

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**FORM 10-K**

(MARK ONE)

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the Fiscal Year Ended December 31, 2021
- 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 No. 000-11676

**BEL FUSE INC.**

206 Van Vorst Street  
Jersey City, NJ 07302  
(201) 432-0463

(Address of principal executive offices and zip code)  
(Registrant's telephone number, including area code)

\_\_\_\_\_  
New Jersey  
(State of incorporation)

\_\_\_\_\_  
22-1463699  
(I.R.S. Employer Identification No.)

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

<i>Title of Each Class</i>	<i>Trading Symbol</i>	<i>Name of Each Exchange on which Registered</i>
Class A Common Stock (\$0.10 par value)	BELFA	NASDAQ Global Select Market
Class B Common Stock (\$0.10 par value)	BELFB	NASDAQ Global Select Market

**Securities registered pursuant to Section 12(g) of the Act: None**

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

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

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

Indicate by check mark whether the registrant has submitted electronically 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

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Indicate by checkmark 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 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.

No

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes

The aggregate market value of the voting and non-voting common equity of the registrant held by non-affiliates (for this purpose, persons and entities other than executive officers and directors) of the registrant, as of the last business day of the registrant's most recently completed second fiscal quarter (June 30, 2021) was \$170.1 million based on the closing sale price as reported on the NASDAQ Global Select Market.

<i>Title of Each Class</i>	<i>Number of Shares of Common Stock Outstanding as of March 1, 2022</i>
Class A Common Stock	2,144,912
Class B Common Stock	10,373,102

**DOCUMENTS INCORPORATED BY REFERENCE:**

Portions of Bel Fuse Inc.'s Definitive Proxy Statement for the 2022 Annual Meeting of Shareholders are incorporated by reference into Part III of this Annual Report on Form 10-K.

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## CAUTIONARY NOTICE REGARDING FORWARD-LOOKING INFORMATION

The terms the "Company," "Bel," "we," "us," and "our" as used in this Annual Report on Form 10-K ("Form 10-K") refer to Bel Fuse Inc. and its consolidated subsidiaries unless otherwise specified.

The Company's consolidated operating results are affected by a wide variety of factors that could materially and adversely affect revenues and profitability, including the risk factors described in Item 1A of this Form 10-K, and the risk factors described in our other reports and documents filed from time to time with the Securities and Exchange Commission ("SEC"). As a result of these and other factors, the Company may experience material fluctuations in future operating results on a quarterly or annual basis, which could materially and adversely affect its business, consolidated financial condition, operating results, and common stock prices. Furthermore, this document and other reports and documents filed by the Company with the SEC contain certain forward-looking statements under the Private Securities Litigation Reform Act of 1995 ("Forward-Looking Statements") with respect to the business of the Company. Forward-Looking Statements are necessarily subject to risks and uncertainties, many of which are outside our control, that could cause actual results to differ materially from these statements. Forward-Looking Statements can be identified by such words as "anticipates," "believes," "plan," "assumes," "could," "should," "estimates," "expects," "intends," "potential," "seek," "predict," "may," "will" and similar references to future periods. All statements other than statements of historical facts included in this report regarding our strategies, prospects, financial condition, operations, costs, plans and objectives and regarding the anticipated impact of COVID-19 are Forward-Looking Statements. These Forward-Looking Statements are subject to certain risks and uncertainties, including those detailed in Item 1A. of this Form 10-K, and the risk factors described in our other reports and documents filed from time to time with the SEC, which could cause actual results to differ materially from these Forward-Looking Statements. The Company undertakes no obligation to publicly release the results of any revisions to these Forward-Looking Statements which may be necessary to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events. Any Forward-Looking Statement made by the Company is based only on information currently available to us and speaks only as of the date on which it is made.

## **PART I**

### **Item 1. Business**

Bel Fuse Inc. designs, manufactures and markets a broad array of products that power, protect and connect electronic circuits. These products are primarily used in the networking, telecommunication, computing, high-speed data transmission, military, commercial aerospace, transportation, e-Mobility and broadcasting industries. Bel's portfolio of products also finds application in the automotive, medical and consumer electronics markets.

With more than 70 years in operation, Bel has reliably demonstrated the ability to participate in a variety of product areas across a global platform. The Company has a strong track record of technical innovation working with the engineering teams of market leaders. Bel has consistently proven itself a valuable supplier to world-class companies by developing new products with cost effective solutions.

The Company was incorporated in 1949 and is organized under New Jersey law. Bel's principal executive offices are located at 206 Van Vorst Street, Jersey City, New Jersey 07302, and Bel's telephone number is (201) 432-0463. The Company operates facilities in North America, Europe and Asia and trades on the NASDAQ Global Select Market (ticker symbols BELFA and BELFB). For information regarding Bel's operating segments, see Note 13, "Segments", of the notes to our consolidated financial statements. Hereinafter, all references to "Note" will refer to the notes to our consolidated financial statements included in Part II, Item 8. "Financial Statements and Supplementary Data" of this Annual Report on Form 10-K.

Acquisitions have played a critical role in the growth of Bel and the expansion of both our product portfolio and our customer base and continue to be an important element in our growth strategy. The Company may, from time to time, purchase equity positions in companies that are potential merger candidates. We frequently evaluate possible acquisition candidates that would expand our product and technology offerings to our customers and/or optimize our overall cost structure.

On March 31, 2021, the Company completed the acquisition of EOS Power ("EOS") through a stock purchase agreement for \$7.8 million, net of cash acquired, including a working capital adjustment. EOS, located in Mumbai, India, had pro forma sales of \$15.4 million and \$12.0 million for the years ended December 31, 2021 and 2020, respectively. EOS will further assist Bel's penetration of certain industrial and medical markets currently being served by EOS, with a strong line of high-power density and low-profile products with high convection ratings. In addition to new products and customers acquired, this acquisition has diversified Bel's manufacturing footprint in Asia. The EOS business is part of Bel's Power Solutions and Protection group.

On January 8, 2021, the Company acquired rms Connectors, Inc. ("rms Connectors" or "rms"), from rms Company Inc., a division of Cretex Companies, Inc., for \$9.0 million in cash, including a working capital adjustment. rms Connectors is a highly regarded connector manufacturer with over 30 years of experience producing harsh environment circular connectors used in a variety of military and aerospace applications. This acquisition complements Bel's existing military and aerospace product portfolio and we anticipate will allow us to expand key customer relationships within these end markets and leverage the combined manufacturing resources to improve our operational efficiency. Originally based in Coon Rapids, Minnesota, the rms Connectors business was relocated into Bel's existing facilities during the second quarter of 2021, and is part of Bel's Connectivity Solutions group.

On December 3, 2019, we completed the acquisition of the majority of the power supply products business of CUI Inc. (the "CUI power business") through an asset purchase agreement with CUI Global Inc. for \$29.2 million (after a working capital adjustment), plus the assumption of certain liabilities. The CUI power business designs and markets a broad portfolio of AC/DC and DC/DC power supplies and board level components. The CUI power business is headquartered in Tualatin, Oregon and contributed sales of \$55.8 million for 2021 and \$43.1 million for 2020. The acquisition of the CUI power business enhanced Bel's existing offering of power products, allowing us to better address more of our customers' power needs. It also introduced an alternative business model to Bel's, one which carries a higher gross margin profile and lower manufacturing risk. CUI is part of Bel's Power Solutions and Protection group.

## Products

The Company primarily generates revenue through the sale of its products. Bel offers a broad array of product offerings, which are grouped as follows: Power Solutions & Protection (40% of net sales in 2021), Connectivity Solutions (30% of net sales in 2021) and Magnetic Solutions (30% of net sales in 2021). While there are key customers and end markets within each of the three product groups, only one direct customer accounted for more than 10% of our consolidated net sales in 2021 (this customer represented 10.6% of our consolidated net sales in 2021). Our diverse product mix and customer base minimizes our dependence on any one customer or end market.

### Power Solutions and Protection

Bel's power conversion products include internal and external AC/DC power supplies, DC/DC converters and DC/AC inverters. These products provide power conversion solutions for a number of Industrial, Networking and Consumer applications. Bel circuit protection products include board level fuses (miniature, micro and surface mount), and Polymeric PTC (Positive Temperature Coefficient) devices, designed for the global electronic and telecommunication markets.

	<b>Product Line</b>	<b>Function</b>	<b>Applications</b>	<b>Brands Sold Under</b>
<b>Power Solutions and Protection</b>	Front-End Power Supplies	Provides the primary point of isolation between AC main line (input) and the low-voltage DC output that is used to power all electronics downstream	Servers, telecommunication, network and data storage equipment	Bel Power Solutions
	Board-Mount Power Products	These are designed to be mounted on a circuit board. These converters take input voltage and provide localized on-board power to low-voltage electronics.	Telecommunication, networking and a broad range of industrial applications	Bel Power Solutions, Melcher™, CUI
	Industrial Power Products	Converts between AC main line inputs and a wide variety of DC output voltages.	Rail, transportation, automation, test and measurement, medical, military and aerospace applications.	Bel Power Solutions, Melcher™, CUI, EOS
	External Power Products	Standard and customizable desktop and wall plug adapters that convert AC main input voltages to a variety of DC output voltages.	Consumer and industrial devices and equipment	CUI
	Circuit Protection	Protects devices by preventing current in an electrical circuit from exceeding acceptable levels.	Power supplies, cell phone chargers, consumer electronics, and battery protection.	Bel

Connectivity Solutions

Bel offers a comprehensive line of high speed and harsh environment copper and optical fiber connectors and integrated assemblies, which provide connectivity for a wide range of applications across multiple industries including commercial aerospace, military communications, network infrastructure, structured building cabling and several industrial applications.

	Product Line	Function	Applications	Brands Sold Under
<b>Connectivity Solutions</b>	Expanded Beam Fiber Optic Connectors, Cable Assemblies and Active Optical Devices (transceivers and media converters)	Harsh-environment, high-reliability, flight-grade optical connectivity for high-speed communications.	Military/aerospace, oil and gas well monitoring and exploration, broadcast, communications, RADAR	Stratos®, Fibreco®
	Copper-based Connectors / Cable Assemblies-FQIS	Harsh-environment, high-reliability connectivity and fuel quantity monitoring (FQIS).	Avionics, smart munitions, communications, radar and various industrial equipment	Cinch®
	RF Connectors, Cable Assemblies, Microwave Devices and Low Loss Cable	Connectors and cable assemblies designed to provide connectivity within radio frequency (RF) applications.	Military/aerospace, test and measurement, IoT, 5G high-frequency and wireless communications	Johnson, Trompeter, Midwest Microwave™, Semflex®
	Ethernet, I/O, Industrial and Power Connectivity	RJ45, RJ11, M12, IP67 and USB connectivity for data/voice/video transmission.	Applications including routers, hubs, switches, peripheral device connectivity and patch panels; and emerging internet-of-things (IoT) applications	Stewart Connector

Magnetic Solutions

Bel's Magnetics offers industry leading products. The Company's ICM products integrate RJ45 connectors with discrete magnetic components to provide better performance and a more robust device that allows customers to substantially reduce board space and optimize performance. Power Transformers include standard and custom designs for use in a wide array of applications, including industrial instrumentation, alarm and security systems, motion control, elevators, and medical products.

	Product Line	Function	Applications	Brands Sold Under
<b>Magnetic Solutions</b>	Integrated Connector Modules (ICMs)	Condition, filter, and isolate the electronic signal to ensure accurate data/voice/video transmission and provide RJ45 and USB connectivity.	Network switches, routers, hubs, and PCs used in multi-speed Gigabit Ethernet, Power over Ethernet (PoE), PoE Plus and home networking applications.	Bel, TRP Connector®, MagJack®
	Power Transformers	Safety isolation and distribution.	Power supplies, alarm, fire detection, and security systems, HVAC, lighting and medical equipment. Class 2, three phase, chassis mount, and PC mount designs available.	Signal
	SMD Power Inductors & SMPS Transformers	A passive component that stores energy in a magnetic field. Widely used in analog electronic circuitry.	Switchmode power supplies, DC/DC converters, LED lighting, automotive and consumer electronics.	Signal
	Discrete Components-Ethernet	Condition, filter, and isolate the electronic signals to ensure high speed Ethernet data transmission.	Network switches, routers, hubs, and PCs used in multi-speed Gigabit Ethernet and Power over Ethernet (PoE).	Bel

## Sales and Marketing

We sell our products to customers throughout North America, Europe and Asia. Sales are made through one of three channels: direct strategic account managers, regional sales managers working with independent sales representative organizations or authorized distributors. Bel's strategic account managers are assigned to handle major accounts requiring global coordination.

Independent sales representatives and authorized distributors are overseen by the Company's sales management personnel located throughout the world. As of December 31, 2021, we had a sales and support staff of 201 persons that supported a network of sales representative organizations and non-exclusive distributors. We have written agreements with all our sales representative organizations and most of our major distributors. These written agreements, terminable on short notice by either party, are standard in the industry.

Sales support functions have also been established and located in our international facilities to provide timely, efficient support for customers. This supplemental level of service, in addition to first-line sales support, enables us to be more responsive to customers' needs on a global level. Our marketing capabilities include product management which drives new product development, application engineering for technical support and marketing communications.

## **Market Factors**

### Competition

We operate in a variety of markets, all of which are highly competitive. There are numerous independent companies and divisions of major companies that manufacture products that are competitive with one or more of our products.

Our ability to compete is dependent upon several factors including product performance, quality, reliability, depth of product line, customer service, technological innovation, design, delivery time and price. Overall financial stability and global presence also give us a favorable position in relation to many of our competitors. Management intends to maintain a strong competitive posture in the markets we serve by continued expansion of our product lines and ongoing investment in research, development and manufacturing resources. The preceding sentence represents a Forward-Looking Statement. See "Cautionary Notice Regarding Forward-Looking Information."

### Trends in Market Demand

Product orders, or bookings, received during 2021 amounted to \$837.7 million, an 87% increase from 2020. By product group, orders received for our Power Solutions and Protection products amounted to \$378.5 million in 2021, a 107% increase from 2020. This increase was partially due to higher orders of products serving the e-Mobility end market of \$47.6 million, an increase in bookings from our CUI business of \$29.4 million and incremental orders of \$19.5 million related to our recently-acquired EOS business. We also saw in 2021 an increase in demand for our circuit protection products and for our front-end and board mount power products. Orders received for our Magnetic Solutions products were \$258.7 million in 2021, 86% higher than in 2020 as a result of higher demand from our networking customers. Bookings for our Connectivity Solutions products increased by 58% from 2020 to \$200.5 million in 2021, largely due to the increased demand from our distribution partners coupled with a rebound in demand from our direct and aftermarket commercial aerospace customers with the gradual resumption of global air travel.

### Backlog of Orders

We typically manufacture products against firm orders and projected usage by customers. Cancellation and return arrangements are either negotiated by us on a transactional basis or contractually determined. We estimate the value of the backlog of orders as of February 28, 2022 to be approximately \$498.0 million as compared with a backlog of \$179.6 million as of February 28, 2021. Management estimates that approximately 70%-75% of the Company's backlog as of February 28, 2022 will be shipped by December 31, 2022. Factors that could cause the Company to fail to ship all such orders by year-end include unanticipated supply difficulties, changes in customer demand and new customer designs. Throughout 2021, Bel has faced macroeconomic and global supply chain challenges, and these conditions are expected to continue in 2022. Due to these factors, backlog may not be a reliable indicator of the timing of future sales. The preceding statements regarding the Company's backlog, including but not limited to estimates and anticipated timing of shipping, represent Forward-Looking Statements. See "Cautionary Notice Regarding Forward-Looking Information."



## Research and Development ("R&D")

Our engineering groups are strategically located around the world to facilitate communication with and access to customers' engineering personnel. This collaborative approach enables partnerships with customers for technical development efforts. The global capabilities and collaborative approach allows Bel to develop leading edge technological products that support highly complex and evolving markets such as e-Mobility, cloud computing, military, aerospace, and others. On occasion, we execute non-disclosure agreements with customers to help develop proprietary, next generation products destined for rapid deployment. We also sponsor membership in technical organizations that allow our engineers to participate in developing standards for emerging technologies. It is management's opinion that this participation is critical in establishing credibility and a reputable level of expertise in the marketplace, as well as positioning the Company as an industry leader in new product development.

R&D costs are expensed as incurred. Generally, R&D is performed internally for the benefit of the Company. R&D costs include salaries, building maintenance and utilities, rents, materials, administrative costs and miscellaneous other items.

## **Resources**

### Raw Materials and Sourcing

We have multiple suppliers for most of the raw materials that we purchase. Where possible, we have contractual agreements with suppliers to assure a continuing supply of critical components.

With respect to those items which are purchased from single sources, we believe that comparable items would be available in the event that there were a termination of our existing business relationships with any such supplier. While such a termination could produce a disruption in production, we believe that the termination of business with any one of our suppliers would not have a material adverse effect on our long-term operations. Actual experience could differ materially from this belief as a result of a number of factors, including the time required to locate an alternative supplier, and the nature of the demand for our products. In the past, we have experienced shortages in certain raw materials, such as capacitors, ferrites and integrated circuits ("IC's"), when these materials were in great demand. Even though we may have more than one supplier for certain materials, it is possible that these materials may not be available to us in sufficient quantities or at the times desired by us. In the event that the current economic conditions have a negative impact on the financial condition of our suppliers, this may impact the availability and cost of our raw materials.

### Intellectual Property

We have acquired or been granted a number of patents in the U.S., Europe and Asia and have additional patent applications pending relating to our products. While we believe that the issued patents are defensible and that the pending patent applications relate to patentable inventions, there can be no assurance that a patent will be obtained from the applications or that our existing patents can be successfully defended. It is management's opinion that the successful continuation and operation of our business does not depend upon the ownership of patents or the granting of pending patent applications, but upon the innovative skills, technical competence and marketing and managerial abilities of our personnel. Our U.S. design patents have a life of 14 years and our U.S. utility patents have a life of 17 years from the date of issue or 20 years from filing of patent applications. Our existing patents expire on various dates through January 2039.

We utilize registered trademarks in the U.S., Europe and Asia to identify various products that we manufacture. The trademarks survive as long as they are in use and the registrations of these trademarks are renewed.

## **Government Contracts**

We must comply with and are affected by laws and regulations relating to the award, administration, and performance of U.S. Government contracts. Government contract laws and regulations affect how we do business with our customers and, in some instances, impose added costs on our business. A violation of specific laws and regulations could result in the imposition of fines and penalties or the termination of our contracts or debarment from bidding on contracts. These fines and penalties could be imposed for failing to follow procurement integrity and bidding rules, employing improper billing practices or otherwise failing to follow cost accounting standards, receiving or paying kickbacks, or filing false claims. We have been, and expect to continue to be, subjected to audits and investigations by government agencies. The failure to comply with the terms of our government contracts could harm our business reputation. It could also result in our progress payments being withheld.

In some instances, these laws and regulations impose terms or rights that are more favorable to the government than those typically available to commercial parties in negotiated transactions. For example, the U.S. Government may terminate any of our government contracts and, in general, subcontracts, at its convenience as well as for default based on performance. Upon termination for convenience of a fixed-price type contract, we normally are entitled to receive the purchase price for delivered items, reimbursement for allowable costs for work-in-process, and an allowance for profit on work actually completed on the contract or adjustment for loss if completion of performance would have resulted in a loss. Upon termination for convenience of a Federal Government cost reimbursement contract, we normally are entitled to reimbursement of allowable costs plus a portion of the fee. Such allowable costs would normally include our cost to terminate agreements with our suppliers and subcontractors. The amount of the fee recovered, if any, is related to the portion of the work accomplished prior to termination and is determined by negotiation.

### **Seasonality**

In the People's Republic of China ("PRC"), the availability of labor is cyclical and is significantly affected by the migration of workers in relation to the annual Lunar New Year holiday. Each year following the Lunar New Year holiday, we must assess the worker return rate and whether it is adequate to meet the needs of current demand from our customers. Accordingly, we must continually recruit and train new workers to replace those lost to attrition each year and to address peaks in demand that may occur from time to time. This temporary setback in production has historically resulted in our first quarter sales being the lowest sales quarter of the year. Further, recruiting and training efforts and related inefficiencies, as well as overtime required in order to meet demand, can add volatility to the costs incurred by the Company for labor in the PRC, primarily during the first quarter of the year.

