Company") manufactures and markets a complete line of monitoring and control systems for a wide range of industrial machine applications. The Company uses leading-edge technology to continuously improve its products, with the goal of manufacturing the industry-preferred product for each of our served markets. The Company sells these products through an internal sales staff and distributors to a wide range of industries that use the products in a variety of applications to monitor process machinery operations. The Company markets its products to customers located throughout the United States, Canada, Latin America, Europe, and Asia.

Note 5 provides information regarding the Merger Agreement that we entered into on June 10, 2022 and that was terminated January 30, 2023.

Trade receivables and credit policies

Trade receivables are uncollateralized customer obligations due under normal trade terms generally requiring payment within 30 days from the invoice date. Trade receivables are stated at the amount billed to the customer. Customer account balances with invoices over 90 days are considered delinquent. The Company does not accrue interest on delinquent trade receivables.

Payments of trade receivables are allocated to the specific invoices identified on the customer's remittance advice or, if unspecified, are applied to the earliest unpaid invoices.

The carrying amount of trade receivables is reduced by an allowance for credit losses that reflects management's best estimate of the amounts that will not be collected. Management assesses collectability by reviewing trade receivables on a collective and individual basis. In determining the amount of the allowance for credit losses, we consider historical collectability and past due status and make judgements about the creditworthiness of customers based on ongoing credit evaluations. We also consider customer-specific information and current market conditions.

ELECTRO-SENSORS, INC.
NOTES TO CONDENSED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2023
(in thousands except share and per share amounts)
(unaudited)

Revenue Recognition

At contract inception, the Company assesses the goods and services to be provided to a customer and identifies a performance obligation for each distinct good or service. We also determine the transaction price for each performance obligation at contract inception. Our contracts, generally in the form of a purchase order, specify the product or service that is to be provided to the customer. The typical contract life is less than one month and contains a single performance obligation, to provide conforming goods or services to the customer. Certain contracts have a second performance obligation, which typically is the initialization of the HazardPRO™ product. For contracts that have multiple performance obligations, we allocate the transaction price to each performance obligation using the relative stand-alone selling price. We generally determine stand-alone selling prices based on the observable stand-alone prices charged to customers. We recognize product revenue at the point in time when control of the product is transferred to the customer, which typically occurs when we ship the products. We recognize service revenue at the point in time when we have provided the service.

Fair Value Measurements

The carrying value of trade receivables, accounts payable, and other financial working capital items approximates fair value at September 30, 2023 and December 31, 2022, due to the short maturity nature of these instruments.

Stock-Based Compensation

The Company records compensation expense for stock options based on the estimated fair value of the options on the date of grant using the Black-Scholes-Merton (“BSM”) option pricing model. The Company uses historical data, among other factors, to estimate the expected price volatility, the expected option life, and the expected forfeiture rate. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant for the estimated life of the option.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. Current significant estimates, including the underlying assumptions, consist of economic lives of long-lived assets, realizability of trade receivables, valuation of deferred tax assets/liabilities, inventory, investments, and stock compensation expense. It is at least reasonably possible that these estimates may change in the near term.

Net Income (Loss) per Common Share

Basic income (loss) per share excludes dilution and is determined by dividing net income (loss) by the weighted-average number of common shares outstanding during the period. Diluted net income (loss) per share reflects the potential dilution that could occur if securities such as options or restricted stock units were exercised or converted into common stock.

Diluted earnings per share ("Diluted EPS") considers the impact of potentially dilutive securities except in periods in which there is a loss because the inclusion of the potential shares would have an anti-dilutive effect. Diluted EPS also excludes the impact of common shares issuable upon the exercise of outstanding stock options in periods in which the option exercise price is greater than the average market price of our common stock during the period.

For the three-month periods ended September 30, 2023, and 2022, 175,000 and 243,884 respectively, weighted average common shares for underlying stock options have been excluded from the calculation because their effect would be anti-dilutive. For the nine-month periods ended September 30, 2023 and 2022, 175,000 and 325,000 respectively, weighted average common shares for underlying stock options have been excluded from the calculation.

In addition, for the three and nine-month periods ended September 30, 2023, 105,000 restricted stock units have been excluded from the calculation because their effect would be anti-dilutive.

New Accounting Standard Adopted

Accounting Standard Update ("ASU") No. 2016-13, *Financial Instruments-Credit Losses (Topic 326), Measurement of Credit Losses on Financial Statements* requires a financial asset (or a group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial asset(s) to present the net carrying value at the amount expected to be collected on the financial asset. The adoption of ASU 2016-13 on January 1, 2023 had no significant impact on our financial statements.

ELECTRO-SENSORS, INC.
NOTES TO CONDENSED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2023
(in thousands except share and per share amounts)
(unaudited)

Note 2. Investments

The Company has investments in commercial paper, money market savings, Treasury Bills, and common equity securities of two private U.S. companies. The commercial paper investment is in U.S. debt with ratings of A-1+, P-1, and F1+. The Treasury Bills have remaining terms ranging from one month to three months at September 30, 2023.

The Company classifies its investments in commercial paper and Treasury Bills as available-for-sale, accounted for at fair value with unrealized income and losses recognized in accumulated other comprehensive income (loss) on the balance sheet. Equity securities are stated at fair value and unrealized gains and losses, if any, are reported in our statements of comprehensive income (loss) in non-operating income.

The cost and estimated fair value of the Company's investments are as follows:

	Cost	Gross unrealized gain	Gross unrealized loss	Fair value
September 30, 2023				
Money Market Savings	$ 1,694	$ 0	$ 0	$ 1,694
Treasury Bills	7,898	47	0	7,945
Equity Securities	54	2	0	56
	9,646	49	0	9,695
Less Cash Equivalents	3,668	1	0	3,669
Total Investments, September 30, 2023	$ 5,978	$ 48	$ 0	$ 6,026
December 31, 2022				
Commercial Paper	$ 1,377	$ 0	$ 0	$ 1,377
Treasury Bills	7,922	32	0	7,954
Equity Securities	54	2	0	56
	9,353	34	0	9,387
Less Cash Equivalents	7,319	32	0	7,351
Total Investments, December 31, 2022	$ 2,034	$ 2	$ 0	$ 2,036

(in thousands except share and per share amounts)

Note 3. Fair Value Measurements

The following table provides information on those assets and liabilities measured at fair value on a recurring basis.

September 30, 2023

	Carrying amount in balance sheet	Fair Value	Fair Value Measurement Using Level 1	Level 2	Level 3
Assets:					
Cash equivalents					
Money Market Savings	$ 1,694	$ 1,694	$ 1,694	$ 0	$ 0
Treasury Bills	1,975	1,975	1,975	0	0
Treasury Bills - maturity date greater than three months	5,970	5,970	5,970	0	0
Equity Securities	56	56	0	0	56

December 31, 2022

	Carrying amount in balance sheet	Fair Value	Fair Value Measurement Using Level 1	Level 2	Level 3
Assets:					
Cash equivalents					
Commercial paper	$ 1,377	$ 1,377	$ 1,377	$ 0	$ 0
Treasury Bills	5,974	5,974	5,974	0	0
Treasury Bills - maturity date greater than three months	1,980	1,980	1,980	0	0
Equity Securities	56	56	0	0	56

The fair value of the commercial paper and Treasury Bills is based on quoted market prices in an active market. The equity securities owned by the Company are investments in two non-publicly traded companies. There is an undeterminable market for each of these two companies and the Company has determined the fair value based on financial and other factors that are considered level 3 inputs in the fair value hierarchy.

The changes in level 3 assets measured at fair value on a recurring basis are as follows:

	Nine Months Ended September 30, 2023	2022
Beginning Balance	**$ 56**	$ 56
Change in Fair Value	**0**	0
Ending Balance	**$ 56**	$ 56

(in thousands except share and per share amounts)

Note 4. Inventories

Inventories used in the determination of cost of goods sold are as follows:

	September 30, 2023	December 31, 2022
Raw Materials	**$ 1,210**	$ 1,162
Work In Process	**317**	278
Finished Goods	**319**	315
Reserve for Obsolescence	**(10)**	(10)
Total Inventories, net	**$ 1,836**	$ 1,745

Note 5. Merger Agreement with Mobile X Global, Inc.

On June 10, 2022, the Company entered into an Agreement and Plan of Merger (the "Merger Agreement") with Mobile X Newco, Inc., a Delaware corporation, a wholly owned subsidiary of the Company (the "Merger Sub"), and Mobile X Global, Inc., a Delaware corporation ("Mobile X").

On January 30, 2023, the Company and Mobile X terminated the Merger Agreement. A condition to the closing of the merger transaction was the consummation of an equity financing that the parties anticipated would be a PIPE investment (private investment in public entity). The financing necessary to consummate the merger was pursued but was not available due to difficult conditions in the financial markets, including the markets for PIPE investments.

Note 6. Stock-Based Compensation

Stock options

The 2013 Equity Incentive Plan (the "2013 Plan") authorizes the issuance of both nonqualified and incentive stock options. Payment for the shares may be made in cash, shares of the Company's common stock or a combination thereof. Under the terms of the 2013 Plan, incentive stock options and non-qualified stock options are granted at a minimum of 100% of fair market value on the date of grant and may be exercised at various times depending upon the terms of the option. All existing options expire 10 years from the date of grant, subject to early termination 12 months after termination of employment or service due to death, disability, or termination other than for cause.

During the 2023 third quarter, the Company granted 25,000 non-qualified stock options to its Chief Executive Officer and to three of its four non-employee board members. The options vest 20% on the grant date, with an additional 20% vesting annually thereafter.

(in thousands except share and per share amounts)

The assumptions made in estimating the fair value of the options on the grant date based upon the BSM option-pricing model for the three-month period ended September 30, 2023 are as follows:

Dividend Yield	0.00%
Expected Volatility	25.56%
Risk Free Interest Rate	4.35%
Expected Life	6 Years

The Company calculates expected volatility for stock options and other awards using historical volatility as the Company believes the expected volatility will approximate historical volatility.

The Company had 225,000 in options that expired during the quarter. There were no options exercised during the nine-month period ended September 30, 2023. There was 7,500 options exercised during the nine-months ended September 30, 2022.

The following table summarizes the activity for all stock options outstanding for the nine months ended September 30:

	2023		2022	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Options outstanding at beginning of year	300,000	$ 4.36	332,500	$ 4.25
Granted	100,000	4.11	0	
Exercised	0		(7,500)	4.15
Expired	(225,000)	4.57	0	
Options outstanding at September 30	175,000	$ 4.03	325,000	$ 4.30
Options exercisable at September 30	50,000	$ 4.21	320,000	$ 4.31
Weighted average grant date fair for options exercised during the period	0		7,500	$ 4.15

As of September 30, 2023, the total unrecognized compensation expense related to outstanding stock options was $119, which the Company expects to recognize over a period of five years. The Company recognized compensation expense in connection with the vesting of stock options of approximately $30 for the three and nine months ended September 30, 2023.

(in thousands except share and per share amounts)

Restricted stock units

The 2013 Plan authorizes the issuance of restricted stock units. Stock-based compensation expense is determined on the grant date based on the closing market value of our common stock. The amount of expense is calculated based on an estimate of the number of awards expected to vest at the end of each vesting period and is expensed evenly over the vesting period. In connection with the time of vesting and issuance of shares, an eligible recipient of common stock may elect to have some shares withheld by the Company to satisfy any requirement for withholding taxes.

In September 2023, the Company granted 35,000 restricted stock units to its Chief Executive Officer and 17,500 restricted stock units to each of its four non-employee board members. The restricted stock units vest 20% on the first anniversary of the grant and 20% annually thereafter.

The following table summarizes restricted stock unit activity for the nine months ended September 30, 2023:

	Unvested Restricted Stock Units	
	Number of Shares	Weighted-Average Grant-Date Fair Value
Unvested as of December 31, 2022	0	$ 0
Granted	105,000	4.11
Vested	0	0
Forfeited/canceled	0	0
Unvested as of September 30, 2023	105,000	$ 4.11

As of September 30, 2023, the total unrecognized compensation expenses related to outstanding restricted stock units is $424, which the Company expects to recognize over a period of five years. The Company recognized compensation expense in connection with the vesting of restricted stock units of approximately $8 for the three and nine months ended September 30, 2023.

Note 7. Contingencies

The Company sometimes becomes subject to claims against it in the ordinary course of business. There are currently no pending or threatened claims against the Company that it believes will have a material adverse effect on its results of operations or liquidity.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

FORWARD-LOOKING STATEMENTS

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements made by us or on our behalf. We have made, and may continue to make, forward-looking statements with respect to our business and financial matters, including statements contained in this document, other filings with the Securities and Exchange Commission, and reports to shareholders. Forward-looking statements generally include discussion of current expectations or forecasts of future events and can be identified by the use of terminology such as "believe," "estimate," "expect," "intend," "may," "could," "will," and similar words or expressions. Any statement that does not relate solely to historical fact should be considered forward-looking.

Our forward-looking statements generally relate to our growth strategy, future financial results, product development and sales efforts. We make forward-looking statements throughout this Form 10-Q, but primarily in this Management's Discussion and Analysis of Financial Condition and Results of Operations section. These include statements relating to our beliefs and expectations and intentions with respect to (i) our growth and profitability, (ii) our marketing and product development, (iii) our ability to continue to obtain parts and materials for our products from various manufacturers and distributors in a timely manner and at reasonable prices, (iv) the value of our intellectual property, (v) our competitive position in the marketplace, (vi) the effect of governmental regulations on our business, (vii) our employee relations, (viii) the adequacy of our facilities, (ix) our intention to develop new products, (x) the possibility of us acquiring compatible businesses or product lines as part of our growth strategy, and (xi) our future cash requirements and use of cash.

Forward-looking statements cannot be guaranteed and our actual results may vary materially due to the uncertainties and risks, known and unknown, associated with these statements, including our ability to successfully develop new products and manage our cash requirements. We undertake no obligation to update any forward-looking statements. We cannot foresee or identify all factors that could cause actual results to differ from expected or historical results. As such, investors should not consider any list of these factors to be an exhaustive statement of all risks, uncertainties or potentially inaccurate assumptions. These forward-looking statements are subject to certain risks and uncertainties that could cause future results to differ materially from our recent results listed under the heading "Forward-Looking Statements" under "Item 1—Business," in our Annual Report on Form 10-K for the year ended December 31, 2022, as well as the following:

- Respond to events beyond our control such as any disruption in the economy caused by (i) a government shutdown similar to those that have occurred over the past decade or (ii) the recent October 2023 outbreak of violence in the Middle East,
- Continue to procure components for our products, and maintain a steady and reliable workforce, as described below under "Supply Chain and Labor Dynamics".