### **Government Regulations**

The Company is subject to various government regulations in the United States as well as various jurisdictions where it operates. These regulations cover several diverse areas including trade compliance, anti-bribery, anti-corruption, money laundering, and data and privacy protection. Regulatory or government authorities where the Company operates may have enforcement powers that can subject the company to legal penalties or other measures and can impose changes or conditions in the way it conducts business.

### **Human Capital Resources, Strategy and Management**

At Bel, our values guide everything we do. We are committed to the highest standards of ethical and legal conduct and have created an environment where open and honest communication is the expectation, not the exception. Failing to do so puts Bel's name, reputation for integrity and business at risk. We hold our associates to this standard and offer the same in return. Our Code of Ethics was created to ensure that our associates, officers, directors, partners, contractors, and suppliers follow our commitment to customer satisfaction in accordance with ethical and legal standards, guided by the basic, unchanging principle of integrity.

Our Human Capital Strategy is built around four areas:

#### *Extraordinary Performance*

Our associates are a critical driver of Bel's global business results. On December 31, 2021, Bel employed approximately 6,300 associates, almost all of which are full-time, across 15 countries, with 23 percent located within North America. Outside of the United States, our largest employee populations were located within Mexico, Slovakia, India and the PRC. We regularly monitor various key performance indicators around the key human capital priorities of attracting, retaining, and engaging our global talent. In addition, we enable the execution of our strategic priorities by providing all associates with access to training and development opportunities to improve critical skill sets.

### *Great Associates*

Bel is committed to fostering an environment that respects and encourages individual differences, diversity of thought, and talent. We strive to create a workplace where associates feel that their contributions are welcomed and valued, allowing them to fully engage their talents and training in their work, while generating personal satisfaction in their role within Bel. Bel has been engaged in a strategy dedicated to evolving our inclusive culture while addressing underrepresentation across the Company.

Across the organization, we invest in our people to learn in a variety of ways - on the job, in the classroom, through self-directed learning, or through leadership programs. We have expanded our learning management system to make new content and training available to our associates. The Company has also expanded leadership development programs and continues to expand internship and apprenticeship programs to develop new talent.

### *Health and Safety*

Bel offers a variety of programs globally to protect the health and safety of our associates. While we maintain targets for year-over-year reduction of the total recordable incident rate and serious injuries, our goal is always zero.

In 2021, our focus continued to be on the immediate demands within the context of COVID-19 challenges. Where possible, our associates continue to work remotely and in the office on a hybrid schedule. There are additional safeguards in our plants consistent with the guidelines provided by the Centers for Disease Control and Prevention (CDC) and other health organizations around the world. In addition, the Company continues to implement a variety of programs globally to protect the physical and mental health and safety of our associates through awareness training and wellness programs. See "The Effects of COVID-19 on Bel's Business" in Item 7 of this Annual Report on Form 10-K for a discussion of how COVID-19 is currently impacting our business.

### *Culture*

In an increasingly competitive global marketplace, Bel succeeds when we attract and retain the best talent that is reflective of the diversity of the communities in which we work and live.

We are committed to increasing the diversity of our workforce by participating in networking and community events and actively recruiting and hiring veterans, women, minorities, and individuals with disabilities.

As a global leader in delivering reliable solutions, Bel has signed a Statement of Support Program declaration to show support for National Guard and Reserve member associates coordinated by the Department of Defense's Employer Support of the Guard and Reserve (ESGR) program. The intent of the program is to increase employer support by encouraging employers to act as advocates for associate participation in the military.

The Mission of Human Resources is to "Recruit, Train and Retain the best people. Create an environment where associates make a difference. Provide challenging work, a positive work environment and career opportunities."

As a company that has been in business for over 70 years, Bel understands the importance of trust, integrity and accountability at all levels of the organization. Our policies, practices and priorities are continually reviewed to align with the best interests of our associates, shareholders and other stakeholders.

### **Environmental Initiatives**

We view environmental, social, and governance ("ESG") as a key component of every facet of our processes and operations and are committed to continual improvement to enhance our environmental performance. Bel's commitment to ESG is highlighted by the numerous Bel sites that comply with outside specifications designed to promote sustainable development such as ISO-9001 and ISO-14001.

### Available Information

We maintain a website at [www.belfuse.com](http://www.belfuse.com) where we make available free of charge the proxy statements, press releases, registration statements and reports on Forms 3, 4, 8-K, 10-K and 10-Q, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act that we (and in the case of Section 16 reports, our insiders) file with the SEC. These forms are made available as soon as reasonably practicable after such material is electronically filed with or furnished to the SEC. Press releases are also issued via electronic transmission to provide access to our financial and product news, and we provide notification of and access to voice and internet broadcasts of our quarterly and annual results. Our website also includes investor presentations and corporate governance materials.

**Item 1A. Risk Factors**

The risks described below should be carefully considered before making an investment decision. These are the risk factors that we consider to be material, but they are not the only risk factors that should be considered in making an investment decision. This Form 10-K also contains Forward-Looking Statements that involve risks and uncertainties. See the "Cautionary Notice Regarding Forward-Looking Information," above. Our business, consolidated financial condition and consolidated results of operations could be materially adversely affected by any of the risk factors described below, under "Cautionary Notice Regarding Forward-Looking Information" or with respect to specific Forward-Looking Statements presented herein. The trading price of our securities could decline due to any of these risks, and investors in our securities may lose all or part of their investment. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also materially adversely affect our business in the future. Except as required by the federal securities law, we undertake no obligation to update or revise any risk factor, whether as a result of new information, future events or otherwise.

**STRATEGIC RISKS**

***We conduct business in a highly competitive industry.***

Our business operates in a globally competitive industry, with relatively low barriers to entry. We compete principally on the basis of product performance, quality, reliability, depth of product line, customer service, technological innovation, design, delivery time and price. The industry in which we operate has become increasingly concentrated and globalized in recent years and our major competitors, some of which are larger than Bel, have significant financial resources and technological capabilities.

***Our intellectual property rights may not be adequately protected under the current state of the law.***

Our efforts to protect our intellectual property rights through patent, copyright, trademark and trade secret laws in the United States and in other countries may not prevent misappropriation, and our failure or inability to protect our proprietary rights could materially adversely affect our business, financial condition, operating results and future prospects. A third party could, without authorization, copy or otherwise appropriate our proprietary information. Our agreements with employees and others who participate in development activities could be breached, we may not have adequate remedies for any breach, and our trade secrets may otherwise become known or independently developed by competitors.

***Our acquisitions may not produce the anticipated results.***

A significant portion of our growth has been attributable to acquisitions. We cannot assure that we will identify or successfully complete transactions with suitable acquisition candidates in the future. If an acquired business fails to operate as anticipated or cannot be successfully integrated with our other businesses, our results of operations, enterprise value, market value and prospects could all be materially and adversely affected. Integration of new acquisitions into our consolidated operations may result in lower average operating results for the group as a whole, and may divert management's focus from the ongoing operations of the Company during the integration period.

Our strategy also focuses on the reduction of selling, general and administrative expenses through the integration or elimination of redundant sales facilities and administrative functions at acquired companies. If we are unable to achieve our expectations with respect to our acquisitions, such inability could have a material and adverse effect on our results of operations. If the acquisitions fail to perform up to our expectations, or if there is a weakening of economic conditions, we could be required to record impairment charges on the goodwill associated with our acquisitions.

***We are dependent on our ability to develop new products.***

Our future operating results are dependent, in part, on our ability to develop, produce and market new and more technologically advanced products. There are numerous risks inherent in this process, including the risks that we will be unable to anticipate the direction of technological change or that we will be unable to timely develop and bring to market new products and applications to meet customers' changing needs.

## OPERATIONAL RISKS

### ***Our global operations and demand for our products face risks related to health epidemics such as the coronavirus.***

Any outbreaks of contagious diseases and other adverse public health developments in countries where we operate could have a material and adverse effect on our business, consolidated financial condition and consolidated results of operations. In January 2020, the outbreak of COVID-19 was first identified. In March 2020, the World Health Organization declared the outbreak of COVID-19 a pandemic, which continues to spread throughout the U.S. and the world. Over the course of 2020 and 2021, our business was impacted by temporary facility closures, shelter-in-place orders and challenges related to travel restrictions imposed by the local governmental authorities. Our suppliers, customers and our customers' contract manufacturers have experienced similar challenges from time to time throughout the pandemic. The impact from the rapidly changing U.S. and global market and economic conditions due to the COVID-19 outbreak is uncertain, with disruptions to the business of our customers and suppliers, which has, and could continue, to impact our business and consolidated results of operations and financial condition. On March 13, 2022, the PRC government issued a notice whereby effective immediately, certain regions would be temporarily shut down to perform widespread testing in response to the recent COVID-19 outbreak, which includes our Bel Power Solutions manufacturing facility in Shenzhen, China and our Magnetics TRP manufacturing facility in Changping, China. Both are currently closed for a minimum of 3-5 business days. COVID-19 remains a potential supply continuity risk due to the unknown nature of future outbreaks.

As the status of the ongoing COVID-19 pandemic continues to be uncertain, additional Bel facilities could become negatively impacted. COVID-19 remains a potential supply continuity risk due to the unknown nature of future outbreaks including as a result of the emergence of COVID-19 virus variants. The extent to which COVID-19 will impact our business and our consolidated financial results will depend on future developments which are highly uncertain and cannot be predicted at the time of the filing of this Annual Report on Form 10-K. See "The Effects of COVID-19 on Bel's Business" in Item 7 of this Annual Report on Form 10-K for a discussion of how COVID-19 is currently impacting our business.

### ***We may experience labor unrest.***

As we periodically implement transfers of certain of our operations, we may experience strikes or other types of labor unrest as a result of lay-offs or termination of employees in higher labor cost countries. Our manufacturing facilities in the United Kingdom and Mexico are represented by labor unions and substantially all of our factory workers in the PRC are represented by government-sponsored unions.

### ***We may experience labor shortages.***

Government, economic, social and labor policies in the PRC may cause shortages of factory labor in areas where we have some of our products manufactured. Further, availability of labor in the PRC is cyclical and is significantly affected by the migration of workers in relation to the annual Lunar New Year holiday. If we are required to manufacture more of these products outside of the PRC as a result of such shortages, our margins will likely be materially adversely affected.

### ***A shortage of availability or an increase in the cost of raw materials, components and other resources may adversely impact our ability to procure these items at cost effective prices and thus may negatively impact profit margins.***

Our results of operations may be materially adversely impacted by difficulties in obtaining raw materials, supplies, power, labor, natural resources and any other items needed for the production of our products, as well as by the effects of quality deviations in raw materials and the effects of significant fluctuations in the prices of existing inventories and purchase commitments for these materials. Many of these materials and components are produced by a limited number of suppliers and their availability to us may be constrained by supplier capacity. Beginning in the third quarter of 2021, pandemic-related issues have created additional port congestion and intermittent supplier shutdowns and delays, resulting in additional expenses to expedite delivery of critical parts. A recent increase in demand for electronic components within the industry had led to incremental direct and indirect supply chain challenges related to raw material availability and logistics and we expect this environment to continue in 2022. Any material disruption could materially adversely affect our financial results. See "The Effects of COVID-19 on Bel's Business" and "Other Key Factors Affecting our Business" in Item 7 of this Annual Report on Form 10-K for a discussion of how pricing and availability of materials is currently impacting our business.

***We have substantial manufacturing operations located in the PRC, which exposes us to significant risks that could materially and adversely affect our business, operations, consolidated financial condition and consolidated results of operations.***

The majority of Bel's Magnetic Solutions manufacturing capacity and supplier base is located in the PRC, as is a portion of Bel's Power Solutions and Protection group. As of December 31, 2021, 62% of our associates, 73% of our owned or leased manufacturing facilities (by square footage) and 26% of our Company's tangible assets were all located in the PRC. Our Company's presence and operations in the PRC expose us to significant risks that could materially and adversely affect our Company and our business, operations, financial position and results of operations.

For example, our significant operational presence in the PRC exposes us to foreign currency exchange risk. Our PRC-based manufacturing associates' salaries, and other labor and overhead costs, associated with our PRC operations are paid in the Chinese Renminbi. As a result, the cost of our operations and our consolidated operating results may be adversely impacted by the effects of fluctuations in the applicable exchange rate for the Renminbi as compared to the U.S dollar.

Our significant labor force based within the PRC subjects us to risks associated with staffing and managing this substantial complement of factory workers and other associates who are important to our Company's operations and success. As noted above, factory workers in the PRC are represented by government-sponsored unions, and are participants in a cyclical labor market that may become subject to shortages including as a result of PRC government policies. See "We may experience labor unrest" and "We may experience labor shortages" above. Wage rates in the PRC have been gradually increasing in recent years as PRC government-mandated increases in the minimum wage rate have caused an increase in our overall pay scale for our PRC workers.

The PRC government has broad authority and discretion to regulate the economy, manufacturing, industry, and the technology sector, among other areas generally. As a result, our activities and operations in PRC and as well as those of our PRC-based suppliers are subject to extensive local government regulation. Additionally, the PRC government has implemented policies from time to time to regulate economic expansion. It exercises significant control over its economic growth through the allocation of resources, setting monetary policy and providing preferential treatment to particular industries or companies. Any additional new regulations or the amendment of previously implemented regulations could require us to change our business plans, increase our costs, or limit our ability to manufacture and sell products domestically and/or otherwise restrict or curtail our operations in the PRC. To the extent our suppliers in the PRC are negatively impacted by new or amended regulations, any such negative implications could adversely impact our supply chain, including in the form of increased costs, disruptions, shortages or unavailability of product or component parts, and/or other deleterious consequences, which could materially adversely affect our business and operating results. In 2021, there were power shortages in the PRC, resulting in the rationing of electricity in a number of provinces during peak production hours. While these events did not have a material impact on our business and are not presently ongoing as of the date of this filing, any prolonged shutdown of our or our supplier's factories (or other interference or limitation of production capacity resulting from other PRC infrastructure issues or government regulations, policies, mandates or otherwise), could cause significant disruption to our supply chain and/or Bel's ability to manufacture its products, and have a materially adverse effect on our business and operating results.

Our significant manufacturing operations in the PRC also expose us to other risks. Risks inherent in our PRC operations include the following:

- changes in import, export, transportation regulations and tariffs, and risks associated with boycotts and embargoes;
- changes in, or impositions of, legislative or regulatory requirements or restrictions, including tax and trade laws in the U.S. and in the PRC, and government action to restrict our ability to sell to customers where sales of products may require export licenses;
- transportation delays and other supply chain issues;
- changes in tax regulations in the U.S. and/or the PRC, including restrictions and/or taxes applicable to the transfer or repatriation of funds;
- international political relationships, including the relationship between the U.S. and the PRC;
- epidemics and illnesses (including COVID-19, and any new variants that may emerge) within the PRC that affect the areas in which we operate and manufacture our products;
- economic, social and political instability;
- longer accounts receivable collection cycles and difficulties in collecting accounts receivables;
- less effective protection of intellectual property and contractual arrangements, and risks associated with enforcing contracts and legal rights and remedies generally;
- uncertainties associated with the PRC legal system, which is based on civil law, can involve protected proceedings involving substantial judicial discretion, and is based in part on PRC government policies and internal rules, some of which are not published on a timely basis, or at all, and may have retroactive effect;
- risks arising out of any changes in governmental and economic policy and the potential for adverse developments arising out of any political or economic instability related to Hong Kong or Taiwan;
- the potential for political unrest, expropriation, nationalization, revolution, war or acts of terrorism; and
- risks associated with the concentration of a substantial portion of our manufacturing capacity and supplier base in the PRC.

In addition to the risks associated with our PRC operations described above, the global nature of our operations generally subjects us to additional risks. We conduct operations in 15 countries, and outside of the United States (and the PRC), our largest manufacturing operations and associate populations are located within Mexico, Slovakia, the UK and India. Please see the Risk Factor appearing below under the caption, "The global nature of our operations exposes us to numerous risks that could materially adversely affect our consolidated financial condition and consolidated results of operations."

***The loss of certain substantial customers could materially and adversely affect us.***

During the year ended December 31, 2021, approximately 18% of the Company's total net sales were sold to one ultimate end-user through various intermediary contract manufacturers. The largest Bel direct-customer was an intermediary contract manufacturer that manufactured and assembled products to various end customers, which represented 10.6% of our 2021 consolidated net sales. We believe that the loss of either of this ultimate end user and/or this intermediate contract manufacturer could have a material adverse effect on our consolidated financial position and consolidated results of operations. We have experienced significant concentrations of customers in prior years. See Note 13, "Segments" for additional disclosures related to our significant customers. Furthermore, factors that negatively impact the businesses of our major customers could materially and adversely affect us even if the customer represents less than 10% of our 2021 consolidated net sales.

***We may not achieve all of the expected benefits from our restructuring programs.***

We have implemented a number of restructuring programs in recent years and we may continue to restructure or rationalize our operations in future periods. These programs include various cost savings, the consolidation of certain facilities and the reduction of headcount. We make certain assumptions in estimating the anticipated savings we expect to achieve under such programs, which include the estimated savings from the elimination of certain headcount and the consolidation of facilities. These assumptions may turn out to be incorrect due to a variety of factors. In addition, our ability to realize the expected benefits from these programs is subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control. If we are unsuccessful in implementing these programs or if we do not achieve our expected results, our results of operations and cash flows could be adversely affected or our business operations could be disrupted.

***There are risks related to the implementation of our new global enterprise resource planning system.***

We have been engaged in a multi-year process of conforming the majority of our operations onto one global enterprise resource planning system ("ERP"). The ERP is designed to improve the efficiency of our supply chain and financial transaction processes, accurately maintain our books and records, and provide information important to the operation of the business to our management team. While this project is substantially complete, the conversion of recent acquisitions onto the new ERP system, or any significant deficiency in the design and implementation of the ERP could negatively impact data processing and electronic communications among business locations, which may have a material adverse effect on our business, consolidated financial condition or consolidated results of operations.

## **FINANCIAL RISKS**

***There are several factors which can cause our margins to suffer.***

Our margins could be substantially impacted by the following factors.

- **Declines in Selling Prices:** The average selling prices for our products tend to decrease over their life cycles, and customers put pressure on suppliers to lower prices even when production costs are increasing. Further, increased competition from low-cost suppliers around the world has put additional pressures on pricing. Any drop in demand for our products or increase in supply of competitive products could also cause a dramatic drop in our average sales prices.
- **Increases in Material Costs:** While we continually strive to negotiate better pricing for components and raw materials, an increase in industry demand for or supplier shortages of certain components can result in higher material costs, or premiums incurred for expedited orders. Further, commodity prices, especially those pertaining to gold, copper and silver, can be volatile. Fluctuations in these prices and other commodity prices associated with Bel's raw materials will have a corresponding impact on our profit margins.
- **Increases in Labor Costs:** Wage rates, particularly in the PRC, Mexico and Slovakia where the majority of our manufacturing associates are located, have been gradually increasing in recent years as government-mandated increases in the minimum wage rate in these jurisdictions cause an increase in our overall pay scale. Labor costs can also be impacted by fluctuations in the exchange rates in which local wages are paid as compared to the U.S. dollar.

Profit margins will be materially and adversely impacted if we are not able to reduce our costs of production, introduce technological innovations as sales prices decline, or pass through cost increases to customers.

***Our backlog figures may not be reliable indicators.***

Many of the orders that comprise our backlog may be delayed, accelerated or canceled by customers without penalty. Customers may on occasion double order from multiple sources to ensure timely delivery when lead times are particularly long. Customers often cancel orders when business is weak and inventories are excessive. Additional factors that could cause the Company to fail to ship orders comprising our backlog include unanticipated supply difficulties, changes in customer demand and new customer designs. Throughout 2021, Bel has faced macroeconomic and global supply chain challenges, and these conditions are expected to continue in 2022. Due to the foregoing factors, we cannot be certain that the amount of our backlog equals or exceeds the level of orders that will ultimately be delivered, and backlog may not be a reliable indicator of the timing of future sales. Our results of operations could be adversely impacted if customers cancel a material portion of orders in our backlog.

***We may not be able to generate sufficient cash to service all of our indebtedness and may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful.***

Our ability to make scheduled payments on or refinance our debt obligations depends on our financial condition and operating performance, which are subject to prevailing economic and competitive conditions and to certain financial, business, legislative, regulatory and other factors beyond our control. We may be unable to maintain a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness.