CRITICAL ACCOUNTING ESTIMATES

The preparation of our financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make decisions based upon estimates, assumptions, and factors it considers relevant to the circumstances. These decisions include the selection of applicable accounting principles and the use of judgment in their application and affect reported amounts and disclosures. Changes in economic conditions or other business circumstances may affect the outcomes of management's estimates and assumptions. An in-depth description of our accounting estimates can be found in the interim financial statements included in this report and in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022.

SELECTED FINANCIAL INFORMATION

The following table contains selected financial information, for the periods indicated, from our Condensed Statements of Comprehensive Income (Loss) expressed as a percentage of net sales.

	Three Months Ended September 30		Nine Months Ended September 30	
	2023	2022	2023	2022
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of goods sold	51.7	47.5	50.6	46.0
Gross profit	48.3	52.5	49.4	54.0
Operating expenses				
Selling and marketing	14.9	16.1	16.3	17.7
General and administrative	24.0	22.4	23.4	30.7
Research and development	10.6	8.6	11.6	9.3
Total operating expenses	49.5	47.1	51.3	57.7
Operating income (loss)	(1.2)	5.4	(1.9)	(3.7)
Non-operating income				
Interest income	5.3	1.6	4.8	0.6
Total non-operating income, net	5.3	1.6	4.8	0.6
Income (loss) before income tax expense (benefit)	4.1	7.0	2.9	(3.1)
Income tax expense (benefit)	3.6	1.4	1.5	(0.7)
Net income (loss)	0.5%	5.6%	1.4%	(2.4)%

The following paragraphs discuss the Company's performance for the three and nine months ended September 30, 2023 and 2022.

RESULTS OF OPERATIONS (in thousands)

Net Sales

Net sales for the three-month period ended September 30, 2023 were $2,057, a decrease of $159, or 7.2%, from $2,216 during the comparable period in 2022. Net sales for the nine months ended September 30, 2023 were $6,239, a decrease of $676, or 9.8%, from $6,915 during the comparable period in 2022. The decrease during the three-month period was the result of decreased sales of our wired sensor products, partially offset by increased sales of HazardPRO™ wireless hazard monitoring systems. The decrease during the nine-month period was a result of decreased sales of both traditional wired products and HazardPRO wireless hazard monitoring systems.

Gross Profit

Gross profit for the third quarter of 2023 was $993, a decrease of $170, or 14.6%, over the same period in 2022. Gross profit for the nine months ended September 30, 2023 was $3,083, a decrease of $654, or 17.5%, over the same period in 2022. Gross margin decreased in the third quarter of 2023 to 48.3% from 52.5% during the same period in 2022. Gross margin for the nine months ended September 30, 2023 decreased to 49.4% from 54.0% over the same period in 2022. The decrease in gross margin for both periods was primarily due to an increase in product and labor costs across all product lines.

Operating Expenses

Total operating expenses decreased $25, or 2.4%, to $1,019 for the third quarter of 2023 compared to the same period in 2022 and increased as a percentage of net sales to 49.5% from 47.1%. Total operating expenses decreased $794, or 19.9%, to $3,203 for the nine months ended September 30, 2023 compared to the same period in 2022 and decreased as a percentage of net sales to 51.3% from 57.7%. The decrease in operating expenses for both periods was primarily due to lower legal and professional fees related to the terminated merger agreement with Mobile X as discussed in Note 5 to the financial statements and decreased sales headcount.

- Selling and marketing expenses in the third quarter of 2023 decreased $50 to $307, or 14.0%, from the same period in 2022 and decreased as a percentage of net sales to 14.9% from 16.1%. Selling and marketing expenses in the nine months ended September 30, 2023 decreased $209 to $1,021, or 17.0%, from the same period in 2022 and decreased as a percentage of net sales to 16.3% from 17.7%. The decrease for both periods was primarily due to lower sales headcount and variable compensation related to lower revenue.

- General and administrative expenses decreased $3 to $494, or 0.6%, in the third quarter of 2023 compared to the same period in 2022 but increased as a percentage of net sales to 24.0% from 22.4%. General and administrative expenses decreased $667 to $1,458, or 31.4%, in the nine months ended September 30, 2023 compared to the same period in 2022 and decreased as a percentage of net sales to 23.4% from 30.7%. The decrease in both periods was primarily due to a decrease in legal and professional fees related to the terminated merger agreement, partially offset by an increase in stock-based compensation expense primarily related to the 2023 third quarter stock option grants.

- Research and development expenses increased $28 to $218, or 14.7%, in the third quarter of 2023 compared to the same period in 2022 and increased as a percentage of net sales to 10.6% from 8.6%. Research and development expenses increased $82 to $724, or 12.8%, in the nine months ended September 30, 2023 compared to the same period in 2022 and increased as a percentage of net sales to 11.6% from 9.3%. The increase for both periods was due to higher contract engineering costs related to product development and enhancements.

Non-Operating Income

Net non-operating income increased by $74, or 211.4%, for the three-month period ended September 30, 2023 compared to the same period in 2022. Net non-operating income increased by $253, or 588.4%, for the nine months ended September 30, 2023 compared to the same period in 2022. The increase for both periods is the result of additional interest income earned as a result of higher interest rates on Treasury Bills.

Income (Loss) Before Income Tax Expense (Benefit)

Income before income tax expense was $83 for the third quarter of 2023, representing a decrease of $71 compared to $154 for the same period in 2022. Income before income tax expense was $176 for the nine months ended September 30, 2023, representing an increase of $393 compared to a loss before income tax benefit of $217 for the same period in 2022. The decrease for the three-month period was primarily due to lower revenues and gross margins, as discussed above. The increase for the nine months was primarily the result of lower operating expenses and an increase in interest income, partially offset by lower revenues and gross margins, as discussed above.

Income Tax Expense (Benefit)

Income tax expense was $75, or 3.6%, of net sales in the third quarter of 2023 compared to an income tax expense of $32, or 1.4%, of net sales in the third quarter of 2022. Income tax expense was $96, or 1.5%, of net sales for the nine months ended September 30, 2023, compared to an income tax benefit of $46, or (0.7)%, of net sales for the nine months ended September 30, 2023. Income tax expense in the 2023 periods was higher than federal tax rates due to the 2023 third quarter write-off of deferred tax asset related to the 2023 expired options.

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents were $3,902 at September 30, 2023 and $7,646 at December 31, 2022. The decrease was primarily the result of an increase in Treasury Bills classified as investments as of September 30, 2023 as compared to December 31, 2022. Cash, cash equivalents, and investments were $9,928 at September 30, 2023 as compared to $9,682 at December 31, 2022.

Cash from operating activities was $92 for the nine months ended September 30, 2023 as compared to cash used in operating activities of $213 for the nine months ended September 30, 2022. The $305 increase in cash from operating activities was due primarily to an increase in net income and a decrease in trade receivables. The 2023 net income compared to the 2022 net loss was primarily due to decreased expenses related to the terminated merger agreement described in Note 5 to the financial statements and an increase in interest income, partially offset by a decrease in net revenues. The decrease in trade receivables is due to the timing of sales and collections.

Cash used in investing activities was $3,831 for the nine months ended September 30, 2023 compared to cash from investing activities of $2,991 for the nine months ended September 30, 2022. The increase in cash used in investing activities was due to the 2023 increase in the purchases of Treasury Bills classified as investments compared to maturities. As shown on the Statement of Cash Flows, during 2023, the Company purchased more Treasury Bills with maturity dates greater than three months to secure higher interest rates.

Cash used in financing activities in the nine months ended September 30, 2023 was $5 compared to cash from investing activities of $27 for the nine months ended September 30, 2022. In the third quarter of 2022, three non-employee directors exercised a total of 7,500 stock options for a total exercise price of $31.

Subject to the following section, entitled "Supply Chain and Labor Dynamics," the Company believes its ongoing cash requirements will be primarily for capital expenditures, research and development, working capital, corporate and business development and other strategic alternatives and that existing cash, cash equivalents, and investments and any cash generated from operations will be sufficient to meet these cash requirements through at least the next 12 months.

Supply Chain and Labor Dynamics

We traditionally have had one or more robust sources for production components and materials. However, we continue to experience disruptions in our supply chain, resulting in difficulty sourcing some components. We are also experiencing price increases for many of the components used in our products. To meet these challenges, we are seeking additional sources for components and modifying product designs to accommodate new components that are more readily available at competitive prices. There is no guarantee that we will continue to be successful in modifying these designs and sourcing alternative components. As a result, we could experience significant delays in receiving certain components needed to make timely customer deliveries, as well as increased costs that erode gross margins. Supply chain dynamics may have an effect on the efficiency of our business operations, our customer base, and the domestic or worldwide economy. Furthermore, the labor market for qualified employees able to fill our various open positions is challenging and may result in delays in filling these positions. In addition, we may experience changes in transportation and freight availability that may make it difficult to have materials and components shipped to us, or our products shipped to customers, in a timely and cost-effective manner. While we continue to closely manage each of these activities, our actions may not be successful and may result in a negative effect on our sales and profit margins.

Future Corporate and Business Development Activities

We continue to seek growth opportunities, both internally through our existing portfolio of products, technologies, and markets, as well as externally through technology partnerships or related-product or business acquisitions. In addition, we continue to explore other strategic alternatives that we believe present good opportunities for the Company and its shareholders. On June 13, 2022, we announced that we had entered into a Merger Agreement with Mobile X Newco, Inc. and Mobile X Global, Inc. On January 30, 2023, we announced that the Merger Agreement had been terminated and that the Company's Board of Directors had established a special committee to explore and pursue business development and other strategic alternatives.

Off-balance Sheet Arrangements

As of September 30, 2023, the Company had no off-balance sheet arrangements or transactions.

Non-GAAP Financial Measure

In addition to financial results reported in accordance with accounting principles generally accepted in the United States of America ("GAAP"), the Company is providing a non-GAAP financial measure in this Form 10-Q and an itemized reconciliation between Net Income (Loss), a GAAP financial measure, and Adjusted Net Income, the non-GAAP financial measure.

The Company is using "Adjusted Net Income" as a non-GAAP financial measure to facilitate period-to-period comparisons and analysis of its operating performance and believes it is useful to investors as a supplement to GAAP measures in analyzing, trending and benchmarking the performance and value of the Company's business. This measure is not intended to be a substitute for, or more meaningful than, Net Income (Loss) in accordance with GAAP, but is provided as supplemental information. This measure may be different from Adjusted Net Income or similar financial measures used by other companies, even when similar terms are used to identify these measures.

As discussed below, to calculate Adjusted Net Income, the Company added back the costs and expenses, less estimated taxes, related to the negotiation and execution of the June 10, 2022 proposed Mobile X merger transaction to Net Income (Loss) for the three and nine months ended September 30, 2022. The Company believes adding back these costs and expenses more accurately portrays the underlying results and trends of the ongoing business.

On January 30, 2023, the Company and Mobile X jointly agreed to terminate the merger agreement. Although the costs and expenses related to the Company-Mobile X Merger Agreement were incurred primarily in general and administrative expenses, the Company is not presenting any other non-GAAP information because it believes it has adequately described these expenses in the Management's Discussion and Analysis section of this Form 10-Q and past filings with the Securities and Exchange Commission.

The Company incurred approximately $79 and $856 in legal and other professional fees for the three and nine months ended September 30, 2022, respectively, related to the Mobile X merger opportunity. The following table sets forth a reconciliation of Net Income (Loss), a GAAP financial measure, to Adjusted Net Income (as defined above), the non-GAAP measure, for the periods noted.

	Three Months Ended September 30		Nine Months Ended September 30	
	2023	2022	2023	2022
Net Income (Loss) - GAAP	$ 8	$ 122	$ 80	$ (171)
Merger-related expenses	0	79	0	856
Income tax benefit of merger-related expenses	0	(17)	0	(180)
Adjusted Net Income	$ 8	$ 184	$ 80	$ 505

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not Applicable.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Based on an evaluation with the participation of the Company's management, the Company's principal executive officer and principal financial officer has concluded that the Company's disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended ("Exchange Act"), were effective as of September 30, 2023.

Changes in Internal Control Over Financial Reporting

There were no changes in the Company's internal control over financial reporting during the third quarter of 2023 that were identified in connection with management's evaluation required by paragraph (d) of Rules 13a-15 and 15d-15 under the Exchange Act, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings – None
Item 1A. Risk Factors – Not Applicable
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds – None
Item 3. Defaults Upon Senior Securities – None
Item 4. Mine Safety Disclosures – Not Applicable
Item 5. Other Information – None

Item 6. Exhibits

Exhibit	Description
10.3	Form of Non-Qualified Stock Option Agreement under the 2013 Equity Incentive Plan, as updated August 2023
10.4	Form of Restricted Stock Unit Agreement under the 2013 Equity Incentive Plan
31.1	Certification of CEO and CFO Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of CEO and CFO Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following financial information from Electro-Sensors, Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2023, formatted in iXBRL (Inline Extensible Business Reporting Language), (i) Condensed Balance Sheets as of September 30, 2023 and December 31, 2022, (ii) Condensed Statements of Comprehensive Income (Loss) for the three and nine months ended September 30, 2023 and September 30, 2022, (iii) Condensed Statements of Changes in Stockholders' Equity for the three and nine months ended September 30, 2023 and September 30, 2022, (iv) Condensed Statements of Cash Flows for the nine months ended September 30, 2023 and September 30, 2022, and (v) Notes to Financial Statements.

SIGNATURES

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

Electro-Sensors, Inc.

November 14, 2023

/s/ David L. Klenk

David L. Klenk
Chief Executive Officer and Chief Financial Officer
(Principal Executive Officer and Principal Financial Officer)

EXHIBIT 10.3

[FORM OF] NONQUALIFIED STOCK OPTION AGREEMENT
ELECTRO-SENSORS, INC.
2013 EQUITY INCENTIVE PLAN

THIS AGREEMENT, made effective as of this _____ day of _________, _____, by and between Electro-Sensors, Inc., a Minnesota corporation (the "Company"), and __________ ("Participant").

WITNESSETH:

WHEREAS, Participant on the date hereof is an Employee or Director of the Company or one of its Subsidiaries; and

WHEREAS, the Company wishes to grant a nonqualified stock option to Participant to purchase shares of the Company's Common Stock pursuant to the Company's 2013 Equity Incentive Plan (the "Plan"); and

WHEREAS, the Administrator of the Plan has authorized the grant of a nonqualified stock option to Participant and has determined that, as of the effective date of this Agreement, the fair market value of the Company's Common Stock is ________ per share;

NOW, THEREFORE, in consideration of the premises and of the mutual covenants herein contained, the parties hereto agree as follows:

1. **Grant of Option**. The Company hereby grants to Participant on the date set forth above (the "Date of Grant"), the right and option (the "Option") to purchase all or portions of an aggregate of __________ shares of Common Stock at a per share price of ______ on the terms and conditions set forth herein, and subject to adjustment pursuant to Section 14 of the Plan. This Option is a nonqualified stock option and will not be treated as an incentive stock option, as defined under Section 422, or any successor provision, of the Internal Revenue Code, as amended (the "Code"), and the regulations thereunder.