If our cash flows and capital resources are insufficient to fund our debt service obligations, we could face substantial liquidity problems and could be forced to reduce or delay acquisitions, investments and capital expenditures or to dispose of material assets or operations, seek additional debt or equity capital or restructure or refinance our indebtedness. We may not be able to effect any such alternative measures on commercially reasonable terms or at all and, even if successful, those alternative actions may not allow us to meet our scheduled debt service obligations. Our credit agreement restricts our ability to dispose of assets and use the proceeds from those dispositions and may also restrict our ability to raise debt or equity capital to be used to repay other indebtedness when it becomes due. We may not be able to consummate those dispositions or to obtain proceeds in an amount sufficient to meet any debt service obligations then due.

Our inability to generate sufficient cash flows to satisfy our debt obligations, or to refinance our indebtedness on commercially reasonable terms or at all, would materially and adversely affect our consolidated financial position and consolidated results of operations. If we cannot make scheduled payments on our debt, we will be in default, the lenders under the credit agreement could terminate their commitments to loan money, the lenders could foreclose against the assets securing their borrowings and we could be forced into bankruptcy or liquidation.

***Our level of indebtedness could negatively impact our access to the capital markets and our ability to satisfy financial covenants under our existing credit agreement.***

Our U.S. debt service requirements are significant in relation to our U.S. revenue and cash flow. This leverage exposes us to risk in the event of downturns in our business, in our industry or in the economy generally, and may impair our operating flexibility and our ability to compete effectively. Our current credit agreement requires us to maintain certain covenant ratios, and the ratios become more restrictive at specific dates during the term. If we do not continue to satisfy these required ratios or receive waivers from our lenders, we will be in default under the credit agreement, which could result in an accelerated maturity of our debt obligations. We cannot assure investors that we will be able to access private or public debt or equity on satisfactory terms, or at all. Any equity financing that could be arranged may dilute existing shareholders and any debt financing that could be arranged may result in the imposition of more stringent financial and operating covenants.

## LEGAL, TAX AND REGULATORY RISKS

***We may be sued by third parties for alleged infringement of their proprietary rights and we may incur defense costs and possibly royalty obligations or lose the right to use technology important to our business.***

From time to time, we receive claims by third parties asserting that our products violate their intellectual property rights. Any intellectual property claims, with or without merit, could be time consuming and expensive to litigate or settle and could divert management attention from administering our business. A third party asserting infringement claims against us or our customers with respect to our current or future products may materially and adversely affect us by, for example, causing us to enter into costly royalty arrangements or forcing us to incur settlement or litigation costs.

***We are subject to taxation in multiple jurisdictions. As a result, any adverse development in the tax laws of any of these jurisdictions or any disagreement with our tax positions could have a material adverse effect on our business, consolidated financial condition or consolidated results of operations.***

We are subject to taxation in, and to the tax laws and regulations of, multiple jurisdictions as a result of the international scope of our operations and our corporate and financing structure. We are also subject to transfer pricing laws with respect to our intercompany transactions, including those relating to the flow of funds among our companies. Adverse developments in fiscal or tax laws, regulations or policies, or any change in position regarding the application, administration or interpretation thereof, in any applicable jurisdiction, could have a material adverse effect on our business, consolidated financial condition or consolidated results of our operations. In addition, the tax authorities in any applicable jurisdiction, including the United States, may disagree with the positions we have taken or intend to take regarding the tax treatment or characterization of any of our transactions. If any applicable tax authorities, including U.S. tax authorities, were to successfully challenge the tax treatment or characterization of any of our transactions, it could have a material adverse effect on our business, consolidated financial condition or consolidated results of our operations.

***Expanding and evolving data privacy laws and regulations could impact our business and expose us to increased liability.***

Our global business is subject to complex and changing laws and regulations including but not limited to privacy, data security and data localization. Evolving foreign events, including the effect of the United Kingdom's withdrawal from the European Union, may adversely affect our revenues and could subject us to new regulatory costs and challenges (such as the transfer of personal data between the EU and the United Kingdom), in addition to other adverse effects that we are unable to effectively anticipate. This may impose significant requirements on how we collect, process and transfer personal data, as well as significant financial penalties for non-compliance. Any inability to adequately address privacy concerns, even if unfounded, or to comply with the more complex privacy or data protection laws, regulations and privacy standards, could lead to significant financial penalties, which may result in a material and adverse effect on our consolidated results of operations.

## RISKS RELATED TO OUR COMMON STOCK

***As a result of protective provisions in the Company's certificate of incorporation, the voting power of holders of Class A common shares whose voting rights are not suspended (including officers, directors and principal shareholders) may be increased at future meetings of the Company's shareholders.***

The Company's certificate of incorporation provides that if a shareholder, other than shareholders subject to specific exceptions, acquires (after the date of the Company's 1998 recapitalization) 10% or more of the outstanding Class A common stock and does not own an equal or greater percentage of all then outstanding shares of both Class A and Class B common stock (all of which common stock must have been acquired after the date of the 1998 recapitalization), such shareholder must, within 90 days of the trigger date, purchase Class B common shares, in an amount and at a price determined in accordance with a formula described in the Company's certificate of incorporation, or forfeit its right to vote its Class A common shares. As of February 28, 2022, to the Company's knowledge, there was one shareholder of the Company's common stock with ownership in excess of 10% of Class A outstanding shares with no ownership of the Company's Class B common stock and with no basis for exception from the operation of the above-mentioned provisions. In order to vote its shares at Bel's next shareholders' meeting, this shareholder must either purchase the required number of Class B common shares or sell or otherwise transfer Class A common shares until its Class A holdings are under 10%. As of February 28, 2022, to the Company's knowledge, this shareholder owned 19.1% of the Company's Class A common stock and had not taken steps to either purchase the required number of Class B common shares or sell or otherwise transfer Class A common shares until its Class A holdings fall below 10%. Unless and until this situation is satisfied in a manner permitted by the Company's Restated Certificate of Incorporation, the subject shareholder will not be permitted to vote its shares of common stock.

To the extent that the voting rights of particular holders of Class A common stock are suspended as of times when the Company's shareholders vote due to the above-mentioned provisions, such suspension will have the effect of increasing the voting power of those holders of Class A common shares whose voting rights are not suspended. As of February 28, 2022, Daniel Bernstein, the Company's Chief Executive Officer, beneficially owned 381,747 Class A common shares (or 21.9%) of the outstanding Class A common shares whose voting rights were not suspended, and all directors and current executive officers as a group (which includes Daniel Bernstein) beneficially owned 394,702 Class A common shares (or 22.5%) of the outstanding Class A common shares whose voting rights were not suspended.

***Our stock price, like that of many companies, has been and may continue to be volatile.***

The market price of our common stock may fluctuate as a result of variations in our quarterly operating results and other factors beyond our control. These fluctuations may be exaggerated if the trading volume of our common stock is low. The market price of our common stock may rise and fall in response to a variety of other factors, including:

- announcements of technological or competitive developments;
- general market or economic conditions;
- the impact of the ongoing COVID-19 pandemic on our operations and supply chain;
- market or economic conditions specific to particular geographical areas in which we operate;
- acquisitions or strategic alliances by us or our competitors;
- the gain or loss of a significant customer or order; or
- changes in estimates of our financial performance or changes in recommendations by securities analysts regarding us or our industry

In addition, equity securities of many companies have experienced significant price and volume fluctuations even in periods when the capital markets generally are not distressed. These price and volume fluctuations often have been unrelated to the operating performance of the affected companies.

***Our results of operations may be materially and adversely impacted by environmental and other regulations.***

Our manufacturing operations, products and/or product packaging are subject to environmental laws and regulations governing air emissions; wastewater discharges; the handling, disposal and remediation of hazardous substances, wastes and certain chemicals used or generated in our manufacturing processes; employee health and safety labeling or other notifications with respect to the content or other aspects of our processes, products or packaging; restrictions on the use of certain materials in or on design aspects of our products or product packaging; and, responsibility for disposal of products or product packaging. Discussions and proposals related to gas emissions and climate change have increasingly become the subject of substantial attention; additional regulation in this area could have the effect of restricting our business operations or increasing our operating costs. More stringent environmental regulations may be enacted in the future, and we cannot presently determine the modifications, if any, in our operations that any such future regulations might require, or the cost of compliance with these regulations.

## GENERAL RISKS

***The global nature of our operations exposes us to numerous risks that could materially adversely affect our consolidated financial condition and consolidated results of operations.***

We operate in 15 countries, and our products are distributed in those countries as well as in other parts of the world. A large portion of our manufacturing operations are located outside of the United States and a large portion of our sales are generated outside of the United States. Operations outside of the United States, particularly operations in developing regions, are subject to various risks that may not be present or as significant for our U.S. operations. Economic uncertainty in some of the geographic regions in which we operate, including developing regions, could result in the disruption of commerce and negatively impact cash flows from our operations in those areas.

Risks inherent in our international operations include:

- COVID-19-related closures and other pandemic-related uncertainties in the countries in which we operate;
- Import and export regulations that could erode profit margins or restrict exports;
- Foreign exchange controls and tax rates;
- Foreign currency exchange rate fluctuations, including devaluations;
- Changes in regional and local economic conditions, including local inflationary pressures;
- Difficulty of enforcing agreements and collecting receivables through certain foreign legal systems;
- Variations in protection of intellectual property and other legal rights;
- More expansive legal rights of foreign unions or works councils;
- Changes in labor conditions and difficulties in staffing and managing international operations;
- Inability or regulatory limitations on our ability to move goods across borders;
- Changes in laws and regulations, including the laws and policies of the United States affecting trade, tariffs and foreign investment;
- Restrictive governmental actions such as those on transfer or repatriation of funds and trade protection matters, including antidumping duties, tariffs, trade wars, embargoes and prohibitions or restrictions on acquisitions or joint ventures;
- Social plans that prohibit or increase the cost of certain restructuring actions;
- The uncertainty surrounding the effect of the United Kingdom's withdrawal from the European Union;
- The potential for nationalization of enterprises or facilities; and
- Unsettled political conditions and possible terrorist attacks against U.S. or other interests.

As a multi-national company, we are faced with increased complexities due to recent changes to the U.S. corporate tax code relating to our unremitted foreign earnings, potential revisions to international tax law treaties, and renegotiated trade deals. In addition, other events, such as the United Kingdom's exit from the European Union and the ongoing discussion and negotiations concerning varying levels of tariffs on product imported from the PRC also create a level of uncertainty. If we are unable to anticipate and effectively manage these and other risks, it could have a material and adverse effect on our business, our consolidated results of operations and consolidated financial condition.

The recent political tensions and armed conflict involving Russia and Ukraine continues to evolve and we are closely monitoring this dynamic situation. As of the filing date of this Annual Report on Form 10-K, the Company had indefinitely ceased all shipments of product to customers in Russia. As of February 28, 2022, there were approximately \$2 million of orders in our backlog that were impacted by this decision. The Company's operations in Slovakia have not been, and are not currently expected to be, impacted by the political instability of the Russia-Ukraine conflict as our facility is not in close proximity to the Ukraine border. We do not currently anticipate any material impact to the Company's financial results.

For additional information regarding risks associated with our operations in the PRC, see the discussion set forth above under the caption, "We have substantial manufacturing operations located in the PRC, which exposes us to significant risks that could materially and adversely affect our business, operations, consolidated financial condition and consolidated results of operations."

***Cyber risk and the failure to maintain the integrity of our operational or security systems or infrastructure, or those of third parties with which we do business, could have a material adverse effect on our business, consolidated financial condition and consolidated results of operations.***

Cyber threats are rapidly evolving and are becoming increasingly sophisticated. Our Company expects to continue to experience cyber threats from time to time, which pose a risk to the security of our systems and networks and the confidentiality, availability and integrity of our data. Disruptions or failures in the physical infrastructure or operating systems that support our businesses and customers, or cyber-attacks or security breaches of our networks or systems, could result in the loss of customers and business opportunities, legal liability, regulatory fines, penalties or intervention, other litigation, regulatory and legal risks and the costs associated therewith, reputational damage, reimbursement or other compensatory costs, remediation costs, increased cybersecurity protection costs, additional compliance costs, increased insurance premiums, and lost revenues, damage to the Company's competitiveness, stock price, and long-term shareholder value, any of which could materially adversely affect our business, financial condition and results of operations. While we attempt to mitigate these risks, our systems, networks, products, solutions and services remain potentially vulnerable to advanced and persistent threats. We also maintain and have access to sensitive, confidential or personal data or information in certain of our businesses that is subject to privacy and security laws and regulations. Despite our efforts to protect such sensitive, confidential or personal data or information, our facilities and systems and those of our customers and third-party service providers may be vulnerable to security breaches, theft, fraud, misplaced or lost data, "Acts of God", programming and/or human errors that could lead to the compromising of sensitive, confidential or personal data or information, improper use of our systems, software solutions or networks, unauthorized access, use, disclosure, modification or destruction of information, defective products, production downtimes and operational disruptions, which in turn could adversely affect our consolidated financial condition and consolidated results of operations.

***A loss of the services of the Company's executive officers or other skilled associates could negatively impact our operations and results.***

The success of the Company's operations is largely dependent upon the performance of its executive officers, managers, engineers and salespeople. Many of these individuals have a significant number of years of experience within the Company and/or the industry in which we compete and would be extremely difficult to replace. The loss of the services of any of these associates may materially and adversely impact our results of operations if we are unable to replace them in a timely manner.

**Item 1B. Unresolved Staff Comments**

None.

**Item 2. Properties**

The Company is headquartered in Jersey City, New Jersey, where it currently owns 19,000 square feet of office and warehouse space. In addition to its facilities in Jersey City, New Jersey, the Company occupies 315,000 square feet at 20 non-manufacturing facilities, which are used primarily for management, financial accounting, engineering, sales and administrative support. Of this space, the Company leases 209,000 square feet in 15 facilities and owns properties of 125,000 square feet.

The Company also operated 20 manufacturing facilities in 7 countries as of December 31, 2021. Approximately 14% of the 2.2 million square feet the Company occupies is owned while the remainder is leased. See Note 18, "Commitments and Contingencies", for additional information pertaining to leases.

The following is a list of the locations of the Company's principal manufacturing facilities at December 31, 2021:

Location	Approximate Square Feet	Owned/ Leased	Percentage Used for Manufacturing
Dongguan, People's Republic of China	661,000	Leased	36%
Pingguo, People's Republic of China	251,000	Leased	71%
Shenzhen, People's Republic of China	227,000	Leased	100%
Zhongshan, People's Republic of China	303,000	Leased	85%
Zhongshan, People's Republic of China	118,000	Owned	100%
Zhongshan, People's Republic of China	78,000	Owned	100%
Louny, Czech Republic	11,000	Owned	75%
Dubnica nad Vahom, Slovakia	35,000	Owned	100%
Dubnica nad Vahom, Slovakia	70,000	Leased	100%
Worksop, United Kingdom	51,000	Leased	28%
Chelmsford, United Kingdom	17,000	Leased	80%
Sudbury, United Kingdom	12,000	Leased	90%
Dominican Republic	33,000	Leased	85%
Cananea, Mexico	29,000	Leased	60%
Reynosa, Mexico	80,000	Leased	56%
Glen Rock, Pennsylvania	74,000	Owned	60%
Waseca, Minnesota	127,000	Leased	83%
McAllen, Texas	40,000	Leased	56%
Melbourne, Florida	18,000	Leased	64%
Tempe, Arizona	8,000	Leased	100%
	2,243,000		

Of the space described above, 237,000 square feet is used for engineering, warehousing, sales and administrative support functions at various locations and 472,000 square feet is designated for dormitories, canteen and other employee related facilities in the PRC.

The Territory of Hong Kong became a Special Administrative Region ("SAR") of the PRC during 1997. The territory of Macao became a SAR of the PRC at the end of 1999. Management cannot presently predict what future impact, if any, this will have on the Company or how the political climate in the PRC will affect its contractual arrangements in the PRC. A significant portion of the Company's manufacturing operations and approximately 35.6% of its identifiable assets are located in Asia.

**Item 3. Legal Proceedings**

The information called for by this Item is incorporated herein by reference to the caption "Legal Proceedings" in Note 18, "Commitments and Contingencies."

**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**

**(a) Market Information**

The Company's voting Class A Common Stock, par value \$0.10 per share, and non-voting Class B Common Stock, par value \$0.10 per share ("Class A" and "Class B," respectively), are traded on the NASDAQ Global Select Market under the symbols BELFA and BELFB, respectively.

**(b) Holders**

As of February 28, 2022, there were 42 registered shareholders of the Company's Class A Common Stock and 300 registered shareholders of the Company's Class B Common Stock. As of February 28, 2022, the Company estimates that there were 531 beneficial shareholders of the Company's Class A Common Stock and 2,280 beneficial shareholders of the Company's Class B Common Stock. At February 28, 2022, to the Company's knowledge, there was one shareholder of the Company's Class A common stock whose voting rights were suspended. This shareholder owned 19.1% of the Company's outstanding shares of Class A common stock. For additional discussion, see Item 1A – "Risk Factors – As a result of protective provisions in the Company's certificate of incorporation, the voting power of holders of Class A common shares whose voting rights are not suspended (including officers, directors and principal shareholders) may be increased at future meetings of the Company's shareholders".

**(c) Dividends**

During the years ended December 31, 2021 and 2020, the Company declared dividends on a quarterly basis at a rate of \$0.06 per Class A share of common stock and \$0.07 per Class B share of common stock totaling \$3.4 million in 2021 and \$3.4 million in 2020. There are no contractual restrictions on the Company's ability to pay dividends provided the Company is not in default under its credit agreement immediately before such payment and after giving effect to such payment. On February 1, 2022, the Company paid a dividend to all shareholders of record at January 15, 2022 of Class A and Class B Common Stock in the total amount of \$0.1 million (\$0.06 per share) and \$0.7 million (\$0.07 per share), respectively. On February 24, 2022, Bel's Board of Directors declared a dividend in the amount of \$0.06 per Class A common share and \$0.07 per Class B common share which is scheduled to be paid on April 29, 2022 to all shareholders of record at April 15, 2022. Determinations regarding future dividend payments will depend, in part, upon the immediate and long-term effects of the COVID-19 pandemic on the Company, its customers and its suppliers.

**(d) Common Stock Performance Comparisons**

Not applicable.

**Item 6. [Reserved]**

**Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations**

The information in this MD&A should be read in conjunction with the Company's consolidated financial statements and the notes related thereto. The discussion of results, causes and trends should not be construed to imply any conclusion that such results, causes or trends will necessarily continue in the future. See "Cautionary Notice Regarding Forward-Looking Information" above for further information. Also, when we cross reference to a "Note," we are referring to our "Notes to Consolidated Financial Statements," unless the context indicates otherwise. All amounts and percentages are approximate due to rounding.

Under the SEC's amended definition of a "smaller reporting company," the Company is deemed to be a smaller reporting company. Accordingly, among other things, the Company has reduced the number of years covered by its financial statements in Item 8.

**Overview**

**Our Company**

We design, manufacture and market a broad array of products that power, protect and connect electronic circuits. These products are primarily used in the networking, telecommunication, computing, high-speed data transmission, military, commercial aerospace, transportation, e-Mobility and broadcasting industries. Bel's portfolio of products also finds application in the automotive, medical and consumer electronics markets.

We operate through three product group segments, in addition to a Corporate segment. In 2021, 40% of the Company's revenues were derived from Power Solutions and Protection, 30% from Connectivity Solutions and 30% from our Magnetic Solutions operating segment.

Our operating expenses are driven principally by the cost of labor where the factories that Bel uses are located, the cost of the materials that we use and our ability to effectively and efficiently manage overhead costs. As labor and material costs vary by product line and region, any significant shift in product mix can have an associated impact on our costs of sales. Costs are recorded as incurred for all products manufactured. Such amounts are determined based upon the estimated stage of production and include labor cost and fringes and related allocations of factory overhead. Our products are manufactured at various facilities in the U.S., Mexico, Dominican Republic, England, Czech Republic, Slovakia and the PRC.

We have little visibility into the ordering habits of our customers and we can be subjected to large and unpredictable variations in demand for our products. Accordingly, we must continually recruit and train new workers to replace those lost to attrition and be able to address peaks in demand that may occur from time to time. These recruiting and training efforts and related inefficiencies, and overtime required in order to meet any increase in demand, can add volatility to the labor costs incurred by us.