2. **Duration and Exercisability**.

a) **General**. The term during which this Option may be exercised shall terminate at the Close of Business on______________, except as otherwise provided in Paragraphs 2(b) through 2(e) below. This Option shall become exercisable according to the following schedule:

Notwithstanding anything in the Plan or this Agreement to the contrary, this Option shall become fully vested and exercisable immediately prior to a Change of Control (as defined in Section 1(e) of the Plan). Once the Option becomes exercisable to the extent of one hundred percent (100%) of the aggregate number of shares specified in Paragraph 1, Participant may continue to exercise this Option under the terms and conditions of this Agreement until the termination of the Option as provided herein. If, upon an exercise of this Option, Participant does not purchase the full number of shares that Participant is then entitled to purchase, Participant may purchase upon any subsequent exercise prior to this Option's termination such previously unpurchased shares in addition to those Participant is otherwise entitled to purchase.

b) **Termination of Employment or Service Relationship for Cause**. If Participant ceases to be an Employee or a Director of the Company or any Subsidiary for Cause, as defined below, the unexercised portion of this Option shall immediately expire, and all rights of Participant under this Option shall be forfeited. For purposes of this Paragraph 2, "Cause" shall mean (i) the conviction of Participant for the commission of any felony, (ii) the commission by Participant of any crime involving moral turpitude (*e.g.*, larceny, embezzlement) that results in harm to the business, reputation, prospects or financial condition of the Company or any Affiliate, or (iii) a disciplinary discharge pursuant to the terms of the Company's management handbooks or policies as in effect at the time.

c) **Termination of Employment or Service Relationship (other than for Cause, Disability or Death)**. If Participant ceases to be an Employee or a Director of the Company or any Subsidiary for any reason other than for Cause, disability or death, this Option shall completely terminate on the earlier of: (i) the Close of Business on the twelve-month anniversary date of the Participant's termination; and (ii) the expiration date of this Option stated in Paragraph 2(a) above. In such period following the Participant's termination, this Option shall be exercisable only to the extent the Option was exercisable on the vesting date immediately preceding such termination but had not previously been exercised. To the extent this Option was not exercisable upon such termination, or if Participant does not exercise the Option within the time specified in this Paragraph 2(c), all rights of Participant under this Option shall be forfeited.

d) **Disability**. If Participant ceases to be an Employee or a Director of the Company or any Subsidiary because of disability (as defined in Code Section 22(e), or any successor provision), this Option shall terminate on the earlier of: (i) the Close of Business on the twelve-month anniversary date of the Participant's termination; and (ii) the expiration date of this Option stated in Paragraph 2(a) above. In such period following the Participant's termination, this Option shall be exercisable only to the extent the Option was exercisable on the vesting date immediately preceding such termination but had not previously been exercised. To the extent this Option was not exercisable upon such termination, or if Participant does not exercise the Option within the time specified in this Paragraph 2(d), all rights of Participant under this Option shall be forfeited.

e) **Death**. In the event of Participant's death, this Option shall terminate on the earlier of: (i) the Close of Business on the twelve-month anniversary of the date of Participant's death; and (ii) the expiration date of this Option stated in Paragraph 2(a) above. In such period following Participant's death, this Option may be exercised by the person or persons to whom Participant's rights under this Option shall have passed by Participant's will or by the laws of descent and distribution only to the extent the Option was exercisable on the vesting date immediately preceding the date of Participant's death, but had not previously been exercised. To the extent this Option was not exercisable upon the date of Participant's death, or if such person or persons fail to exercise this Option within the time specified in this Paragraph 2(e), all rights under this Option shall be forfeited.

3. **Manner of Exercise**.

a) **General**. The Option may be exercised only by Participant (or other proper party in the event of death or incapacity), subject to the conditions of the Plan and subject to such other administrative rules as the Administrator may deem advisable, by delivering within the option period written notice of exercise to the Company at its principal office. The notice shall state the number of shares as to which the Option is being exercised and shall be accompanied by payment in full of the option price for all shares designated in the notice. The exercise of the Option shall be deemed effective upon receipt of such notice by the Company and upon payment that complies with the terms of the Plan and this Agreement. The Option may be exercised with respect to any number or all of the shares as to which it can then be exercised and, if partially exercised, may be so exercised as to the unexercised shares any number of times during the option period as provided herein.

b) **Form of Payment**. Subject to the approval of the Administrator, payment of the exercise price by Participant may be (i) in cash, or with a personal check, certified check, or other cash equivalent, (ii) by the surrender by the Participant to the Company of previously acquired unencumbered shares of Common Stock (through physical delivery or attestation), (iii) through the withholding of shares of Common Stock from the number of shares otherwise issuable upon the exercise of the Option (*e.g.*, a net share settlement), (iv) through broker-assisted cashless exercise if such exercise complies with applicable securities laws and any insider trading policy of the Company, (v) such other form of payment as may be authorized by the Administrator, or (vi) by a combination thereof. In the event the Participant elects to pay the exercise price in whole or in part with previously acquired shares of Common Stock or through a net share settlement, the then-current Fair Market Value of the stock delivered or withheld shall equal the total exercise price for the shares being purchased in such manner. For purposes of this Agreement, "previously acquired shares of Common Stock" means shares of Common Stock that the Participant owns on the date of exercise (or for such period of time, if any, required by applicable accounting principles).

c) **Stock Transfer Records**. As soon as practicable after the effective exercise of all or any part of the Option, Participant shall be recorded on the stock transfer books of the Company as the owner of the shares purchased, and the Company shall deliver to Participant one or more duly issued stock certificates evidencing such ownership, or cause the purchased shares to be issued in book-entry form. All requisite original issue or transfer documentary stamp taxes shall be paid by the Company.

4. **General Provisions**.

a) **Employment or Other Relationship; Rights as Shareholder**. This Agreement shall not confer on Participant any right with respect to the continuance of employment, service, or any other relationship with the Company or any Subsidiary, nor will it interfere in any way with the right of the Company to terminate such employment or service relationship. Nothing in this Agreement shall be construed as creating an employment or service contract for any specified term between Participant and the Company or any Affiliate. Participant shall have no rights as a shareholder with respect to shares subject to this Option until such shares have been issued to Participant (or, if permitted, a book entry made) upon exercise of this Option. No adjustment shall be made for dividends (ordinary or extraordinary, whether in cash, securities or other property), distributions or other rights for which the record date is prior to the date such shares are issued, except as provided in Section 14 of the Plan.

b) **280G Limitations**. Notwithstanding anything in the Plan, this Agreement or in any other agreement, plan, contract or understanding entered into from time to time between Participant and the Company or any Subsidiary to the contrary (except an agreement that expressly modifies or excludes the application of this Paragraph 4(b)), the exercisability of this Option shall not be accelerated in connection with a Change of Control to the extent that such acceleration, taking into account all other rights, payments and benefits to which Participant is entitled under any other plan or agreement, would constitute a "parachute payment" or an "excess parachute payment" for purposes of Code Sections 280G and 4999, or any successor provisions, and the regulations issued thereunder; provided, however, that the Administrator, in its sole discretion and in accordance with applicable law, may modify or exclude the application of this Paragraph 4(b).

c) **Securities Law Compliance**. The exercise of all or any parts of this Option shall only be effective at such time as the Company and its counsel shall have determined that the issuance and delivery of Common Stock pursuant to such exercise will not violate any state or federal securities or other laws. If the issuance of such shares upon exercise is not registered under a then-currently effective registration statement under the Securities Act of 1933, as amended, the Participant may be required by the Company, as a condition of the effectiveness of any exercise of this Option, to give any written assurances that are necessary or desirable in the opinion of the Company and its counsel to ensure the issuance complies with applicable securities laws, including that all Common Stock to be acquired pursuant to such exercise shall be held, until such time that such Common Stock is registered and freely tradable under applicable state and federal securities laws, for Participant's own account without a view to any further distribution thereof; that the certificates (or, if permitted, book entries) for such shares shall bear an appropriate legend or notation to that effect; and that such shares will be not transferred or disposed of except in compliance with applicable state and federal securities laws.

d) **Extension of Expiration Date**. In the event that the exercise of this Option would be prohibited solely because the issuance of shares of Common Stock pursuant to the Option would violate applicable securities laws, the Administrator may, in its sole discretion and in accordance with Code Section 409A and the regulations, notices and other guidance of general applicability thereunder, permit the expiration of the Option to be tolled during such time as its exercise is so prohibited; provided, however, that the expiration date may not thereby be extended more than 30 days after the date the exercise first would no longer violate applicable securities laws.

e) **Mergers, Recapitalizations, Stock Splits, Etc**. Except as otherwise specifically provided in any employment, change of control, severance or similar agreement executed by the Participant and the Company, pursuant and subject to Section 14 of the Plan, certain changes in the number or character of the Common Stock of the Company (through sale, merger, consolidation, exchange, reorganization, divestiture (including a spin-off), liquidation, recapitalization, stock split, stock dividend or otherwise) shall result in an adjustment, reduction or enlargement, as appropriate, in Participant's rights with respect to any unexercised portion of the Option (i.e., Participant shall have such "anti-dilution" rights under the Option with respect to such events, but, subject to the Administrator's discretion, shall not have "preemptive" rights).

f) **Shares Reserved**. The Company shall at all times during the option period reserve and keep available such number of shares as will be sufficient to satisfy the requirements of this Agreement.

g) **Withholding Taxes**. To permit the Company to comply with all applicable federal and state income tax laws or regulations, the Company may take such action as it deems appropriate to ensure that, if necessary, all applicable federal and state payroll, income, or other taxes are withheld from any amounts payable by the Company to the Participant with respect to the grant, vesting, or exercise of the Option. If the Company is unable to withhold such federal and state taxes, for whatever reason, the Participant hereby agrees to pay to the Company an amount equal to the amount the Company would otherwise be required to withhold under federal or state law. Subject to such rules as the Administrator may adopt, the Administrator may, in its sole discretion, permit Participant to satisfy such withholding tax obligations, in whole or in part by: (i) the surrender and physical delivery by the Participant to the Company of previously acquired unencumbered shares of Common Stock, or (ii) electing to have the Company withhold shares of Common Stock otherwise issuable to the Participant as a result of the exercise of the nonqualified stock option. In either case, such shares shall have a Fair Market Value, as of the date the amount of tax to be withheld is determined under applicable tax law, up to the statutory maximum amount of tax withholding. The Participant's request to deliver shares or to have shares withheld for purposes of such withholding tax obligations shall be made on or before the date that triggers such obligations, or, if later, the date that the amount of tax to be withheld is determined under applicable tax law, and shall be irrevocable on such date if approved by the Administrator. Participant's request shall comply with such rules as the Administrator may adopt to assure compliance with Rule 16b-3, if applicable.

h) **Nontransferability**. Except as provided in Section 15 of the Plan, or unless otherwise permitted by the Administrator in its sole discretion, during the lifetime of Participant, the Option shall be exercisable only by Participant or by the Participant's guardian or other legal representative, and shall not be assignable or transferable by Participant, in whole or in part, other than by will or by the laws of descent and distribution.

i) **2013 Equity Incentive Plan**. The Option evidenced by this Agreement is granted pursuant to the Plan, a copy of which Plan has been made available to Participant and is hereby incorporated into this Agreement. This Agreement is subject to and in all respects limited and conditioned as provided in the Plan. All capitalized terms in this Agreement not defined herein shall have the meanings ascribed to them in the Plan. The Plan governs this Option and, in the event of any questions as to the construction of this Agreement or in the event of a conflict between the Plan and this Agreement, the Plan shall govern, except as the Plan otherwise provides.

j) **Lockup Period Limitation**. Participant agrees that in the event the Company advises the Participant that it plans an underwritten public offering of its Common Stock in compliance with the Securities Act of 1933, as amended, the Participant will execute any lock-up agreement the Company and the underwriter(s) deem necessary or appropriate, in their sole discretion, in connection with such public offering.

k) **Affiliates**. Participant agrees that, if Participant is an "affiliate" of the Company or any Affiliate (as defined in applicable legal and accounting principles) at the time of a Change of Control, Participant will comply with all requirements of Rule 145 of the Securities Act of 1933, as amended, and the requirements of such other applicable legal or accounting principles, and will execute any documents necessary to ensure such compliance.

l) **Stock Legend**. The Administrator may require that the certificates (or, if permitted, book entries) for any shares of Common Stock purchased by Participant (or, in the case of death, Participant's successors) shall bear an appropriate legend or notation to reflect the restrictions of Paragraphs 4(c) and 4(h) through 4(j) of this Agreement; provided, however, that failure to so endorse any of such certificates shall not render invalid or inapplicable such Paragraphs.

m) **Scope of Agreement**. This Agreement shall bind and inure to the benefit of the Company and its successors and assigns and Participant and any successor or successors of Participant permitted by Paragraph 2 or Paragraph 4(h) above. This Award is expressly subject to all terms and conditions contained in the Plan and in this Agreement, and Participant's failure to execute this Agreement shall not relieve Participant from complying with such terms and conditions. This Agreement and the shares of Common Stock issued upon exercise of the Option shall be subject to clawback and right of recoupment under applicable law and under any applicable clawback policy of the Company, whether in effect on the date of grant or subsequently adopted or amended by the Company, including any recoupment under the policy or otherwise.

n) **Choice of Law**. The law of the state of Minnesota shall govern all questions concerning the construction, validity, and interpretation of this Agreement, without regard to that state's conflict of laws rules.

o) **Severability**. In the event that any provision of this Agreement shall be held illegal or invalid for any reason, such illegality or invalidity shall not affect the remaining provisions of this Agreement, and the Agreement shall be construed and enforced as if the illegal or invalid provision had not been included.

p) **Arbitration**. Any dispute arising out of or relating to this Agreement or the alleged breach of it, or the making of this Agreement, including claims of fraud in the inducement, shall be discussed between the disputing parties in a good faith effort to arrive at a mutual settlement of any such controversy. If, notwithstanding, such dispute cannot be resolved, such dispute shall be settled by binding arbitration. Judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. The arbitrator shall be a retired state or federal judge or an attorney who has practiced securities or business litigation for at least 10 years. If the parties cannot agree on an arbitrator within 20 days, any party may request that the chief judge of the District Court for Hennepin County, Minnesota, select an arbitrator. Arbitration will be conducted pursuant to the provisions of this Agreement, and the commercial arbitration rules of the American Arbitration Association, unless such rules are inconsistent with the provisions of this Agreement. Limited civil discovery shall be permitted for the production of documents and taking of depositions. Unresolved discovery disputes may be brought to the attention of the arbitrator who may dispose of such dispute. The arbitrator shall have the authority to award any remedy or relief that a court of this state could order or grant; provided, however, that punitive or exemplary damages shall not be awarded. The arbitrator may award to the prevailing party, if any, as determined by the arbitrator, all of its costs and fees, including the arbitrator's fees, administrative fees, travel expenses, out-of-pocket expenses and reasonable attorneys' fees. Unless otherwise agreed by the parties, the place of any arbitration proceedings shall be Hennepin County, Minnesota.