**The Effects of COVID-19 on Bel's Business**

Throughout 2020 and 2021, the Company was focused on the safety and well-being of its associates around the world in light of COVID-19 and the variants of COVID that followed. A significant amount of products manufactured by Bel are utilized in military, medical and networking applications, and are therefore deemed essential by the various jurisdictions in which we operate. Our management team has been able to effectively respond in implementing our business continuity plans around the world. Protective measures, where possible, remain in place throughout our facilities, including employee screenings, physical partitions, social distancing, use of face coverings, travel and visitor restrictions and work from home policies on a part-time basis where possible as we continue to service our customers. The majority of our office staff continues to work remotely for part of the week. The combination of protective measures at our factories coupled with remote work arrangements have enabled us to maintain operations, including financial reporting systems, internal controls over financial reporting and disclosure controls and procedures.

During 2020, the Company incurred indirect COVID-19 related costs, including operational inefficiencies and employee retention programs at its manufacturing facilities in China, which were offset by \$4.9 million of COVID-19 relief funding received from the Chinese government during the year ended December 31, 2020.

In order to comply with social distancing requirements, certain of our factory floors are reconfigured to provide additional spacing in production lines, which has resulted in some inefficiencies related to product flow. Bel has also experienced higher freight costs for products typically shipped by air due to lower cargo capacity with the reduction in commercial air travel. While there are some delays within the supply chain in the movement of products related to border closures, to date such delays have not materially impacted our ability to operate our business or achieve our business goals. To date, we have not seen a significant reduction in demand for our products due to COVID-19, as many of our products support military, medical and networking applications, which generally have not been negatively impacted by COVID-19. Sales into our commercial aerospace end market, which had been impacted in 2020 with the pause in global air travel, have since started to rebound.

During the second half of 2021, pandemic-related issues have created additional port congestion and intermittent supplier shutdowns and delays, resulting in additional expenses to expedite delivery of critical parts. In order to better control our costs, the expediting of raw material deliveries has been generally reserved for customer-specific requests for expedited timing whereby our end customer has agreed to pay the incremental fee. Further, the majority of our product is shipped via air, and we have therefore been minimally impacted by ocean-related logistic constraints.

On March 13, 2022, the PRC government issued a notice whereby effective immediately, certain regions would be temporarily shut down to perform widespread testing in response to the recent COVID-19 outbreak in those regions and in accordance with Beijing's zero-tolerance policy. Our Bel Power Solutions manufacturing facility in Shenzhen, China and our Magnetics TRP manufacturing facility in Changping, China are currently closed as of the filing date of this Annual Report on Form 10-K. These facilities will be closed for a minimum of 3-5 business days while residents undergo testing and will remain closed until further notice from the PRC government. Further, certain of Bel's customers and suppliers are also located within these regions, and a temporary disruption in the related supply chain is expected. Although our other manufacturing sites in Asia, and those in North America and Europe, are currently running at normal workforce levels, COVID-19 remains a potential supply continuity risk due to the unknown nature of future outbreaks. Given the general uncertainty regarding the impact of COVID-19 on our manufacturing capability and on our customers, we are unable to quantify the ultimate impact of COVID-19 on our future results at this time.

Based on our analysis of ASC 350 and ASC 360 during the year ended December 31, 2021, we are not aware of any potential triggering events for impairment of our goodwill, indefinite-lived intangible assets or finite-lived assets. The Company will continue to assess the relevant criteria on a quarterly basis based on updated cash flow and market assumptions. Unfavorable changes in cash flow or market assumptions could result in impairment of these assets in future periods.

As our operations have continued, albeit at slightly reduced production and efficiency rates, we have not experienced a negative impact on our liquidity to date. Our balance of cash on hand continues to be strong at \$61.8 million at December 31, 2021 as compared to \$84.9 million at December 31, 2020, despite the utilization of \$16.8 million in cash to fund acquisitions in the first quarter of 2021. The Company also has availability under its current revolving credit facility; as of December 31, 2021, the Company could borrow an additional \$62.5 million while still being in compliance with its debt covenants. However, any further negative impact to our financial results related to COVID-19 would have a related negative impact on our financial covenants outlined in our credit agreement, which would impact the amount available to borrow under our revolving credit facility. In order to assist with maintaining our liquidity position, the Company implemented several measures in early 2020, including the deferral of employer social security taxes under the federal CARES Act (through December 31, 2020), restrictions on new hires, suspension of salary reviews, the near elimination of non-essential business travel and restrictions on spending related to capital expenditures. Certain of these restrictions were lifted in the second quarter of 2021. Travel expenses incurred by the Company in 2021 were comparable with the reduced levels that the Company experienced in 2020. The management team closely monitors the changing COVID situation and has developed plans which could be implemented to minimize the impact to the Company in the event the situation deteriorates.

Our statements regarding the future impact of COVID-19 represent Forward-Looking Statements. See "Cautionary Notice Regarding Forward-Looking Information."

### ***Other Key Factors Affecting our Business***

The Company believes the key factors affecting Bel's 2021 and/or future results include the following:

- **Revenues** – The Company's revenues increased by \$77.7 million, or 16.7%, in 2021 as compared to 2020. By product segment, Power Solutions and Protection sales and Magnetic Solutions sales each increased by 20% and Connectivity Solutions sales increased by 9%.
- **Backlog** – Our backlog of orders totaled \$467.8 million at December 31, 2021, representing an increase of \$312.8 million, or over 200%, from December 31, 2020. Since the 2020 year-end, the backlog for our Power Solutions and Protection products increased by 271%, due to an increase in demand for e-Mobility products and across the majority of our other power product lines. We saw a 233% increase in backlog for our Magnetic Solutions products, driven by restored demand from a large networking customer. Our Connectivity Solutions backlog increased by 79%, primarily due to higher order volume through our distribution partners and restored demand from our direct and after-market commercial aerospace customers in 2021. We estimate that approximately \$25-\$30 million of the backlog at December 31, 2021 relates to orders that were scheduled to ship in the fourth quarter of 2021 which did not ship by December 31, 2021, which we believe was largely due to supply chain challenges.
- **Product Mix** – Material and labor costs vary by product line and any significant shift in product mix between higher- and lower-margin product lines will have a corresponding impact on the Company's gross margin percentage. In general, our Connectivity products have the highest contribution margins of our three product groups due to the harsh-environment, high-reliability nature of these products. Our Power products have a higher cost bill of materials and are impacted to a greater extent by changes in material costs. As our Magnetic Solutions products are more labor intensive, margins on these products are impacted to a greater extent by minimum wage increases in the PRC and fluctuations in foreign exchange rates between the U.S. Dollar and the Chinese Renminbi. Fluctuations in sales volume among our product groups will have a corresponding impact on Bel's profit margins. See Note 13, "Segments" for profit margin information by product group.
- **Pricing and Availability of Materials** – There have been recent and ongoing supply constraints related to components that constitute raw materials in our manufacturing processes, particularly with resistors, capacitors, discrete semiconductors, plastic resin and copper. Lead times have been extended and the reduction in supply also caused an increase in prices for certain of these components. As a result, the Company's material costs as a percentage of revenue increased to 46.2% of sales during 2021 from 43.3% of sales during 2020.
- **Labor Costs** – Labor costs decreased from 9.9% of sales during 2020 to 9.0% of sales during 2021, primarily due to a change in classification of expenses from labor costs to material costs as a result of the 2021 ERP transition further described in the "Liquidity and Capital Resources" section below. The impact of the reclassification was offset by increased costs associated with minimum wage increases in the PRC and Mexico and the effects of unfavorable fluctuations in foreign exchange rates.
- **Restructuring** – During 2021, the Company exited its custom modules power product line and consolidated the manufacturing of its DC/DC power line to a single factory. These actions resulted in \$1.2 million in restructuring costs being recorded during the year ended December 31, 2021 with expected annualized cost savings of \$0.5 million. The exit of the modules product line also led to the closure of Bel's modules design center in Maidstone, UK in the third quarter of 2021, which is anticipated to result in annualized cost savings of \$0.4 million. During 2020, the Company



implemented facility closures in Switzerland, Germany and Hong Kong and other general function consolidations at various sites. In connection with the actions implemented in 2020, annualized cost savings of \$4.4 million were realized in 2021 (\$1.1 million in cost of sales, \$2.0 million in R&D and \$1.3 million in SG&A). The Company will continue to explore opportunities to streamline the organization in 2022 to further improve profitability. The foregoing statements regarding anticipated cost savings, and the immediately preceding sentence represent Forward-Looking Statements. See "Cautionary Notice Regarding Forward-Looking Information."

- **Impact of Foreign Currency** – During 2021, unfavorable fluctuations in exchange rates, particularly between the U.S. dollar and the Chinese Renminbi, resulted in higher labor and overhead costs of \$5.1 million versus the exchange rates in effect during 2020. Separately, a foreign exchange transactional loss of less than \$0.1 million was realized during 2021. Since we are a U.S. domiciled company, we translate our foreign currency-denominated financial results into U.S. dollars. Due to the changes in the value of foreign currencies relative to the U.S. dollar, translating our financial results and the revaluation of certain intercompany as well as third-party transactions to and from foreign currencies to U.S. dollars may result in a favorable or unfavorable impact to our consolidated statements of operations and cash flows. The Company has significant manufacturing operations located in the PRC where labor and overhead costs are paid in local currency. As a result, the U.S. Dollar equivalent costs of these operations were \$5.1 million higher in 2021 as compared to 2020. The Company monitors changes in foreign currencies and in 2021 implemented additional foreign currency forward contracts, and may continue to implement in 2022 and beyond, pricing actions to help mitigate the impact that changes in foreign currencies may have on its consolidated operating results.
- **Effective Tax Rate** – The Company's effective tax rate will fluctuate based on the geographic region in which the pretax profits are earned. Of the jurisdictions in which the Company operates, the U.S. and Europe's tax rates are generally equivalent; and Asia has the lowest tax rates of the Company's three geographic regions. See Note 9 to the Company's Consolidated Financial Statements - "Income Taxes".

Looking ahead, we will continue to execute on our long-term strategic initiatives to grow revenue, improve margins, and strive for operational excellence. All parts of the organization will be assessed, and we are working toward increasing our margin profile over time. Pricing adjustments to offset rising input costs are gradually taking effect in each segment and newly-implemented pricing policies will enable us to better react to future cost changes. There will also be an ongoing focus on our operating footprint to ensure it is aligned with our goals. The preceding sentences represent Forward-Looking Statements. See "Cautionary Notice Regarding Forward-Looking Information."

### **Results of Operations - Summary by Operating Segment**

#### **Net Sales and Gross Margin**

The Company's net sales and gross margin by major product line for the years ended December 31, 2021 and 2020 were as follows (dollars in thousands):

	Years Ended December 31,			
	Net Sales		Gross Margin	
	2021	2020	2021	2020
Connectivity solutions	\$ 165,027	\$ 150,731	26.4%	28.0%
Magnetic solutions	160,432	133,552	21.3%	24.8%
Power solutions and protection	218,035	181,488	27.0%	25.1%
	<u>\$ 543,494</u>	<u>\$ 465,771</u>	<u>24.7%</u>	<u>25.7%</u>

#### *Connectivity Solutions:*

Sales of our Connectivity Solutions products increased by \$14.3 million in 2021 as compared to 2020. This increase was primarily due to an increase in demand from our distribution partners, which resulted in \$10.9 million of higher sales. There was also a partial rebound in demand from direct and after-market commercial aerospace customers resulting in an increase of \$5.5 million 2021 as compared to 2020. These sales increases were offset by a decline in military sales of \$10.5 million during 2021 as compared to the prior year. The shift in product mix in addition to higher material and labor costs in the 2021 period offset the benefits of the higher sales volume on the gross margin line.

#### *Magnetic Solutions:*

Sales of our Magnetic Solutions products improved by \$26.9 million in 2021 as compared to 2020. Demand for our Magnetic Solutions products has increased in recent quarters and we saw the heightened orders translate into sales during the latter part of 2021. The labor market in the PRC continues to be competitive, driving wage rates higher. Further, the Chinese Renminbi has appreciated against the U.S. Dollar in 2021 as compared the exchange rates in effect during 2020, adding to the higher labor burden in 2021. During 2020, our ability to manufacture product was temporarily impacted due to the factory closures associated with COVID-19. Bel received \$4.9 million in subsidies from the Chinese government during 2020 to assist in offsetting COVID-related costs and inefficiencies incurred, which aided our gross margin for this group in the 2020 gross margin presented above.

### *Power Solutions and Protection:*

Sales of our Power Solutions and Protection products were higher by \$36.5 million during 2021 as compared to 2020. The sales increase was primarily due to growth of \$16.7 million from the Bel Power Solutions business (including \$6.2 million of higher sales into e-Mobility applications), a \$12.7 million increase in CUI sales, \$8.1 million of higher fuse sales, and the \$12.4 million contribution from the March 2021 acquisition of EOS. This sales growth was partially offset by declines in custom module sales of \$8.9 million as compared to 2020 as the Company has discontinued this product line. Gross margin improved in 2021 versus 2020 as higher sales volume and a favorable shift in product mix offset the impact of increased material and labor costs.

### **Cost of Sales**

Cost of sales as a percentage of net sales for the two years ended December 31, 2021 consisted of the following:

	Years Ended December 31,	
	2021	2020
Material costs	46.2%	43.3%
Labor costs	9.0%	9.9%
Other expenses	20.1%	20.7%
Total cost of sales	75.3%	73.9%

The fluctuations in material costs and labor costs as a percentage of sales during the year ended December 31, 2021 compared to the year ended December 31, 2020 were primarily due to a shift in classification of certain outsourced manufacturing from labor costs to material costs in connection with the transition of our legacy Bel businesses onto the new ERP system effective January 1, 2021. As such, material costs and labor costs should be viewed on a combined basis when comparing to the prior year. In the aggregate, these variable costs increased from 53.2% of sales in 2020 to 55.2% of sales in 2021. These higher variable costs are largely attributable to wage rate increases at our PRC factories and an unfavorable fluctuation in the Chinese Renminbi, Mexican Peso and Euro exchange rates versus the U.S. dollar during those periods. Further, there have been industry-wide shortages on certain raw materials, such as semiconductors and plastic resin, which has led to an increase in material pricing from our suppliers.

The other expenses noted in the table above include fixed cost items such as support labor and fringe, depreciation and amortization, and facility costs (rent, utilities, insurance). In total, these other expenses increased during 2021 by \$12.8 million as compared to 2020, due in part to \$4.9 million of subsidies received from the Chinese government in 2020 to offset costs and inefficiencies incurred due to the temporary closures of our factories in China in connection with COVID-19. Our support labor expenses were also impacted by unfavorable fluctuations in the Chinese Renminbi and Mexican Peso as compared to exchange rates in place during 2020.

### **Research and Development ("R&D")**

R&D expenses were \$21.9 million and \$23.6 million for the years ended December 31, 2021 and 2020, respectively. The reduction in R&D expenses during 2021 largely resulted from a full year of cost savings related to the closure of the Company's Power R&D facility in Switzerland in August 2020.

### **Selling, General and Administrative Expenses ("SG&A")**

SG&A expenses were \$86.6 million in 2021 as compared with \$78.7 million in 2020. SG&A salaries and fringe benefits increased by \$5.8 million and legal and professional fees were higher by \$1.2 million as compared to 2020. These costs were partially offset by lower sales commissions of \$0.3 million and a reduction in other selling costs of \$1.2 million in 2021 as compared to 2020.

## **Restructuring Charges**

The Company recorded \$1.2 million of restructuring charges in 2021 related to the consolidation of its DC/DC power product line into a single factory, and the discontinuation of its custom modules product line. The Company recorded \$0.6 million of restructuring charges in 2020 related to cost savings measures implemented during the year, including the closure of its Switzerland and Germany facilities, and a portion of its warehouse space in Hong Kong, among other actions.

## **Interest Expense**

The Company incurred interest expense of \$3.5 million in 2021 and \$4.7 million in 2020 primarily due to its outstanding borrowings under the Company's credit and security agreement. The reduction in interest expense during 2021 related to lower interest rates on the Company's outstanding balance during 2021, in addition to a lower debt balance throughout 2021 as compared to 2020. See "Liquidity and Capital Resources" and Note 10, "Debt" of the Notes to our Consolidated Financial Statements for further information on the Company's outstanding debt.

## **Other Expense, Net**

Other expense, net was \$0.4 million in 2021 compared to \$1.8 million in 2020. This line item included a foreign exchange loss of less than \$0.1 million in 2021 as compared to a foreign exchange loss of \$2.2 million in 2020.

## **Income Taxes**

The Company's effective tax rate will fluctuate based on the geographic segment in which the pretax profits are earned. Of the jurisdictions in which the Company operates, the U.S. and Europe's tax rates are generally equivalent; and Asia has the lowest tax rates of the Company's three geographic regions. See Note 9, "Income Taxes" to the Company's Consolidated Financial Statements, "Income Taxes" and the "Tax Reform" discussion below.

## **Tax Reform**

The Tax Cuts and Jobs Act (the "Act") was enacted on December 22, 2017. The Act reduced the U.S. federal corporate tax rate from 35% to 21%, required companies to pay a one-time transition tax on earnings of certain foreign subsidiaries that were previously tax deferred and created new taxes on certain foreign sourced earnings. Effective January 1, 2018, the Act subjects a U.S. shareholder to current tax on global intangible low-taxed income (GILTI) earned by certain foreign subsidiaries. The Company has elected an accounting policy to provide for the tax expense related to the GILTI in the period the tax is incurred. On July 20, 2020, the Department of the Treasury and the Internal Revenue Service issued a final regulation under Section 954A as enacted by the 2017 tax reform legislation. These regulations relate to the treatment of income that is subject to a high rate of foreign tax under the global intangible low-taxed income (GILTI) income regimes. The final regulations allow taxpayers to exclude certain high-taxed income of a controlled foreign corporation from their GILTI computation on an elective basis and contain modifications on the level at which the estimated tax rate test is applied. The election can be made annually for tax years that begin after December 31, 2017.

The Company's inclusion of approximately \$6.8 million of GILTI income for the year ended December 31, 2019 was impacted by the final regulations enacted on July 20, 2020. The Company reduced the GILTI inclusion for the year ended December 31, 2019 to \$3.4 million. As a result of the NOL carryforward created by the exclusion, the Company recognized a benefit associated with the final regulations of approximately \$1.0 million in the year ended December 31, 2020. The Company included \$12.5 million of GILTI income for the year ended December 31, 2020. The GILTI income was offset by the Company's U.S. losses and credits which resulted in no additional U.S. tax expense.

On March 27, 2020, the Coronavirus Aid, Relief and Economic Security ("CARES") Act was enacted and signed into law. Certain provisions of the CARES Act impact the 2019 income tax provision computations of the Company and were reflected in the year ended December 31, 2020, or the period of enactment. The CARES Act contains modifications on the limitation of business interest for tax years beginning in 2019 and 2020. The modifications to Section 163(j) increase the allowable business interest deduction from 30% of adjusted taxable income to 50% of adjusted taxable income. This modification would increase the allowable interest expense deduction of the Company and resulted in a net operating loss ("NOL") for the year ended December 31, 2019. The Company carried back the NOL to the tax year ended December 31, 2015 and has reflected this impact in the tax provision for the year ended December 31, 2020. Due to the foregoing, and as a result of the difference in corporate tax rates in the NOL carryback period, the Company recognized a benefit associated with the enactment of the CARES Act of approximately \$0.1 million for the year ended December 31, 2020.

## **2021 as Compared to 2020**

The provision for (benefit from) income taxes for the years ended December 31, 2021 and 2020 was \$2.5 million and \$(0.7) million, respectively. The Company's earnings before income taxes for the year ended December 31, 2021 were approximately \$15.2 million higher than the same period in 2020, primarily attributable to an increase in income in the Asia and North America regions, offset by a decrease in the Europe region. The Company's effective tax rate was 9.2% and (5.4%) for the years ended December 31, 2021 and 2020, respectively. The change in the effective tax rate during the year ended December 31, 2021 as compared to the year ended December 31, 2020 is primarily attributable to an increase in U.S. tax expense resulting from higher U.S. income, as well as an increase in tax expense relating to the addition of uncertain tax positions. Additionally, the effective tax rate in 2020 was favorably impacted by the reversal of uncertain tax positions resulting from the expiration of certain statutes of limitations and federal tax law changes for the CARES Act.

Other Tax Matters

The Company has a portion of its products manufactured on the mainland of the PRC where Bel is not subject to corporate income tax on manufacturing services provided by third parties. Hong Kong has a territorial tax system which imposes corporate income tax at a rate of 16.5% on income from activities solely conducted in Hong Kong.