****Signature Page Follows****

ACCORDINGLY, the parties hereto have caused this Agreement to be executed on the day and year first above written.

Electro-Sensors, Inc.

By:________________________________
Name:
Title:

____
Participant

[Nonqualified Stock Option Agreement Signature Page]

EXHIBIT 10.4

[FORM OF] RESTRICTED STOCK UNIT AGREEMENT
ELECTRO-SENSORS, INC.
2013 EQUITY INCENTIVE PLAN

THIS AGREEMENT, made effective as of this ________ of _________, _____, by and between Electro-Sensors, Inc., a Minnesota corporation (the "Company"), and ______________________________ ("Participant").

WITNESSETH:

WHEREAS, Participant on the date hereof is an Employee or Director of the Company or one of its Subsidiaries; and

WHEREAS, the Company wishes to grant restricted stock units ("Unit" or "Units") to Participant to be settled in shares of the Company's Common Stock ("Shares") pursuant to the Company's 2013 Equity Incentive Plan (the "Plan"); and

WHEREAS, the Board has authorized the grant of Units to Participant, as of the effective date of this Agreement;

NOW, THEREFORE, in consideration of the premises and of the mutual covenants herein contained, the parties hereto agree as follows:

1. **Grant of Units**. The Company hereby grants to Participant on the date set forth above (the "Date of Grant"), the right to receive up to an aggregate of _____________ Units to be settled in an equal number of whole Shares upon vesting in accordance with the terms and conditions set forth herein, and subject to adjustment pursuant to Section 14 of the Plan. This Grant is intended to be a short-term deferral and therefore exempt from the requirements of Section 409A, or any successor provision, of the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations thereunder. Prior to the issuance of Shares as set forth below, the Units shall represent an unfunded promise to issue Shares in the future and Participant shall have no rights other than as a general creditor of the Company with respect to the issuance of Shares.

2. **Vesting**. The Units will vest as set forth below or upon an earlier date as set forth herein or as otherwise determined by the Committee; provided that the Participant is serving as an Employee or a Director of the Company or its Subsidiary on the date on which occurs the event giving rise to the vesting.

Except as provided below, all Units that are not vested as described in the preceding sentence shall be forfeited to the Company, without payment therefor, if the Participant ceases to serve as an Employee or a Director of the Company for any reason. Notwithstanding the foregoing, in the event of a Change of Control (as defined in Section 1(e) of the Plan) of the Company, all Units that are then unvested shall vest 100% immediately prior to the consummation of the transaction constituting a Change of Control of the Company (notwithstanding that the Participant may terminate employment or service with the Company upon such Change of Control).

3. **Dividend Equivalents**. The Participant will have the right to receive cash equal in value to the dividends paid, if any, with respect to the Shares representing the then-unvested Units granted pursuant to this Agreement (“Dividend Equivalents”) as if such Shares were issued and outstanding on the record date with respect to such dividends. Dividend Equivalents shall be credited to an unfunded notional accounts on the books of the Company when dividends are paid on the Common Stock of the Company and shall be held without interest and subject to the same vesting terms and other conditions as the Units to which such Dividend Equivalents relate. If and to the extent Units are forfeited, all Dividend Equivalents with respect to such Units shall also be forfeited. Dividend Equivalents shall be settled in cash at the same time as the underlying Units are settled as provided in Paragraph 4.

4. **Settlement of Units**. Subject to Paragraph 5(g), the Participant shall be recorded on the stock transfer books of the Company as the owner of the number of whole Shares in settlement of the Participant’s right to such whole number of vested Units under this Agreement (i) on March 15 of the calendar year following the calendar year in which the vesting event occurs, or (ii) on such earlier date after vesting as the Board may determine. The Company shall deliver to Participant one or more duly issued stock certificates evidencing such ownership, or cause the Shares to be issued in book-entry form. All requisite original issue or transfer documentary stamp taxes shall be paid by the Company. At the same time as such Shares are issued, the Company shall pay the Dividend Equivalents with respect to such vested Units, subject to Paragraph 5(g).

5. **General Provisions**.

a) **Employment of Other Relationship: Rights as Shareholder**. This Agreement shall not confer on Participant any right with respect to the continuance of employment, service or any other relationship with the Company or any Subsidiary, nor will it interfere in any way with the right of the Company to terminate such employment, service or relationship. Nothing in this Agreement shall be construed as creating an employment or service contract for any specified term between Participant and the Company or any Affiliate. Participant shall have no rights as a shareholder with respect to Shares subject to this Agreement until such Shares have been issued to Participant (or, if permitted, a book entry made) upon settlement of the Units, except as provided in Section 14 of the Plan or Paragraph 4.

b) **280G Limitations**. Notwithstanding anything in the Plan, this Agreement or in any other agreement, plan, contract or understanding entered into from time to time between Participant and the Company or any Subsidiary to the contrary (except an agreement that expressly modifies or excludes the application of this Paragraph 5(b)), the vesting of Units shall not be accelerated in connection with a Change of Control to the extent that such acceleration, taking into account all other rights, payments and benefits to which Participant is entitled under any other plan or agreement, would constitute a “parachute payment” or an “excess parachute payment” for purposes of Code Sections 280G and 4999, or any successor provisions, and the regulations issued thereunder; provided, however, that the Administrator, in its sole discretion and in accordance with applicable law, may modify or exclude the application of this Paragraph 5(b).

c) **Securities Law Compliance**. The settlement of Units in Shares shall only be effective at such time as the Company and its counsel shall have determined that the issuance and delivery of Common Stock pursuant to such settlement will not violate any state or federal securities or other laws. If the issuance of such Shares at the time of settlement is not registered under a then-currently effective registration statement under the Securities Act of 1933, as amended, the Participant may be required by the Company, as a condition of the effectiveness of any issuance of Shares, to give any written assurances that are necessary or desirable in the opinion of the Company and its counsel to ensure the issuance complies with applicable securities laws, including that all Common Stock to be acquired pursuant to such settlement shall be held, until such time that such Common Stock is registered and freely tradable under applicable state and federal securities laws, for Participant's own account without a view to any further distribution thereof; that the certificates (or, if permitted, book entries) for such Shares shall bear an appropriate legend or notation to that effect; and that such Shares will be not transferred or disposed of except in compliance with applicable state and federal securities laws.

d) **Extension of Settlement Date**. In the event that the settlement of Units in shares would be prohibited solely because the issuance of shares of Common Stock pursuant to this Agreement would violate applicable securities laws, the Administrator may, in its sole discretion and in accordance with Code Section 409A and the regulations, notices and other guidance of general applicability thereunder, permit the settlement of the vested Units to be tolled during such time as such settlement is so prohibited; provided, however, that settlement shall occur no later than 30 days after the date the settlement first would no longer violate applicable securities laws.

e) **Mergers, Recapitalizations, Stock Splits, Etc**. Except as otherwise specifically provided in any employment, change of control, severance or similar agreement executed by the Participant and the Company, pursuant and subject to Section 14 of the Plan, certain changes in the number or character of the Common Stock of the Company (through sale, merger, consolidation, exchange, reorganization, divestiture (including a spin-off), liquidation, recapitalization, stock split, stock dividend or otherwise) shall result in an adjustment, reduction or enlargement, as appropriate, in Participant's rights with respect to any unvested Units (i.e., Participant shall have such "anti-dilution" rights under this Agreement with respect to such events, but, subject to the Administrator's discretion, shall not have "preemptive" rights).

f) **Shares Reserved**. The Company shall at all times during the vesting period reserve and keep available such number of Shares as will be sufficient to satisfy the requirements of this Agreement.

g) **Withholding Taxes**. To permit the Company to comply with all applicable federal and state income tax laws or regulations, the Company may take such action as it deems appropriate to ensure that, if necessary, all applicable federal and state payroll, income, or other taxes are withheld from any amounts payable by the Company to the Participant with respect to the grant, vesting or settlement of Units, the issuance of Shares and the payment of Dividend Equivalents. If the Company is unable to withhold such federal and state taxes, for whatever reason, the Participant hereby agrees to pay to the Company an amount equal to the amount the Company would otherwise be required to withhold under federal or state law. Subject to such rules as the Administrator may adopt, the Administrator may, in its sole discretion, permit Participant to satisfy such withholding tax obligations, in whole or in part by: (i) withholding Dividend Equivalents on vesting Units; (ii) by the surrender and physical delivery by the Participant to the Company of previously acquired unencumbered shares of Common Stock, or (iii) electing to have the Company withhold shares of Common Stock otherwise issuable to the Participant in settlement of the vesting of Units. In either case, such Shares shall have a Fair Market Value, as of the date the amount of tax to be withheld is determined under applicable tax law, up to the statutory maximum amount of tax withholding. The Participant's request to deliver Shares or to have Shares withheld for purposes of such withholding tax obligations shall be made on or before the date that triggers such obligations, or, if later, the date that the amount of tax to be withheld is determined under applicable tax law, and shall be irrevocable on such date if approved by the Administrator. Participant's request shall comply with such rules as the Administrator may adopt to assure compliance with SEC Rule 16b-3, if applicable. For purposes of this Agreement, "previously acquired shares of Common Stock" means shares of Common Stock that the Participant owns on the date of exercise (or for such period of time, if any, required by applicable accounting principles).

h) **Nontransferability**. Unless otherwise permitted by the Administrator in its sole discretion, during the lifetime of Participant, Units shall be settled only to the Participant or the Participant's guardian or other legal representative, and such Units shall not be assignable or transferable by Participant, in whole or in part, other than by will or by the laws of descent and distribution.

i) **2013 Equity Incentive Plan**. The Units and Shares evidenced by this Agreement is granted pursuant to the Plan, a copy of which Plan has been made available to Participant and is hereby incorporated into this Agreement. This Agreement is subject to and in all respects limited and conditioned as provided in the Plan. All capitalized terms in this Agreement not defined herein shall have the meanings ascribed to them in the Plan. The Plan governs this Agreement and, in the event of any questions as to the construction of this Agreement or in the event of a conflict between the Plan and this Agreement, the Plan shall govern, except as the Plan otherwise provides.

j) **Lockup Period Limitation**. Participant agrees that in the event the Company advises the Participant that it plans an underwritten public offering of its Common Stock in compliance with the Securities Act of 1933, as amended, the Participant will execute any lock-up agreement the Company and the underwriter(s) deem necessary or appropriate, in their sole discretion, in connection with such public offering with respect to Units and Shares settled upon the vesting of Units.

k) **Affiliates**. Participant agrees that, if Participant is an "affiliate" of the Company or any Affiliate (as defined in applicable legal and accounting principles) at the time of a Change of Control, Participant will comply with all requirements of Rule 145 of the Securities Act of 1933, as amended, and the requirements of such other applicable legal or accounting principles, and will execute any documents necessary to ensure such compliance.

l) **Stock Legend**. The Administrator may require that the certificates (or, if permitted, book entries) for any Shares issued to Participant (or, in the case of death, Participant's successors) shall bear an appropriate legend or notation to reflect the restrictions of Paragraphs 5(c), and 5(h) through 5(j) of this Agreement; provided, however, that failure to so endorse any of such certificates shall not render invalid or inapplicable such Paragraphs.

m) **Scope of Agreement**. This Agreement shall bind and inure to the benefit of the Company and its successors and assigns and Participant and any successor or successors of Participant permitted by Paragraph 5(i) above. This Award is expressly subject to all terms and conditions contained in the Plan and in this Agreement, and Participant's failure to execute this Agreement shall not relieve Participant from complying with such terms and conditions. This Agreement and the Shares issued upon settlement of Units shall be subject to clawback and right of recoupment under applicable law and under any applicable clawback policy of the Company, whether in effect on the Date of Grant or subsequently adopted or amended by the Company, including any recoupment under the policy or otherwise.

n) **Choice of Law**. The law of the state of Minnesota shall govern all questions concerning the construction, validity, and interpretation of this Agreement, without regard to that state's conflict of laws rules.

o) **Severability**. In the event that any provision of this Agreement shall be held illegal or invalid for any reason, such illegality or invalidity shall not affect the remaining provisions of this Agreement, and the Agreement shall be construed and enforced as if the illegal or invalid provision had not been included.

p) **Arbitration**. Any dispute arising out of or relating to this Agreement or the alleged breach of it, or the making of this Agreement, including claims of fraud in the inducement, shall be discussed between the disputing parties in a good faith effort to arrive at a mutual settlement of any such controversy. If, notwithstanding, such dispute cannot be resolved, such dispute shall be settled by binding arbitration. Judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. The arbitrator shall be a retired state or federal judge or an attorney who has practiced securities or business litigation for at least 10 years. If the parties cannot agree on an arbitrator within 20 days, any party may request that the chief judge of the District Court for Hennepin County, Minnesota, select an arbitrator. Arbitration will be conducted pursuant to the provisions of this Agreement, and the commercial arbitration rules of the American Arbitration Association, unless such rules are inconsistent with the provisions of this Agreement. Limited civil discovery shall be permitted for the production of documents and taking of depositions. Unresolved discovery disputes may be brought to the attention of the arbitrator who may dispose of such dispute. The arbitrator shall have the authority to award any remedy or relief that a court of this state could order or grant; provided, however, that punitive or exemplary damages shall not be awarded. The arbitrator may award to the prevailing party, if any, as determined by the arbitrator, all of its costs and fees, including the arbitrator's fees, administrative fees, travel expenses, out-of-pocket expenses and reasonable attorneys' fees. Unless otherwise agreed by the parties, the place of any arbitration proceedings shall be Hennepin County, Minnesota.

******Signature Page Follows******

ACCORDINGLY, the parties hereto have caused this Agreement to be executed on the day and year first above written.

Electro-Sensors, Inc.

By:________________________________
Name:
Title:

____
Participant

[Restricted Stock Unit Agreement Signature Page]

EXHIBIT 31.1

CERTIFICATION PURSUANT TO

SECTION 302 OF THE SARBANES OXLEY-ACT OF 2002

I, David L. Klenk, certify that:

1. I have reviewed this report on Form 10-Q of Electro-Sensors, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the registrant is made known to me by others within those entities, particularly during the period in which this report is being prepared;

    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 14, 2023

/s/ David L. Klenk

David L. Klenk
Chief Executive Officer and Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Electro-Sensors, Inc. (the “Company”) on Form 10-Q for the quarter ended September 30, 2023 as filed with the Securities and Exchange Commission (the “Report”), I, David L. Klenk, Chief Executive Officer and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

November 14, 2023

/s/ David L. Klenk
David L. Klenk
Chief Executive Officer and Chief Financial Officer