The Company held an offshore business license from the government of Macao. With this license, a Macao offshore company named Bel Fuse (Macao Commercial Offshore) Limited had been established to handle the Company's sales to third-party customers in Asia. Sales by this company primarily consist of products manufactured in the PRC. This company was not subject to Macao corporate profit taxes which are imposed at a tax rate of 12%. As part of Macau's commitment to comply with OECD standards, it abolished the existing offshore company (MOC) regime as of January 1, 2021. The existing law and the relevant regulations related to the offshore business was abolished and the operating permit to carry on offshore business was terminated on January 1, 2021. The Company has decided to continue this company's operations and beginning January 1, 2021 has, and will continue, to pay 12% tax on any profits from this operation.

Due to the practicality of determining the deferred taxes on outside basis differences in our investments in our foreign subsidiaries, management has not provided for deferred taxes on outside basis differences at December 31, 2021 and deemed that these basis differences will be indefinitely reinvested.

Inflation and Foreign Currency Exchange

During the past two years, we do not believe the effect of inflation was material to our consolidated financial position or our consolidated results of operations. We are exposed to market risk from changes in foreign currency exchange rates. Fluctuations of the U.S. dollar against other major currencies have not significantly affected our foreign operations as most sales continue to be denominated in U.S. dollars or currencies directly or indirectly linked to the U.S. dollar. Most significant expenses, including raw materials, labor and manufacturing expenses, are incurred primarily in U.S. dollars or the Chinese Renminbi, and to a lesser extent in British pounds and Mexican pesos. The Chinese Renminbi and British pound each appreciated by 6%, the Mexican Peso appreciated by 5% and the Euro appreciated by 3% versus the U.S. dollar in 2021 compared to 2020. To the extent the Renminbi or Peso appreciate in future periods, it could result in the Company's incurring higher costs for most expenses incurred in the PRC and Mexico. The Company periodically uses foreign currency forward contracts to manage its short-term exposures to fluctuations in operational cash flows resulting from changes in foreign currency exchange rates as further described in Note 12, "Derivative Instruments and Hedging Activities". The Company's European entities, whose functional currencies are Euros, British pounds and Czech Korunas, enter into transactions which include sales that are denominated principally in Euros, British pounds and various other European currencies, and purchases that are denominated principally in U.S. dollars and British pounds. Such transactions, as well as those related to our multi-currency intercompany payable and receivable transactions, resulted in net realized and unrealized currency exchange losses of less than \$0.1 million and \$2.2 million for the years ended December 31, 2021 and 2020, respectively, which were included in other expense, net on the consolidated statements of operations. The currency exchange losses recorded in 2020 were primarily due to the unfavorable impact of the appreciation of the Chinese Renminbi and Euro against the U.S. dollar. Translation of subsidiaries' foreign currency financial statements into U.S. dollars resulted in translation adjustments, net of taxes, of (\$1.8) million and \$6.9 million for the years ended December 31, 2021 and 2020, respectively, which are included in accumulated other comprehensive loss on the consolidated balance sheets.

Liquidity and Capital Resources

Our principal sources of liquidity include \$61.8 million of cash and cash equivalents at December 31, 2021, cash provided by operating activities and borrowings available under our credit facility. We expect to use this liquidity for operating expenses, investments in working capital, capital expenditures, interest, taxes, dividends, debt obligations and other long-term liabilities. We believe that our current liquidity position and future cash flows from operations will enable us to fund our operations, both in the next twelve months and in the longer term.

Cash Flow Summary

During the year ended December 31, 2021, the Company's cash and cash equivalents decreased by \$23.2 million. This decrease was primarily due to the following:

- payments for acquisitions, net of cash acquired, of \$16.8 million;
- purchases of property, plant and equipment of \$9.4 million;
- dividend payments of \$3.4 million; and
- repayments of long-term debt of \$104.8 million; partially offset by
- net cash provided by operating activities of \$4.6 million;
- proceeds from the sale of property, plant and equipment of \$7.3 million; and
- revolving credit line borrowings of \$100.5 million

During the year ended December 31, 2020, the Company's cash and cash equivalents increased by \$12.7 million. This increase was primarily due to cash provided by operations of \$46.1 million and proceeds from the sale of properties of \$4.0 million, partially offset by repayments of long-term debt of \$28.2 million, the purchase of property, plant and equipment of \$5.5 million, and payments of \$3.4 million for dividends. Cash provided by operations increased by \$21.7 million in 2020 as compared to 2019, primarily due to improved net earnings coupled with lower year-end inventory levels and accounts receivable balances in 2020.

During the year ended December 31, 2021, accounts receivable increased \$13.0 million primarily due to the higher sales volume in the second half of 2021 as compared to the same period of 2020. Days sales outstanding (DSO) decreased to 54 days at December 31, 2021 from 57 days at December 31, 2020. Inventories increased by \$34.0 million from the December 31, 2020 level as raw material levels were higher in response to an increase in customer demand for our products. Inventory turns, excluding R&D, were 3.1 times for the year ended December 31, 2021 as compared to 3.4 times for the year ended December 31, 2020.

Cash and cash equivalents, marketable securities and accounts receivable comprised approximately 29.1% and 34.4% of the Company's total assets at December 31, 2021 and December 31, 2020, respectively. The Company's current ratio (i.e., the ratio of current assets to current liabilities) was 2.9 to 1 and 3.2 to 1 at December 31, 2021 and December 31, 2020, respectively. At December 31, 2021 and 2020, \$42.0 million and \$57.5 million, respectively (or 68% at each date), of cash and cash equivalents was held by foreign subsidiaries of the Company. During 2021, the Company repatriated \$26.3 million of funds from outside of the U.S., with minimal incremental tax liability. We continue to analyze our global working capital and cash requirements and the potential tax liabilities attributable to further repatriation, and we have yet to make any further determination regarding repatriation of funds from outside the U.S. to fund the Company's U.S. operations in the future. In the event these funds were needed for Bel's U.S. operations, the Company would be required to accrue and pay U.S. state taxes and any applicable foreign withholding taxes to repatriate these funds.

## Future Cash Requirements

The Company expects foreseeable liquidity and capital resource requirements to be met through existing cash and cash equivalents and anticipated cash flows from operations, as well as borrowings available under its revolving credit facility, if needed. The Company's material cash requirements arising in the normal course of business primarily include:

*Debt Obligations and Interest Payments* - The Company currently has \$112.5 million outstanding under its revolving credit facility as further described below and in Note 10, "Debt". There are no mandatory principal payments due on the credit facility borrowings within the next twelve months. The balance of \$112.5 million is due upon expiration of the credit facility on September 1, 2026. Anticipated interest payments due amount to \$8.6 million, of which \$1.8 million is expected to be paid within the next twelve months based on our debt balance and interest rate in place at December 31, 2021.

*Lease Obligations* - The Company has operating leases for its facilities used for manufacturing, research and development, sales and administration. There are also operating and finance leases related to manufacturing equipment, office equipment and vehicles. As of December 31, 2021, the Company was contractually obligated to pay future operating lease payments of \$24.9 million, of which \$7.9 million is expected to be paid within the next twelve months, and future financing lease obligations of \$3.0 million, of which \$0.6 million is expected to be paid in the next twelve months. See Note 17, "Leases" for further information. Subsequent to year-end, in January 2022, the Company entered into an additional operating lease with aggregate cash requirements of approximately \$6.1 million over the term of the lease, of which \$0.3 million is expected to be paid in 2022.

*Purchase Obligations* - The Company submits purchase orders for raw materials to various vendors throughout the year for current production requirements, as well as forecasted requirements. Certain of these purchase orders relate to special purpose material and, as such, the Company may incur penalties if an order is cancelled. The Company had outstanding purchase orders related to raw materials in the amount of \$119.6 million at December 31, 2021, of which \$113.7 million is expected to be paid in the next twelve months. The Company also had outstanding purchase orders related to capital expenditures which totaled \$5.1 million at December 31, 2021, all of which is expected to be paid in 2022.

*Pension Benefit Obligations* - As further described in Note 14, "Retirement Fund and Profit Sharing Plan", the Company maintains a Supplemental Executive Retirement Plan ("SERP"). At December 31, 2021, estimated future obligations under the plan amounted to \$23.6 million. It is expected that the Company will pay \$0.9 million in benefit payments in connection with the SERP during 2022. Included in other assets at December 31, 2021 is the cash surrender value of company-owned life insurance and marketable securities held in a rabbi trust with an aggregate value of \$16.4 million, which has been designated by the Company to be utilized to fund the Company's SERP obligations.

*Dividends* - The Company has historically paid quarterly dividends on its two classes of common stock, which amounted to \$3.4 million in each of 2020 and 2021. Consistent with the dividend rates declared in prior years, Bel's Board of Directors declared dividends on October 28, 2021 and again on February 24, 2022 on each of our two classes of common stock. These two quarterly payments will be made in the first half of 2022 in the total anticipated amount of \$1.7 million.

*Tax Payments* - At December 31, 2021, we had liabilities for unrecognized tax benefits and related interest and penalties of \$28.4 million, all of which is included in other liabilities on our consolidated balance sheet. At December 31, 2021, we cannot reasonably estimate the future period or periods of cash settlement of these liabilities. See Note 9, "Income Taxes," for further discussion. Also included on our consolidated balance sheet at December 31, 2021 is \$9.1 million of transition tax related to the 2017 U.S. tax reform, of which \$1.1 million is expected to be paid in 2022.

## Credit Facility

In September 2021, the Company entered into a new credit facility (the "New Credit Agreement") which amends, restates and supersedes the Prior Credit Agreement, as further described in Note 10, "Debt". The New Credit Agreement contains customary representations and warranties, covenants and events of default. In addition, the New Credit Agreement contains financial covenants that measure (i) the ratio of the Company's total funded indebtedness, on a consolidated basis, less the aggregate amount of all unencumbered cash and cash equivalents, to the amount of the Company's consolidated EBITDA ("Leverage Ratio") and (ii) the ratio of the amount of the Company's consolidated EBITDA to the Company's consolidated fixed charges ("Fixed Charge Coverage Ratio"). If an event of default occurs, the lenders under the New Credit Agreement would be entitled to take various actions, including the acceleration of amounts due thereunder and all actions permitted to be taken by a secured creditor.

At December 31, 2021, the Company had \$112.5 million outstanding under its New Credit Agreement. The unused credit available under the credit facility at December 31, 2021 was \$ 62.5 million, of which we had the ability to borrow the full amount without violating our Leverage Ratio covenant based on the Company's existing consolidated EBITDA. At December 31, 2021, the Company was in compliance with its debt covenants, including its most restrictive covenant, the Leverage Ratio.

To partially mitigate risks associated with the variable interest rates on the revolver borrowings under the New Credit Agreement, in November 2021, the Company executed two pay-fixed, receive-variable interest rate swap agreements covering approximately half of its variable interest exposure effective December 31, 2021 through August 2026. See Note 12, "Derivative Instruments and Hedging Activities" for further details.

## Critical Accounting Estimates

The Company's consolidated financial statements include certain amounts that are based on management's best estimates and judgments. The Company bases its estimates on historical experience and on various other assumptions, including in some cases future projections, that are believed to be reasonable under the circumstances. The results of these estimates form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. Different assumptions and judgments could change the estimates used in the preparation of the consolidated financial statements, which, in turn, could change the results from those reported. Management evaluates its estimates, assumptions and judgments on an ongoing basis.

Based on the above, we have determined that our most critical accounting estimates are those related to business combinations, inventory valuation, goodwill and other indefinite-lived intangible assets, and those related to our pension benefit obligations.

## Business Combinations

In a business combination, we allocate the fair value of purchase price consideration to the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree based on their estimated fair values. The excess of the fair value of purchase price consideration over the fair values of these identifiable assets and liabilities is recorded as goodwill. Such valuations require management to make significant estimates and assumptions, especially with respect to intangible assets. Significant estimates in valuing certain intangible assets include, but are not limited to, future expected cash flows from acquired customers or earned through the use of acquired trademarks, estimated royalty rates, acquired technology, useful lives and discount rates. Management's estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable and, as a result, actual results may differ from estimates.

#### Inventory Valuation

The Company values its inventory based on its cost. The Company reduces the carrying value of its inventory for estimated obsolescence or unmarketable inventory by an amount equal to the difference between the cost of inventory and the estimated market value based on the aforementioned assumptions. Our reserve calculations are based on historical experience related to slow-moving inventory in addition to specific known concerns in the case of products going end-of-life or customer cancellations. As of December 31, 2021 and 2020, the Company had reserves for excess or obsolete inventory of \$12.1 million and \$9.9 million, respectively. With the recent increase in demand for our products coupled with higher raw material prices, our value of inventory on hand has increased by \$39.3 million from December 31, 2020 to December 31, 2021. In the event of a sudden decrease in demand for our products, or a higher incidence of inventory obsolescence, the Company could be required to increase its inventory reserve, which would have an unfavorable impact on our gross margin.



Goodwill

We use a fair value approach to test goodwill for impairment. We must recognize a non-cash impairment charge for the amount, if any, by which the carrying amount of goodwill exceeds its implied fair value. We derive an estimate of fair values for each of our reporting units using a combination of an income approach and an appropriate market approach, each based on an applicable weighting. We assess the applicable weighting based on such factors as current market conditions and the quality and reliability of the data. Absent an indication of fair value from a potential buyer or similar specific transactions, we believe that the use of these methods provides a reasonable estimate of a reporting unit's fair value.

Fair value computed by these methods is arrived at using a number of factors, including projected future operating results, anticipated future cash flows, effective income tax rates, comparable marketplace data within a consistent industry grouping, and the cost of capital. There are inherent uncertainties, however, related to these factors and to our judgment in applying them to this analysis. Nonetheless, we believe that the combination of these methods provides a reasonable approach to estimate the fair value of our reporting units. Assumptions for sales, net earnings and cash flows for each reporting unit were consistent among these methods.

*Income Approach Used to Determine Fair Values*

The income approach is based upon the present value of expected cash flows. Expected cash flows are converted to present value using factors that consider the timing and risk of the future cash flows. The estimate of cash flows used is prepared on an unleveraged debt-free basis. We use a discount rate that reflects a market-derived weighted average cost of capital. We believe that this approach is appropriate because it provides a fair value estimate based upon the reporting unit's expected long-term operating and cash flow performance. The projections are based upon our best estimates of projected economic and market conditions over the related period including growth rates, estimates of future expected changes in operating margins and cash expenditures. Other significant estimates and assumptions include terminal value long-term growth rates, provisions for income taxes, future capital expenditures and changes in future cashless, debt-free working capital. We applied a combined weighting of 75% to the income approach when determining the fair value of our reporting units.

*Market Approach Used to Determine Fair Values*

The market approach estimates the fair value of the reporting unit by applying multiples of operating performance measures to the reporting unit's operating performance (the "Guideline Publicly Traded Company Method"). These multiples are derived from comparable publicly traded companies with similar investment characteristics to the reporting unit, and such comparables are reviewed and updated as needed annually. We believe that this approach is appropriate because it provides a fair value estimate using multiples from entities with operations and economic characteristics comparable to our reporting units and the Company as a whole. The key estimates and assumptions that are used to determine fair value under this market approach include current and forward 12-month operating performance results and the selection of the relevant multiples to be applied. Under the Guideline Publicly Traded Company Method, a control premium, or an amount that a buyer is usually willing to pay over the current market price of a publicly traded company, is applied to the calculated equity values to adjust the public trading value upward for a 100% ownership interest, where applicable.

In order to assess the reasonableness of the calculated fair values of our reporting units, we also compare the sum of the reporting units' fair values to our market capitalization and calculate an implied control premium (the excess of the sum of the reporting units' fair values over the market capitalization). We evaluate the control premium by comparing it to control premiums of recent comparable market transactions. If the implied control premium is not reasonable in light of these recent transactions, we will reevaluate our fair value estimates of the reporting units by adjusting the discount rates and/or other assumptions.

We applied a combined weighting of 25% to the market approach when determining the fair value of these reporting units.

As indicated in Note 4, "Goodwill and Other Intangible Assets", the fair value of each of our three reporting units exceeded their respective carrying values by a large margin (ranging from 40.3% to 136.7%). If market factors change and the discount rate utilized in the fair value calculation changes, it would result in a higher or lower fair value of our reporting units. The discount rates utilized in our October 1, 2021 impairment test ranged from 15.0% to 16.5%. An increase in the discount rate assumption of 50 basis points would have impacted the fair values of our reporting units, and would have reduced the excess of fair value over carrying value to a revised range of 35.7% to 129.1%. Further, if we are unable to achieve the projected revenue growth rates or margins assumed in our projections, this would also impact the fair value of our reporting units. If we change our reporting unit structure or other events and circumstances change (such as a sustained decrease in the price of our common stock, a decline in current market multiples, a significant adverse change in legal factors or business climates, an adverse action or assessment by a regulator, heightened competition, strategic decisions made in response to economic or competitive conditions or a more-likely-than-not expectation that a reporting unit or a significant portion of a reporting unit will be sold or disposed of), we may be required to record impairment charges in future periods. Any impairment charges that we may take in the future could be material to our consolidated results of operations and consolidated financial condition.

The Company conducted its annual goodwill impairment test as of October 1, 2021, and no impairment was identified at that time. Management has also concluded that the fair value of its goodwill exceeded the associated carrying value at December 31, 2021 and that no impairment exists as of that date. See Note 4, "Goodwill and Other Intangible Assets," for details of our goodwill balance and the goodwill review performed in 2021. We will continue to monitor goodwill on an annual basis and whenever events or changes in circumstances, such as significant adverse changes in business climate or operating results, changes in management's business strategy or significant declines in our stock price, indicate that there may be a potential indicator of impairment.

Indefinite-Lived Intangible Assets

The Company tests indefinite-lived intangible assets for impairment annually on October 1, or upon a triggering event, using a fair value approach, the relief-from-royalty method (a form of the income approach). The Company conducted its annual impairment tests as of October 1, 2021 and 2020, and no impairment was identified at either testing date. Management has also concluded that the fair value of its trademarks exceeds the associated carrying values at December 31, 2021 and that no impairment existed as of that date. At December 31, 2021, the Company's indefinite-lived intangible assets related solely to trademarks.

Pension Benefit Obligations

Net periodic benefit cost for the Company's SERP totaled \$1.7 million in 2021 and \$1.6 million in 2020. Benefit plan information for financial reporting purposes is calculated using actuarial assumptions including a discount rate for plan benefit obligations. The changes in net periodic benefit cost year over year are attributable to demographic changes within the plan, as well as any changes to the discount rate or the assumption around the future annual increases in compensation. The discount rate utilized for the net periodic benefit cost was 2.25% at December 31, 2021 and 3.00% at December 31, 2020. An increase/decrease in this 2021 discount rate assumption of 25 basis points would have decreased/increased the 2021 periodic benefit cost by less than \$0.1 million. The discount rate utilized for the pension benefit obligation was 2.75% at December 31, 2021 and 2.25% at December 31, 2020. An increase/decrease in this 2021 discount rate assumption of 25 basis points would have reduced/increased the pension benefit obligation by \$0.8 million at December 31, 2021.

Other Matters

The Company believes that it has sufficient cash reserves to fund its foreseeable working capital needs. It may, however, seek to expand such resources through bank borrowings, at favorable lending rates, from time to time. If the Company were to undertake another substantial acquisition for cash, the acquisition would either be funded with cash on hand or would be financed through cash on hand and through bank borrowings or the issuance of public or private debt or equity. If the Company borrows additional money to finance acquisitions, this would further decrease the Company's ratio of earnings to fixed charges, and could further impact the Company's material restrictive covenants, depending on the size of the borrowing and the nature of the target company. Under its existing credit facility, the Company is required to obtain its lender's consent for certain additional debt financing and to comply with other covenants, including the application of specific financial ratios, and may be restricted from paying cash dividends on its common stock. Depending on the nature of the transaction, the Company cannot assure investors that the necessary acquisition financing would be available to it on acceptable terms, or at all, when required. If the Company issues a substantial amount of stock either as consideration in an acquisition or to finance an acquisition, such issuance may dilute existing stockholders and may take the form of capital stock having preferences over its existing common stock.

New Financial Accounting Standards

The discussion of new financial accounting standards applicable to the Company is incorporated herein by reference to Note 1, "Description of Business and Summary of Significant Accounting Policies."

**Item 7A. Quantitative and Qualitative Disclosures About Market Risk**

Not applicable.

**Item 8. Financial Statements and Supplementary Data**

See the consolidated financial statements listed in the accompanying Index to Consolidated Financial Statements for the information required by this item.

BEL FUSE INC. AND SUBSIDIARIES  
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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Board of Directors and Shareholders  
Bel Fuse Inc.

**Opinion on the financial statements**

We have audited the accompanying consolidated balance sheet of Bel Fuse Inc. (a New Jersey corporation) and subsidiaries (the “Company”) as of December 31, 2021, the related consolidated statements of operations, comprehensive income, stockholders’ equity, and cash flows for the year ended December 31, 2021, 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 December 31, 2021, and the results of its operations and its cash flows for the year ended December 31, 2021, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the Company’s internal control over financial reporting as of December 31, 2021, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”), and our report dated March 14, 2022 expressed an unqualified opinion.

**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 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. 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 matter**

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

*Goodwill – Connectivity Europe, Power Europe and CUI reporting units*

As described further in Notes 1 and 4 to the financial statements, the Company performed a quantitative goodwill impairment assessment as of October 1, 2021, the date of the annual impairment assessment, on three of its reporting units, Connectivity Europe, Power Europe and CUI. These reporting units had goodwill balances totaling \$25.8 million as of October 1, 2021. We identified the Company’s quantitative goodwill impairment assessment for the Connectivity Europe, Power Europe and CUI reporting units as a critical audit matter.

The principal considerations for our determination that the quantitative goodwill impairment assessment is a critical audit matter are the significant management estimates and judgments related to forecasts of expected future cash flows used in the estimation of each reporting unit’s fair value. Management’s significant estimates and judgments include the determination of discount rates, revenue growth rates, operating margins, and projected long-term growth rates. This required a high degree of auditor judgment and an increased extent of effort, including professionals with specialized skills and knowledge, in auditing these assumptions made by management.

Our audit procedures related to the quantitative goodwill impairment testing of the Connectivity Europe, Power Europe and CUI reporting units included the following, among others:

- We tested the design and operating effectiveness of controls relating to management’s quantitative goodwill impairment evaluation, including those over management’s forecasts of future revenues, operating margins and long-term growth rates and the determination of the discount rate.
- We evaluated management’s revenue growth rates and operating margins for consistency with relevant historical data, changes in the businesses, and external industry data.
- With the assistance of our valuation professionals with specialized skills and knowledge, we evaluated the valuation methodologies utilized by management and performed sensitivity analyses on the future revenue, operating margins, long-term growth rates and discount rates used to evaluate the impact changes in these assumptions have on management’s conclusions.

/s/ Grant Thornton LLP

We have served as the Company’s auditor since 2021.

Iselin, New Jersey

March 14, 2022

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders  
Bel Fuse Inc.

### **Opinion on internal control over financial reporting**

We have audited the internal control over financial reporting of Bel Fuse Inc. (a New Jersey corporation) and subsidiaries (the “Company”) as of December 31, 2021, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the consolidated financial statements of the Company as of and for the year ended December 31, 2021, and our report dated March 14, 2022 expressed an unqualified opinion on those financial statements.

### **Basis for opinion**

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the 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 effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

**Definition and limitations of internal control over financial reporting**

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation 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 the policies or procedures may deteriorate.

/s/ Grant Thornton LLP

Iselin, New Jersey  
March 14, 2022



**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Shareholders and Board of Directors of Bel Fuse Inc.  
Jersey City, New Jersey

**Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheet of Bel Fuse Inc. and subsidiaries (the "Company") as of December 31, 2020, the related consolidated statements of operations, comprehensive income, stockholders' equity, and cash flows for the period ended December 31, 2020, 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 December 31, 2020, and the results of its operations and its cash flows for the period ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

**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. 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 to 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.

/s/ Deloitte & Touche LLP

New York, New York  
March 12, 2021

We began serving as the Company's auditor since 1983. In 2021, we became the predecessor auditor.

**BEL FUSE INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(dollars in thousands, except share and per share data)

	<u>December 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 61,756	\$ 84,939
Accounts receivable, net of allowance for doubtful accounts of \$1,536 and \$1,036, at December 31, 2021 and 2020, respectively	87,135	71,372
Inventories	139,383	100,133
Unbilled receivables	28,275	14,135
Other current assets	12,467	9,637
Total current assets	<u>329,016</u>	<u>280,216</u>
Property, plant and equipment, net	38,210	34,501
Right-of-use assets	21,252	14,217
Intangible assets, net	60,995	65,789
Goodwill, net	26,651	23,966
Deferred income taxes	4,461	5,705
Other assets	31,261	29,472
Total assets	<u>\$ 511,846</u>	<u>\$ 453,866</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 65,960	\$ 39,774
Accrued expenses	34,453	28,476
Current maturities of long-term debt	-	5,286
Operating lease liability, current	6,880	6,591
Other current liabilities	4,719	7,409
Total current liabilities	<u>112,012</u>	<u>87,536</u>
Long-term liabilities:		
Long-term debt	112,500	110,294
Operating lease liability, long-term	14,668	8,064
Liability for uncertain tax positions	28,434	26,089
Minimum pension obligation and unfunded pension liability	23,909	24,620
Deferred income taxes	1,487	1,030
Other long-term liabilities	10,093	10,434
Total liabilities	<u>303,103</u>	<u>268,067</u>
Commitments and contingencies (see Note 18)		
Stockholders' equity:		
Preferred stock, no par value, 1,000,000 shares authorized; none issued	-	-
Class A common stock, par value \$.10 per share, 10,000,000 shares authorized; 2,144,912 shares outstanding at each date (net of 1,072,769 treasury shares)	214	214
Class B common stock, par value \$.10 per share, 30,000,000 shares authorized; 10,377,102 and 10,208,602 shares outstanding at December 31, 2021 and December 31, 2020, respectively (net of 3,218,307 treasury shares)	1,038	1,021
Additional paid-in capital	38,419	36,136
Retained earnings	187,935	166,491
Accumulated other comprehensive loss	(18,863)	(18,063)
Total stockholders' equity	<u>208,743</u>	<u>185,799</u>
Total liabilities and stockholders' equity	<u>\$ 511,846</u>	<u>\$ 453,866</u>

See accompanying notes to consolidated financial statements.

**BEL FUSE INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(in thousands, except per share data)**

	Year Ended December 31,	
	2021	2020
Net sales	\$ 543,494	\$ 465,771
Cost of sales	<u>409,111</u>	<u>346,041</u>
Gross profit	134,383	119,730
Research and development costs	21,891	23,611
Selling, general and administrative expenses	86,612	78,704
Restructuring charges	1,201	601
Gains on sales of property	<u>(6,578)</u>	<u>(1,853)</u>
Income from operations	31,257	18,667
Interest expense	(3,542)	(4,746)
Other expense, net	<u>(388)</u>	<u>(1,785)</u>
Earnings before provision for (benefit from) income taxes	27,327	12,136
Provision for (benefit from) income taxes	2,506	(659)
Net earnings available to common shareholders	<u>\$ 24,821</u>	<u>\$ 12,795</u>
Net earnings per common share:		
Class A common shares - basic and diluted	<u>\$ 1.90</u>	<u>\$ 0.97</u>
Class B common shares - basic and diluted	<u>\$ 2.02</u>	<u>\$ 1.05</u>
Weighted-average shares outstanding:		
Class A common shares - basic and diluted	<u>2,145</u>	<u>2,145</u>
Class B common shares - basic and diluted	<u>10,258</u>	<u>10,185</u>

See accompanying notes to consolidated financial statements.

**BEL FUSE INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**(dollars in thousands)**

	Year Ended December 31,	
	2021	2020
Net earnings	\$ 24,821	\$ 12,795
Other comprehensive (loss) income:		
Currency translation adjustment, net of taxes of (\$334) and \$8	(1,769)	6,890
Unrealized holding (losses) gains on marketable securities arising during the period, net of taxes of \$0 and \$7	(106)	7
Change in unfunded SERP liability, net of taxes of (\$875) and \$738	1,075	(895)
Other comprehensive (loss) income:	(800)	6,002
Comprehensive income	<u>\$ 24,021</u>	<u>\$ 18,797</u>

See accompanying notes to consolidated financial statements.

**BEL FUSE INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
(dollars in thousands)

	Total	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Class A Common Stock	Class B Common Stock	Additional Paid-In Capital
Balance at December 31, 2019	\$ 168,051	\$ 157,063	\$ (24,065)	\$ 214	\$ 1,013	\$ 33,826
Net earnings	12,795	12,795	-	-	-	-
Dividends declared:						
Class A Common Stock, \$0.24/share	(515)	(515)	-	-	-	-
Class B Common Stock, \$0.28/share	(2,852)	(2,852)	-	-	-	-
Issuance of restricted common stock	-	-	-	-	11	(11)
Forfeiture of restricted common stock	-	-	-	-	(3)	3
Foreign currency translation adjustment, net of taxes of \$8	6,890	-	6,890	-	-	-
Unrealized holding gains on marketable securities arising during the year, net of taxes of \$7	7	-	7	-	-	-
Stock-based compensation expense	2,318	-	-	-	-	2,318
Change in unfunded SERP liability, net of taxes of \$738	(895)	-	(895)	-	-	-
Balance at December 31, 2020	<u>185,799</u>	<u>166,491</u>	<u>(18,063)</u>	<u>214</u>	<u>1,021</u>	<u>36,136</u>
Net earnings	24,821	24,821	-	-	-	-
Dividends declared:						
Class A Common Stock, \$0.24/share	(515)	(515)	-	-	-	-
Class B Common Stock, \$0.28/share	(2,862)	(2,862)	-	-	-	-
Issuance of restricted common stock	-	-	-	-	21	(21)
Forfeiture of restricted common stock	-	-	-	-	(4)	4
Foreign currency translation adjustment, net of taxes of (\$334)	(1,769)	-	(1,769)	-	-	-
Unrealized holding losses on marketable securities arising during the year, net of taxes of \$0	(106)	-	(106)	-	-	-
Stock-based compensation expense	2,300	-	-	-	-	2,300
Change in unfunded SERP liability, net of taxes of (\$875)	1,075	-	1,075	-	-	-
Balance at December 31, 2021	<u>\$ 208,743</u>	<u>\$ 187,935</u>	<u>\$ (18,863)</u>	<u>\$ 214</u>	<u>\$ 1,038</u>	<u>\$ 38,419</u>

See accompanying notes to consolidated financial statements.

**BEL FUSE INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(dollars in thousands)**

	Years Ended December 31,	
	2021	2020
<b>Cash flows from operating activities:</b>		
Net earnings	\$ 24,821	\$ 12,795
<b>Adjustments to reconcile net earnings to net cash provided by operating activities:</b>		
Depreciation and amortization	16,861	16,423
Stock-based compensation	2,300	2,318
Amortization of deferred financing costs	1,302	654
Deferred income taxes	441	(1,743)
Unrealized losses on foreign currency revaluation	44	2,168
Gain on sale of property, plant and equipment	(6,440)	(1,694)
Other, net	1,276	1,259
<b>Changes in operating assets and liabilities, net of effects of business combination:</b>		
Accounts receivable	(12,982)	5,397
Unbilled receivables	(14,140)	2,183
Inventories	(34,005)	9,690
Other current assets	(2,240)	4,468
Other assets	(1,182)	(1,587)
Accounts payable	23,961	(6,044)
Accrued expenses	4,684	1,021
Other liabilities	1,441	(1,460)
Income taxes payable	(1,510)	260
Net cash provided by operating activities	<u>4,632</u>	<u>46,108</u>
<b>Cash flows from investing activities:</b>		
Purchases of property, plant and equipment	(9,397)	(5,476)
Payments for acquisitions, net of cash acquired	(16,811)	-
Proceeds from disposal/sale of property, plant and equipment	7,330	3,961
Net cash used in investing activities	<u>(18,878)</u>	<u>(1,515)</u>

(continued)

**BEL FUSE INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)**  
**(dollars in thousands)**

	Year Ended December 31,	
	2021	2020
<b>Cash flows from financing activities:</b>		
Dividends paid to common shareholders	(3,379)	(3,363)
Deferred financing costs	(675)	(600)
Borrowings under revolving credit line	115,000	-
Repayments under revolving credit line	(14,500)	(20,000)
Repayments of long-term debt	(104,846)	(8,179)
Net cash used in financing activities	(8,400)	(32,142)
Effect of exchange rate changes on cash	(537)	199
Net (decrease) increase in cash and cash equivalents	(23,183)	12,650
Cash and cash equivalents - beginning of year	84,939	72,289
Cash and cash equivalents - end of year	<u>\$ 61,756</u>	<u>\$ 84,939</u>
<b>Supplemental cash flow information:</b>		
<b>Cash paid during the year for:</b>		
Income taxes, net of refunds received	\$ 2,872	\$ 2,649
Interest payments	\$ 2,140	\$ 4,131
<b>Details of acquisitions:</b>		
Fair value of identifiable net assets acquired	\$ 18,215	\$ -
Goodwill	2,499	-
Fair value of net assets acquired	<u>\$ 20,714</u>	<u>\$ -</u>
Fair value of consideration transferred	\$ 20,714	\$ -
Less: Cash acquired in acquisitions	(3,903)	-
Cash paid for acquisitions, net of cash acquired	<u>\$ 16,811</u>	<u>\$ -</u>

See accompanying notes to consolidated financial statements.

BEL FUSE INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Bel Fuse Inc. and subsidiaries ("Bel," the "Company," "we," "us," and "our") design, manufacture and sell a broad array of products that power, protect and connect electronic circuits. These products are used in the networking, telecommunication, high-speed data transmission, commercial aerospace, military, e-Mobility, broadcasting, transportation and consumer electronic industries around the world. We manage our operations by product group through our reportable operating segments, Connectivity Solutions, Power Solutions and Protection and Magnetic Solutions, in addition to a Corporate segment.

All amounts included in the tables to these notes to consolidated financial statements, except per share amounts, are in thousands.

Principles of Consolidation - The consolidated financial statements include all of the accounts of the Company and its wholly owned subsidiaries. All intercompany transactions and balances have been eliminated in consolidation.

Estimates and Uncertainties - The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates, including but not limited to those related to product returns, provisions for bad debt, inventories, goodwill, intangible assets, investments, Supplemental Executive Retirement Plan ("SERP") expense, income taxes, contingencies and litigation. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

In March 2020, the World Health Organization declared the outbreak of COVID-19 a pandemic, which continues to spread throughout the U.S. and the world. The impact from the rapidly changing U.S. and global market and economic conditions due to the COVID-19 outbreak is uncertain, with disruptions to the business of our customers and suppliers, which has, and could continue, to impact our business and consolidated results of operations and financial condition. On March 13, 2022, the PRC government issued a notice whereby effective immediately, certain regions would be temporarily shut down to perform widespread testing in response to the recent COVID-19 outbreak, which includes our Bel Power Solutions manufacturing facility in Shenzhen, China and our Magnetics TRP manufacturing facility in Changping, China. Both are currently closed for a minimum of 3-5 business days.

Cash Equivalents - Cash equivalents include short-term investments in money market funds and certificates of deposit with an original maturity of three months or less when purchased. Accounts at each U.S. institution are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. Some of our balances are in excess of the FDIC insured limit.

Allowance for Doubtful Accounts - We maintain an allowance for doubtful accounts for estimated losses from the inability of our customers to make required payments. We determine our allowance by both specific identification of customer accounts where appropriate and the application of historical loss experience to non-specific accounts.

Effects of Foreign Currency - In non-U.S. locations that are not considered highly inflationary, we translate the non-equity components of our foreign balance sheets at the end of period exchange rates with translation adjustments accumulated within stockholders' equity on our consolidated balance sheets. We translate the statements of operations at the average exchange rates during the applicable period. In connection with foreign currency denominated transactions, including multi-currency intercompany payable and receivable transactions and loans, the Company incurred net realized and unrealized currency exchange losses of less than \$0.1 million and \$2.2 million for the years ended December 31, 2021 and 2020, respectively, which were included in other expense, net on the consolidated statements of operations.

Concentration of Credit Risk - Financial instruments which potentially subject us to concentrations of credit risk consist principally of accounts receivable and temporary cash investments. We grant credit to customers that are primarily original equipment manufacturers and to subcontractors of original equipment manufacturers based on an evaluation of the customer's financial condition, without requiring collateral. Exposure to losses on receivables is principally dependent on each customer's financial condition. We control our exposure to credit risk through credit approvals, credit limits and monitoring procedures and establish allowances for anticipated losses. See Note 13, "Segments," for disclosures regarding significant customers.



**Inventories** - Inventories are stated at the lower of standard cost or market. Costs related to inventories include raw materials, direct labor and manufacturing overhead which are included in cost of sales on the consolidated statements of operations. The Company utilizes the average cost method in determining amounts to be removed from inventory.

**Revenue Recognition** – Revenue is recognized when a customer obtains control of promised goods or services. The amount of revenue recognized reflects the consideration to which the Company expects to be entitled to receive in exchange for these goods and services. Taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction, that are collected by the Company from a customer, are excluded from revenue. Shipping and handling costs associated with outbound freight after control over a product has transferred to a customer are accounted for as a fulfillment cost and are included in cost of sales.

**Product Warranties** – Warranties vary by product line and are competitive for the markets in which the Company operates. Warranties generally extend for one to three years from the date of sale, providing customers with assurance that the related product will function as intended. The Company reviews its warranty liability quarterly based on an analysis of actual expenses and failure rates accompanied with estimated future costs and projected failure rate trends. Factors taken into consideration when evaluating our warranty reserve are (i) historical claims for each product, (ii) volume increases, (iii) life of warranty, (iv) historical warranty repair costs and (v) other factors. To the extent that actual experience differs from our estimate, the provision for product warranties will be adjusted in future periods. Actual warranty repair costs are charged against the reserve balance as incurred. See Note 11, "Accrued Expenses."

**Product Returns** – We estimate product returns, including product exchanges under warranty, based on historical experience. In general, the Company is not contractually obligated to accept returns except for defective product or in instances where the product does not meet the Company's product specifications. However, the Company may permit its customers to return product for other reasons. In certain instances, the Company would generally require a significant cancellation penalty payment by the customer. The Company estimates such returns, where applicable, based upon management's evaluation of historical experience, market acceptance of products produced and known negotiations with customers. Such estimates are deducted from sales and provided for at the time revenue is recognized. Distribution customers often receive what is referred to as "ship and debit" arrangements, whereby Bel will invoice them at an agreed upon unit price upon shipment of product and a price reduction may be granted if the market price of the product declines after shipment. Distributors may also be entitled to special pricing discount credits, and certain customers are entitled to return allowances based on previous sales volumes. Bel deducts estimates for anticipated credits, refunds and returns from sales each quarter based on historical experience.

**Goodwill and Identifiable Intangible Assets** – Goodwill represents the excess of the aggregate of the following (1) consideration transferred, (2) the fair value of any noncontrolling interest in the acquiree and, (3) if the business combination is achieved in stages, the acquisition-date fair value of our previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Identifiable intangible assets consist primarily of patents, licenses, trademarks, trade names, customer lists and relationships, non-compete agreements and technology-based intangibles and other contractual agreements. We amortize finite-lived identifiable intangible assets over the shorter of their stated or statutory duration or their estimated useful lives, ranging from 1 to 16 years, on a straight-line basis to their estimated residual values and periodically review them for impairment. Total identifiable intangible assets comprise 11.9% and 14.5% at December 31, 2021 and 2020, respectively, of our consolidated total assets.

We use the acquisition method of accounting for all business combinations and do not amortize goodwill or intangible assets with indefinite useful lives. Goodwill and intangible assets with indefinite useful lives are tested for possible impairment annually during the fourth quarter of each fiscal year or more frequently if events or changes in circumstances indicate that the asset might be impaired.

**Impairment and Disposal of Long-Lived Assets** – For definite-lived intangible assets, such as customer relationships, contracts, intellectual property, and for other long-lived assets, such as property, plant and equipment, whenever impairment indicators are present, we perform a review for impairment. We calculate the undiscounted value of the projected cash flows associated with the asset, or asset group, and compare this estimated amount to the carrying amount. If the carrying amount is found to be greater, we record an impairment loss for the excess of book value over the fair value. In addition, in all cases of an impairment review, we re-evaluate the remaining useful lives of the assets and modify them, as appropriate.

For indefinite-lived intangible assets, such as trademarks and trade names, each year and whenever impairment indicators are present, we determine the fair value of the asset and record an impairment loss for the excess of book value over the fair value, if any. In addition, in all cases of an impairment review we re-evaluate whether continuing to characterize the asset as indefinite-lived is appropriate. See Note 4, "Goodwill and Other Intangible Assets," for additional details.

**Depreciation** - Property, plant and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are calculated primarily using the straight-line method over the estimated useful life of the asset. The estimated useful lives primarily range from 1 to 33 years for buildings and leasehold improvements, and from 2 to 14 years for machinery and equipment.

**Derivative Financial Instruments** - As part of our risk management strategy, when considered appropriate, the Company uses derivative financial instruments including foreign currency forward contracts and interest rate swap agreements to hedge against certain foreign currency and interest rate exposures. The intent is to mitigate gains and losses caused by the underlying exposures with offsetting gains and losses on the derivative contracts. By policy, Bel does not enter into speculative positions with derivative instruments.

The Company records all derivatives as assets or liabilities on our consolidated balance sheets at their fair values. Gains and losses from the changes in values of these derivatives are accounted for based on the use of the derivative and whether it qualifies for hedge accounting.

The counterparties to our derivative financial instruments consist of several major international financial institutions. We regularly monitor the financial strength of these institutions. While the counterparties to these contracts expose us to credit-related losses in the event of a counterparty's non-performance, the risk would be limited to the unrealized gains on such affected contracts.

**Income Taxes** - We account for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the consolidated financial statements. Under this method, deferred tax assets and liabilities are determined based on the differences between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date. See Note 9, "Income Taxes".

We record net deferred tax assets to the extent we believe these assets will more-likely-than-not be realized. In making such determination, we consider all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax planning strategies and recent financial operations. We have established valuation allowances for deferred tax assets that are not likely to be realized. In the event we were to determine that we would be able to realize our deferred income tax assets in the future in excess of our net recorded amount, we would adjust the valuation allowance, which would reduce the provision for income taxes.

We establish liabilities for tax contingencies when, despite the belief that our tax return positions are fully supported, it is more likely than not that certain positions may be challenged and may not be fully sustained. The tax contingency liabilities are analyzed on a quarterly basis and adjusted based upon changes in facts and circumstances, such as the conclusion of federal and state audits, expiration of the statute of limitations for the assessment of tax, case law and emerging legislation. Our effective tax rate includes the effect of tax contingency liabilities and changes to the liabilities as considered appropriate by management.

**Earnings per Share** – We utilize the two-class method to report our earnings per share. The two-class method is an earnings allocation formula that determines earnings per share for each class of common stock according to dividends declared and participation rights in undistributed earnings. The Company's Certificate of Incorporation, as amended, states that Class B common shares are entitled to dividends at least 5% greater than dividends paid to Class A common shares, resulting in the two-class method of computing earnings per share. In computing earnings per share, the Company has allocated dividends declared to Class A and Class B based on amounts actually declared for each class of stock and 5% more of the undistributed earnings have been allocated to Class B shares than to the Class A shares on a per share basis. Basic earnings per common share are computed by dividing net earnings by the weighted-average number of common shares outstanding during the period. Diluted earnings per common share, for each class of common stock, are computed by dividing net earnings by the weighted-average number of common shares and potential common shares outstanding during the period. There were no potential common shares outstanding during the years ended December 31, 2021 and 2020 which would have had a dilutive effect on earnings per share.

The earnings and weighted average shares outstanding used in the computation of basic and diluted earnings per share are as follows:

	Years Ended December 31,	
	2021	2020
Numerator:		
Net earnings	\$ 24,821	\$ 12,795
Less dividends declared:		
Class A	515	515
Class B	2,862	2,852
Undistributed earnings	<u>\$ 21,444</u>	<u>\$ 9,428</u>
Undistributed earnings allocation:		
Class A undistributed earnings	\$ 3,561	\$ 1,574
Class B undistributed earnings	17,883	7,854
Total undistributed earnings	<u>\$ 21,444</u>	<u>\$ 9,428</u>
Net earnings allocation:		
Class A net earnings	\$ 4,076	\$ 2,089
Class B net earnings	20,745	10,706
Net earnings	<u>\$ 24,821</u>	<u>\$ 12,795</u>
Denominator:		
Weighted average shares outstanding:		
Class A	<u>2,145</u>	<u>2,145</u>
Class B	<u>10,258</u>	<u>10,185</u>
Net earnings per share:		
Class A	<u>\$ 1.90</u>	<u>\$ 0.97</u>
Class B	<u>\$ 2.02</u>	<u>\$ 1.05</u>

**Research and Development ("R&D")** - Our engineering groups are strategically located around the world to facilitate communication with and access to customers' engineering personnel. This collaborative approach enables partnerships with customers for technical development efforts. On occasion, we execute non-disclosure agreements with our customers to help develop proprietary, next generation products destined for rapid deployment. R&D costs are expensed as incurred, and are shown as a separate line within operating expenses on the consolidated statements of operations. Generally, R&D is performed internally for the benefit of the Company. R&D costs include salaries, building maintenance and utilities, rents, materials, administration costs and miscellaneous other items. R&D expenses for the years ended December 31, 2021 and 2020 amounted to \$21.9 million and \$23.6 million, respectively.

**Fair Value Measurements** - We utilize the accounting guidance for fair value measurements and disclosures for all financial assets and liabilities and nonfinancial assets and liabilities that are recognized or disclosed at fair value in the consolidated financial statements on a recurring basis or on a nonrecurring basis during the reporting period. The fair value is an exit price, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants based upon the best use of the asset or liability at the measurement date. The Company utilizes market data or assumptions that market participants would use in pricing the asset or liability. We classify our fair value measurements based on the lowest level of input included in the established three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers are defined as follows:

**Level 1** - Observable inputs such as quoted market prices in active markets

**Level 2** - Inputs other than quoted prices in active markets that are either directly or indirectly observable

**Level 3** - Unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumptions

For financial instruments such as cash and cash equivalents, accounts receivable, accounts payable and accrued expenses, the carrying amount approximates fair value because of the short maturities of such instruments. See Note 5, "Fair Value Measurements," for additional disclosures related to fair value measurements.

Recently Issued Accounting Standards

**Recently Adopted Accounting Standards**

In August 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") 2018-14, *Compensation-Retirement Benefits-Defined Benefit Plans-General (Subtopic 715-20): Disclosure Framework – Changes to the Disclosure Requirements for Defined Benefit Plans* ("ASU 2018-14"). This guidance removes certain disclosures that are not considered cost beneficial, clarifies certain required disclosures and adds additional disclosures. The Company adopted amendments in ASU 2018-14 on a retrospective basis effective January 1, 2021. The adoption of this guidance modified the Company's annual disclosures for its defined benefit plan, but did not have any impact on the Company's consolidated financial statements.

In December 2019, the FASB issued ASU 2019-12, *Simplifying the Accounting for Income Taxes* ("ASU 2019-12"), which modifies ASC 740 to reduce complexity while maintaining or improving the usefulness of the information provided to users of financial statements. This guidance was adopted by the Company effective January 1, 2021 and did not have a material impact on the Company's consolidated financial statements.

In August 2018, the FASB issued Accounting Standards Update ("ASU") 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*. The updated guidance improves the disclosure requirements on fair value measurements. The updated guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The Company adopted the updated provisions effective January 1, 2020. The adoption did not have a material impact on the Company's consolidated financial position or consolidated results of operations.

In August 2018, the FASB issued ASU 2018-15, *Intangibles – Goodwill and Other-Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That is a Service Cost*. This guidance aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. This guidance is effective for interim and annual reporting periods beginning after December 15, 2019. The Company adopted this guidance effective January 1, 2020 and it did not have a material impact on its consolidated financial position or consolidated results of operations.

## Accounting Standards Issued But Not Yet Adopted

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (“ASU 2016-13”), as amended. The new guidance will broaden the information that an entity must consider in developing its expected credit loss estimates related to its financial instruments and adds to U.S. GAAP an impairment model that is based on expected losses rather than incurred losses. The amendment is currently effective for the Company for annual reporting periods beginning after December 15, 2022, with early adoption permitted. Management is currently assessing the impact of ASU 2016-13, but it is not expected to have a material impact on the Company’s consolidated financial statements.

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting* (“ASU 2020-04”). ASU 2020-04 provides temporary optional guidance on contract modifications and hedging accounting to ease the financial reporting burdens of the expected market transition from the London Interbank Offered Rate (“LIBOR”) to alternative reference rates. In January 2021, the FASB issued ASU 2021-01, which refines the scope of Topic 848 and clarifies some of its guidance as part of the FASB’s monitoring of global reference rate activities. The new guidance was effective upon issuance, and the Company is allowed to elect to apply the amendments prospectively through December 31, 2022. Management is currently evaluating the impact of this accounting standard update on the Company’s consolidated financial statements and related disclosures.

## 2. ACQUISITIONS

### rms Connectors

On January 8, 2021, the Company acquired rms Connectors, Inc. (“rms Connectors” or “rms”), from rms Company Inc., a division of Cretex Companies, Inc., for \$9.0 million in cash, including a working capital adjustment. rms Connectors is a highly regarded connector manufacturer with over 30 years of experience producing harsh environment circular connectors used in a variety of military and aerospace applications. This acquisition complements Bel’s existing military and aerospace product portfolio and we anticipate will allow us to expand key customer relationships within these end markets and leverage the combined manufacturing resources to improve our operational efficiency. Originally based in Coon Rapids, Minnesota, the rms Connectors business was relocated into Bel’s existing facilities during the second quarter of 2021, and is part of Bel’s Connectivity Solutions group. The transaction was funded with cash on hand.

### EOS Power

On March 31, 2021, the Company completed the acquisition of EOS Power (“EOS”) through a stock purchase agreement for \$7.8 million, net of cash acquired, including a working capital adjustment. EOS, located in Mumbai, India, had sales of \$12.0 million for the year ended December 31, 2020. EOS will further assist Bel’s penetration of certain industrial and medical markets currently being served by EOS, with a strong line of high-power density and low-profile products with high convection ratings. In addition to new products and customers acquired, this acquisition has diversified Bel’s manufacturing footprint in Asia. The EOS business is part of Bel’s Power Solutions and Protection group. The transaction was funded with cash on hand.

The acquisitions of rms Connectors and EOS may hereafter be referred to collectively as either the “2021 Acquisitions” or the “2021 Acquired Companies”. As of the respective acquisition dates, all of the assets acquired and liabilities assumed were recorded at their preliminary fair values and the Company’s consolidated results of operations for the year ended December 31, 2021 include the operating results of the 2021 Acquired Companies from their respective acquisition dates through December 31, 2021. During the year ended December 31, 2021, the Company incurred \$0.5 million of acquisition-related costs related to the 2021 Acquisitions. These costs are included in selling, general and administrative expenses in the accompanying consolidated statements of operations.

The final accounting related to the 2021 Acquisitions was completed as of the filing date of this Annual Report on Form 10-K. The following table depicts the Company's final acquisition date fair values of the consideration transferred and identifiable net assets acquired in these transactions:

	Acquisition Date Fair Values		
	rms	EOS	Total
Cash and cash equivalents	\$ -	\$ 3,903	\$ 3,903
Accounts receivable	1,283	1,805	3,088
Inventories	3,946	1,878	5,824
Other current assets	9	1,340	1,349
Property, plant and equipment	4,035	721	4,756
Intangible assets	-	2,160	2,160
Other assets	-	60	60
Total identifiable assets	9,273	11,867	21,140
Accounts payable	(62)	(2,148)	(2,210)
Accrued expenses	(209)	(506)	(715)
Total liabilities assumed	(271)	(2,654)	(2,925)
Net identifiable assets acquired	9,002	9,213	18,215
Goodwill	-	2,499	2,499
Net assets acquired	\$ 9,002	\$ 11,712	\$ 20,714
Cash paid	\$ 9,002	\$ 11,712	\$ 20,714
Fair value of consideration transferred	\$ 9,002	\$ 11,712	\$ 20,714

Measurement period adjustments recorded during 2021 on the EOS acquisition related to finalization of EOS' pre-acquisition balance sheet and the Company's completion of its preliminary valuation of EOS whereby \$2.2 million of intangible assets were identified and recorded on the consolidated balance sheet as of the acquisition date. These intangible assets are comprised of customer relationships valued at \$1.9 million (to be amortized over an estimated life of 16 years) and the tradename, valued at \$0.3 million (to be amortized over an estimated life of 2 years).

Based upon the purchase price allocation above, there is no goodwill associated with the rms acquisition. The goodwill recognized in connection with the EOS acquisition as noted above has been allocated to the Company's Power Solutions and Protection segment and is not deductible for tax purposes.

The results of operations of the 2021 Acquired Companies have been included in the Company's consolidated financial statements for the periods subsequent to their respective acquisition dates. During the year ended December 31, 2021, the 2021 Acquired Companies together contributed aggregate revenues of \$17.1 million and total estimated net earnings of \$1.9 million to the Company since their respective acquisition dates. The unaudited pro forma information below presents the combined operating results of the Company and the 2021 Acquired Companies assuming that the acquisition of the 2021 Acquired Companies had occurred as of January 1, 2020. The unaudited pro forma results are presented for illustrative purposes only. They do not reflect the realization of any potential cost savings, or any related integration costs. This unaudited pro forma information does not purport to be indicative of the results that would have actually been obtained if the 2021 Acquisitions had occurred as of January 1, 2020, nor is the pro forma data intended to be a projection of results that may be achieved in the future.

The following unaudited pro forma consolidated results of operations assume that the acquisition of the 2021 Acquired Companies was completed as of January 1, 2020:

	Year Ended December 31,	
	2021	2020
Revenue, net	\$ 546,516	\$ 484,294
Net earnings	25,051	13,549
Earnings per Class A common share - basic and diluted	1.92	1.03
Earnings per Class B common share - basic and diluted	2.04	1.11

### 3. REVENUE

#### Nature of Goods and Services

Our revenues are substantially derived from sales of our products.

In our Connectivity Solutions product group, we provide connectors and cable assemblies to the aerospace, military/defense, commercial, rugged harsh environment and communication markets. This group also includes passive jacks, plugs and cable assemblies that provide connectivity in networking equipment, as well as modular plugs and cable assemblies used within the structured cabling system, known as premise wiring.

In our Power Solutions and Protection group, we provide AC/DC and DC/DC power conversion devices and circuit protection products. Applications range from board-mount power to system-level architectures for servers, storage, networking, industrial and transportation.

In our Magnetic Solutions group, we provide an extensive line of integrated connector modules (ICM), where an Ethernet magnetic solution is integrated into a connector package. Products within the Company's magnetic solutions group are primarily used in networking and industrial applications.

The Company also provides incremental services to our customers in the form of training, technical support, special tooling, and other support as deemed necessary from time to time. For purposes of ASC 606, all such incremental services were concluded to be immaterial in the context of the contracts.

## Types of Contracts

Substantially all of the Company's revenue is derived from contracts with its customers under one of the following types of contracts:

- **Direct with customer:** This includes contracts with original equipment manufacturers (OEMs), original design manufacturers (ODMs), and contract manufacturers (CMs). The nature of Bel's products are such that they represent components which are installed in various end applications (e.g., servers, aircraft, missiles and rail applications). The OEMs, ODMs or CMs that purchase our product for further installation are our end customers. Contracts with these customers are broad-based and cover general terms and conditions. Details such as order volume and pricing are typically contained in individual purchase orders, and as a result, we view each product on each purchase order as an individual performance obligation. Incremental services included in the contracts, such as training, tooling and other customer support are determined to be immaterial in the context of the contract, both individually and in the aggregate. Revenue under these contracts is generally recognized at a point in time, generally upon shipping or delivery, which closely mirrors the shipping terms dictated by the applicable contract.
- **Distributor:** Distribution customers buy product directly from Bel and sell it in the marketplace to end customers. Bel contracts directly with the distributor. These contracts are typically global in nature and cover a variety of our product groups. Similar to contracts with OEMs, ODMs and CMs, each product on each purchase order is considered an individual performance obligation. Revenue is recognized at a point in time, generally upon shipping or delivery, which closely mirrors the shipping terms dictated by the applicable contract.
- **Customer-Designated Hub Arrangements:** These customers operate under a type of concession agreement whereby the Company ships goods to a warehouse or hub, where they will be pulled by the customer at a later date. The terms specified in the customer-designated hub contracts specify that the Company will not invoice the customer for product until it is pulled from the warehouse or hub. Once product arrives at the hub, it is generally not returned to Bel unless there is a warranty issue (see Note 1, "Description of Business and Summary of Significant Accounting Policies - Product Warranties" above). Similar to the contracts described above, each product on each purchase order is considered an individual performance obligation. Under ASC 606, it was determined that the majority of these hubs are customer-controlled, and therefore control transfers to the customer upon either delivery from Bel's warehouse, or arrival at the customer-controlled hub, depending upon the applicable shipping terms. Revenue is therefore recognized as control of the product is transferred to the customer (for customer-controlled hubs, this is at the time product is shipped to the hub). The accompanying consolidated balance sheet reflects a corresponding unbilled receivable balance, as we do not have the right to invoice the customer until product is pulled from the hub.
- **Licensing Agreements:** License agreements are only applicable to our Power Solutions and Protection product group, and include provisions for Bel to receive sales-based royalty income related to the licensing of Bel's patents or other intellectual property (IP) utilized by a third-party entity. Income related to these agreements is tracked by the licensee throughout the year based on their sales of product that utilize Bel's IP, and that data is reported to Bel either on a quarterly or annual basis, with payment generally received within 30 days of the reporting date. Our performance obligation is satisfied upon delivery of the IP at the beginning of the license period, as the licenses are functional in nature. However, the recognition of revenue associated with these licenses is subject to the sales- or usage-based constraint on variable consideration. As such, the Company records a constrained estimate of this variable consideration as royalty income in the period of the underlying customers' product sales, with adjustments made as actual licensee sales data becomes available.

## Significant Payment Terms

Contracts with customers indicate the general terms and conditions in which business will be conducted for a set period of time. Individual purchase orders state the description, quantity and price of each product purchased. Payment for products sold under direct contracts with customers or contracts with distributors is typically due in full within 30-90 days from the transfer of title to customer. Payment for products sold under our customer-designated hub arrangements is typically due within 60 days of the customer pulling the product from the hub. Payment due related to our licensing agreements is generally within 30 days of receiving the licensee sales data, which is either on a quarterly or annual basis.

Since the customer agrees to a stated price for each product on each purchase order, the majority of contracts are not subject to variable consideration. However, the "ship and debit" arrangements with distributors, royalty income associated with our licensing agreements, and the product returns described above are each deemed to be variable consideration which requires the Company to make constrained estimates based on historical data.



Disaggregation of Revenue

The following table provides information about disaggregated revenue by geographic region and sales channel, and includes a reconciliation of the disaggregated revenue to our reportable segments:

	Year Ended December 31, 2021			
	Cinch Connectivity Solutions	Power Solutions and Protection	Magnetic Solutions	Consolidated
<b>By Geographic Region:</b>				
North America	\$ 126,303	\$ 152,799	\$ 38,335	\$ 317,437
Europe	30,241	38,068	8,252	76,561
Asia	8,483	27,168	113,845	149,496
	<u>\$ 165,027</u>	<u>\$ 218,035</u>	<u>\$ 160,432</u>	<u>\$ 543,494</u>
<b>By Sales Channel:</b>				
Direct to customer	\$ 99,221	\$ 134,635	\$ 131,300	\$ 365,156
Through distribution	65,806	83,400	29,132	178,338
	<u>\$ 165,027</u>	<u>\$ 218,035</u>	<u>\$ 160,432</u>	<u>\$ 543,494</u>
	Year Ended December 31, 2020			
	Cinch Connectivity Solutions	Power Solutions and Protection	Magnetic Solutions	Consolidated
<b>By Geographic Region:</b>				
North America	\$ 112,663	\$ 123,014	\$ 29,999	\$ 265,676
Europe	30,017	34,447	6,328	70,792
Asia	8,051	24,027	97,225	129,303
	<u>\$ 150,731</u>	<u>\$ 181,488</u>	<u>\$ 133,552</u>	<u>\$ 465,771</u>
<b>By Sales Channel:</b>				
Direct to customer	\$ 95,853	\$ 113,570	\$ 108,727	\$ 318,150
Through distribution	54,878	67,918	24,825	147,621
	<u>\$ 150,731</u>	<u>\$ 181,488</u>	<u>\$ 133,552</u>	<u>\$ 465,771</u>

Contract Assets and Contract Liabilities:

A contract asset results when goods or services have been transferred to the customer but payment is contingent upon a future event, other than passage of time. In the case of our customer-controlled hub arrangements, we are unable to invoice the customer until product is pulled from the hub by the customer, which generates an unbilled receivable (a contract asset) when revenue is initially recognized.

A contract liability results when cash payments are received or due in advance of our performance obligation being met. We have certain customers who provide payment in advance of product being shipped, which results in deferred revenue (a contract liability).

The balances of the Company's contract assets and contract liabilities at December 31, 2021 and December 31, 2020 are as follows:

	December 31, 2021	December 31, 2020
Contract assets - current (unbilled receivables)	\$ 28,275	\$ 14,135
Contract liabilities - current (deferred revenue)	\$ 2,224	\$ 2,077

The change in balance of our unbilled receivables from December 31, 2020 to December 31, 2021 primarily relates to a timing difference between the Company's performance (i.e. when our product is shipped to a customer-controlled hub) and the point at which the Company can invoice the customer per the terms of the customer contract (i.e. when the customer pulls our product from the customer-controlled hub). The deferred revenue balance is included within other current liabilities on the accompanying balance sheets.

A tabular presentation of the activity within the deferred revenue account for the year ended December 31, 2021 is presented below:

	Year Ended December 31, 2021
Balance, January 1	\$ 2,077
New advance payments received	3,984
Recognized as revenue during period	(2,665)
Other adjustments	(1,175)
Currency translation	3
Balance, December 31	<u>\$ 2,224</u>

Transaction Price Allocated to Future Obligations:

The aggregate amount of transaction price allocated to remaining performance obligations that have not been satisfied as of December 31, 2021 related to contracts that exceed one year in duration amounted to \$39.8 million, with expected contract expiration dates that range from 2023 - 2025. It is expected that 96% of this aggregate amount will be recognized in 2023, 0% will be recognized in 2024 and the remainder will be recognized in years beyond 2024. The majority of the Company's total backlog of orders at December 31, 2021 is related to contracts that have an original expected duration of one year or less, for which the Company is electing to utilize the practical expedient available within the guidance, and are excluded from the transaction price related to these future obligations. The Company will generally satisfy the remaining performance obligations as we transfer control of the products ordered to our customers. The transaction price related to these future obligations also excludes variable consideration consisting of sales or usage-based royalties earned on licensing agreements. The variability related to these sales or usage-based royalties will be resolved in the periods when the licensee generates sales related to the licensed intellectual property.

## 4. GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill

Goodwill represents the excess of the purchase price and related acquisition costs over the fair value assigned to the net tangible and other intangible assets acquired in a business acquisition. At December 31, 2021 and 2020, the Company's reportable operating segments were as follows:

- **Connectivity Solutions:** includes the 2010 acquisition of Cinch Connectors, the 2012 acquisitions of Fibreco Limited and GigaCom Interconnect, the 2013 acquisition of Array Connector, the 2014 acquisition of Emerson Network Power Connectivity Solutions, the 2021 acquisition of rms Connectors, in addition to sales and an estimated allocation of expenses related to connectivity products manufactured at Bel sites that are not product group specific.
- **Power Solutions and Protection:** includes the 2012 acquisition of Powerbox Italia, the 2014 acquisition of Power-One's Power Solutions business, the 2019 acquisition of the majority of CUI Inc.'s power products business, the 2021 acquisition of EOS, in addition to sales and an estimated allocation of expenses related to power products manufactured at Bel sites that are not product group specific.
- **Magnetic Solutions:** includes the 2013 acquisition of TE Connectivity's Coil Wound Magnetics business, our Signal Transformer business, in addition to sales and an estimated allocation of expenses related to Bel's ICM and discrete magnetic products that are manufactured at Bel sites that are not product group specific.

The changes in the carrying value of goodwill classified by our segment reporting structure for the year ended December 31, 2021 are as noted in the table below.

	Total	Connectivity Solutions	Power Solutions & Protection	Magnetic Solutions
Balance at January 1, 2021:				
Goodwill, gross	\$ 23,966	\$ 7,855	\$ 16,111	\$ -
Goodwill, net	\$ 23,966	\$ 7,855	\$ 16,111	\$ -
Goodwill allocation related to acquisition	2,499	-	2,499	-
Foreign currency translation	186	(120)	306	-
Balance at December 31, 2021:				
Goodwill, gross	\$ 26,651	\$ 7,735	\$ 18,916	\$ -
Goodwill, net	\$ 26,651	\$ 7,735	\$ 18,916	\$ -

The Company has accumulated impairment charges totaling \$137.5 million, which were incurred under a former segment and reporting unit structure which was in place prior to October 1, 2019.

As discussed in Note 5, *Fair Value Measurements*, goodwill is reviewed for impairment on a reporting unit basis annually during the fourth quarter of each year and whenever events or changes in circumstances indicate the carrying value of goodwill may not be recoverable. We estimated the fair value of these reporting units using a weighting of fair values derived from income and market approaches. Under the income approach, we determine the fair value of a reporting unit based on the present value of estimated future cash flows. Cash flow projections are based on management's estimates of revenue growth rates and operating margins, taking into consideration industry and market conditions. The discount rate used is based on a weighted average cost of capital adjusted for the relevant risk associated with the characteristics of the business and the projected cash flows. The market approach estimates fair value based on market multiples of revenue and earnings derived from comparable publicly traded companies with similar operating and investment characteristics as the reporting unit.

#### 2021 Annual Impairment Test

On October 1, 2021, the Company completed step one of our annual goodwill impairment test for our reporting units. We concluded that the fair value of the Company's Connectivity Europe, Power Europe and CUI reporting units (the only reporting units with goodwill aside from the 2021 acquisitions) exceeded the carrying value and that there was no indication of impairment.

The excess of estimated fair values over carrying value, including goodwill for each of our reporting units that had goodwill as of the 2021 annual impairment test were as follows:

Reporting Unit	% by Which Estimated Fair Value Exceeds Carrying Value
Connectivity Europe	40.3%
Power Europe	64.6%
CUI	136.7%

#### 2020 Impairment Tests

On October 1, 2020, the Company completed step one of our annual goodwill impairment test for our reporting units. We concluded that the fair value of the Company's Connectivity Europe, Power Europe and CUI reporting units (the only reporting units with goodwill) exceeded the carrying value and that there was no indication of impairment.

As noted above, the fair value determined in connection with the goodwill impairment test completed in the fourth quarter of 2021 exceeded the carrying value for each reporting unit. Therefore, there was no impairment of goodwill. However, if the fair value decreases in future periods, the Company may need to complete an interim goodwill impairment test and any potential goodwill impairment charge would be dependent upon the estimated fair value of the reporting unit at that time and the outcome of the impairment test. The fair values of the assets and liabilities of the reporting unit, including the intangible assets, could vary depending on various factors.

The future occurrence of a potential indicator of impairment, such as a decrease in expected net earnings, adverse equity market conditions, a decline in current market multiples, a decline in our common stock price, a significant adverse change in legal factors or business climates, an adverse action or assessment by a regulator, unanticipated competition, strategic decisions made in response to economic or competitive conditions, or a more-likely-than-not expectation that a reporting unit or a significant portion of a reporting unit will be sold or disposed of, could require an interim assessment for some or all of the reporting units before the next required annual assessment. In the event of significant adverse changes of the nature described above, it may be necessary for us to recognize an additional non-cash impairment of goodwill, which could have a material adverse effect on our consolidated financial condition and consolidated results of operations.

#### Other Intangible Assets

Other identifiable intangible assets include patents, technology, license agreements, non-compete agreements and trademarks. Amounts assigned to these intangible assets have been determined by management. Management considered a number of factors in determining the allocations, including valuations and independent appraisals. Trademarks have indefinite lives and are reviewed for impairment on an annual basis, or when there is a triggering event. Other intangible assets, excluding trademarks, are being amortized over 1 to 16 years.

The Company tests indefinite-lived intangible assets for impairment using a fair value approach, the relief-from-royalty method (a form of the income approach). At December 31, 2021, the Company's indefinite-lived intangible assets related to the trademarks acquired in the CUI, Power Solutions, Connectivity Solutions, Cinch and Fibreco acquisitions.

The components of definite and indefinite-lived intangible assets are as follows:

	December 31, 2021			December 31, 2020		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Patents, licenses and technology	\$ 38,957	\$ 28,353	\$ 10,604	\$ 39,056	\$ 25,160	\$ 13,896
Customer relationships	58,008	24,766	33,242	56,261	21,280	34,981
Non-compete agreements	2,711	2,711	-	2,716	2,717	(1)
Trademarks	17,189	40	17,149	16,953	40	16,913
	<u>\$ 116,865</u>	<u>\$ 55,870</u>	<u>\$ 60,995</u>	<u>\$ 114,986</u>	<u>\$ 49,197</u>	<u>\$ 65,789</u>

Amortization expense was \$7.1 million during each 2021 and 2020.

Estimated amortization expense for intangible assets for the next five years is as follows:

December 31,	Amortization Expense
2022	\$ 5,780
2023	4,631
2024	4,569
2025	4,554
2026	4,554

#### 2021 and 2020 Impairment Tests

The Company completed its annual indefinite-lived intangible assets impairment test as of October 1, 2021 and October 1, 2020. Management has concluded that the fair value of these trademarks exceeded the related carrying values at both December 31, 2021 and December 31, 2020, with no indication of impairment at either date.

## 5. FAIR VALUE MEASUREMENTS

As of December 31, 2021 and 2020, our available-for-sale securities primarily consisted of investments held in a rabbi trust which are intended to fund the Company's Supplemental Executive Retirement Plan ("SERP") obligations. These securities are measured at fair value using quoted prices in active markets for identical assets (Level 1) inputs and amounted to \$0.3 million at December 31, 2021 and \$0.7 million at December 31, 2020.

Throughout 2020 and 2021, the Company entered into a series of foreign currency forward contracts, the fair value of which less than \$0.1 million at each December 31, 2021 and 2020. The estimated fair value of foreign currency forward contracts is based on quotes received from the applicable counterparty, and represents the estimated amount we would receive or pay to settle the contracts, taking into consideration current exchange rates which can be validated through readily observable data from external sources (Level 2).

During the fourth quarter of 2021, the Company entered into two interest rate swap agreements as further described in Note 12, "Derivative Instruments and Hedging Activities". The fair value of the interest rate swap agreements was \$0.1 million at December 31, 2021, which was based on data received from the counterparty, and represents the estimated amount we would receive or pay to settle the agreements, taking into consideration current and projected future interest rates as well as the creditworthiness of the parties, all of which can be validated through readily observable data from external sources.

The Company does not have any financial assets measured at fair value on a recurring basis categorized as Level 3, and there were no transfers in or out of Level 1, Level 2 or Level 3 during 2021 or 2020. There were no changes to the Company's valuation techniques used to measure asset fair values on a recurring or nonrecurring basis during 2021.

There were no financial assets accounted for at fair value on a nonrecurring basis as of December 31, 2021 or December 31, 2020.

The Company has other financial instruments, such as cash and cash equivalents, accounts receivable, restricted cash, accounts payable and accrued expenses, which are not measured at fair value on a recurring basis but are recorded at amounts that approximate fair value due to their liquid or short-term nature. The fair value of the Company's long-term debt is estimated using a discounted cash flow method based on interest rates that are currently available for debt issuances with similar terms and maturities. At December 31, 2021 and 2020, the estimated fair value of total debt was \$112.5 million and \$118.4 million, respectively, compared to a carrying amount of \$112.5 million and \$115.6 million, respectively. The Company did not have any other financial liabilities within the scope of the fair value disclosure requirements as of December 31, 2021.

Nonfinancial assets and liabilities, such as goodwill, indefinite-lived intangible assets and long-lived assets, are accounted for at fair value on a nonrecurring basis. These items are tested for impairment upon the occurrence of a triggering event or in the case of goodwill, on at least an annual basis. See Note 4, "Goodwill and Other Intangible Assets," for further information about goodwill and other indefinite-lived intangible assets.

## 6. OTHER ASSETS

At December 31, 2021 and 2020, the Company has obligations of \$23.6 million and \$24.3 million, respectively, associated with its SERP. As a means of informally funding these obligations, the Company has invested in life insurance policies related to certain employees and marketable securities held in a rabbi trust. At December 31, 2021 and 2020, these assets had a combined value of \$16.4 million and \$15.4 million, respectively.

### Company-Owned Life Insurance

Investments in company-owned life insurance policies ("COLI") were made with the intention of utilizing them as a long-term funding source for the Company's SERP obligations. However, the cash surrender value of the COLI does not represent a committed funding source for these obligations. Any proceeds from these policies are subject to claims from creditors. The cash surrender value of the COLI of \$16.1 million and \$14.7 million at December 31, 2021 and 2020, respectively, is included in other assets in the accompanying consolidated balance sheets. The volatility in global equity markets in recent years has also had an effect on the cash surrender value of the COLI policies. The Company recorded income to account for the increase in cash surrender value in the amount of \$1.3 million and \$1.4 million during the years ended December 31, 2021 and 2020, respectively. These fluctuations are classified as other income (expense), net on the consolidated statements of operations for all periods presented. This classification is consistent with the costs associated with the long-term employee benefit obligations that the COLI is intended to fund.

### Other Investments

At December 31, 2021 and 2020, the Company held, in the aforementioned rabbi trust, available-for-sale investments at a cost of \$0.3 million and \$0.7 million, respectively. Together with the COLI described above, these investments are intended to fund the Company's SERP obligations and are classified as other assets in the accompanying consolidated balance sheets. The Company monitors these investments for impairment on an ongoing basis. At December 31, 2021 and 2020, the fair market value of these investments was \$0.3 million and \$0.7 million, respectively.

## 7. INVENTORIES

The components of inventories are as follows:

	December 31,	
	2021	2020
Raw materials	\$ 67,127	\$ 40,846
Work in progress	31,103	25,916
Finished goods	41,153	33,371
Inventories	<u>\$ 139,383</u>	<u>\$ 100,133</u>

## 8. PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment, net consist of the following:

	December 31,	
	2021	2020
Land	\$ 1,105	\$ 1,115
Buildings and improvements	20,915	19,917
Machinery and equipment	120,961	124,114
Construction in progress	5,081	1,603
	<u>148,062</u>	<u>146,749</u>
Accumulated depreciation	(109,852)	(112,248)
Property, plant and equipment, net	<u>\$ 38,210</u>	<u>\$ 34,501</u>

Depreciation expense for the years ended December 31, 2021 and 2020 was \$9.7 million and \$9.3 million, respectively. At December 31, 2021, a total of \$1.6 million of property was classified as assets held for sale on the accompanying consolidated balance sheet related to our corporate headquarters in Jersey City, New Jersey.

## 9. INCOME TAXES

The Company and its subsidiaries file income tax returns in the U.S. federal jurisdiction and various states and foreign jurisdictions. The Company is no longer subject to U.S. federal examinations by tax authorities for years before 2018 and for state examinations before 2015. Regarding foreign subsidiaries, the Company is no longer subject to examination by tax authorities for years before 2011 in Asia and generally 2013 in Europe.

At December 31, 2021 and 2020, the Company has approximately \$28.4 million and \$28.5 million, respectively, of liabilities for uncertain tax positions (zero and \$2.4 million, respectively, is included in other current liabilities on the consolidated balance sheets and \$28.4 million and \$26.1 million, respectively, is included in liability for uncertain tax positions on the consolidated balance sheets). These amounts, if recognized, would reduce the Company's effective tax rate. As of December 31, 2021, approximately \$4.1 million of the Company's liabilities for uncertain tax positions are expected to be resolved during the next twelve months by way of expiration of the related statute of limitations.

A reconciliation of the beginning and ending amount of the liability for uncertain tax positions, including the portion included in income taxes payable, is as follows:

	Year Ended December 31,	
	2021	2020
Liability for uncertain tax positions - January 1	\$ 28,516	\$ 29,061
Additions based on tax positions related to the current year	2,054	764
Translation adjustment	331	887
Settlement/expiration of statutes of limitations	(2,467)	(2,196)
Liability for uncertain tax positions - December 31	<u>\$ 28,434</u>	<u>\$ 28,516</u>

The Company's policy is to recognize interest and penalties related to uncertain tax positions as a component of the current provision for income taxes. During the years ended December 31, 2021 and 2020, the Company recognized \$0.7 million and \$0.8 million, respectively, in interest and penalties in the consolidated statements of operations. During the years ended December 31, 2021 and 2020, the Company recognized a benefit of \$1.0 million and \$0.5 million, respectively, for the reversal of such interest and penalties, relating to the expiration of statutes of limitations and settlement of the acquired liability for uncertain tax positions, respectively. The Company has approximately \$5.0 million and \$5.2 million accrued for the payment of interest and penalties at December 31, 2021 and 2020, respectively, which is included in both income taxes payable and liability for uncertain tax positions in the consolidated balance sheets.

The Company's total earnings before provision for income taxes included earnings (losses) from domestic operations of \$7.3 million and (\$6.0) million for 2021 and 2020, respectively, and earnings before provision for income taxes from foreign operations of \$20.0 million and \$18.1 million for 2021 and 2020, respectively.

The provision (benefit) for income taxes consists of the following:

	Years Ended December 31,	
	2021	2020
Current:		
Federal	\$ 520	\$ (1,555)
State	126	168
Foreign	1,419	2,472
	<u>2,065</u>	<u>1,085</u>
Deferred:		
Federal	863	(1,412)
State	(54)	(151)
Foreign	(368)	(181)
	<u>441</u>	<u>(1,744)</u>
	<u>\$ 2,506</u>	<u>\$ (659)</u>

A reconciliation of taxes on income computed at the U.S. federal statutory rate to amounts provided is as follows:

	Years Ended December 31,			
	2021		2020	
	\$	%	\$	%
Tax provision computed at the federal statutory rate	\$ 5,739	21%	\$ 2,549	21%
(Decrease) increase in taxes resulting from:				
Different tax rates applicable to foreign operations	(1,641)	(6%)	311	3%
Reversal of liability for uncertain tax positions - net	(413)	(2%)	(1,432)	(12%)
Impact of U.S. Tax Reform	-	0%	(1,129)	(9%)
Research and experimentation and foreign tax credits	343	1%	(245)	(2%)
State taxes, net of federal benefit	42	0%	4	0%
SERP/COLI and restricted stock income	(172)	(1%)	(234)	(2%)
Other, net	(1,392)	(5%)	(483)	(4%)
Tax provision (benefit) computed at the Company's effective tax rate	<u>\$ 2,506</u>	<u>9%</u>	<u>\$ (659)</u>	<u>(5%)</u>

As of December 31, 2021, the Company has \$25.1 million of deferred tax assets, which the Company evaluates for utilization on an annual basis. The Company has gross federal, state and foreign net operating losses (“NOL”) of \$30.1 million which amount to \$6.8 million of deferred tax assets. In addition, the Company has \$1.3 million of credit carryforwards and acquired deferred tax assets of \$0.9 million. The Company believes that it is more likely than not that the benefit arising from certain NOL, credit carryforwards and acquisition assets will not be realized. In recognition of this risk, the Company has provided a valuation allowance of \$8.1 million on these deferred tax assets. The federal and certain foreign NOL's can be carried forward indefinitely, the state and certain foreign NOL's expire at various times during 2025 – 2040 and the tax credit carryforwards expire at various times during 2028 - 2040.

Management has no specific plans to indefinitely reinvest the unremitted earnings of our foreign subsidiaries as of December 31, 2021. Applicable income and dividend withholding taxes of \$0.3 million have been reflected in the accompanying consolidated statements of operations for the year ended December 31, 2021. Due to the practicality of determining the deferred taxes on outside basis differences in our investments in our foreign subsidiaries, we have not provided for deferred taxes on outside basis differences and deemed that these basis differences will be indefinitely reinvested.

Components of deferred income tax assets and liabilities are as follows:

	December 31,	
	2021	2020
	Tax Effect	Tax Effect
<b>Deferred tax assets:</b>		
State tax credits	\$ 812	\$ 757
Unfunded pension liability	965	1,840
Reserves and accruals	4,124	3,181
Federal, state and foreign net operating loss and credit carryforwards	7,586	7,744
Depreciation	488	604
Amortization	130	142
Lease accounting	4,592	3,217
Other accruals	6,364	5,452
Total deferred tax assets	25,061	22,937
<b>Deferred tax liabilities:</b>		
Depreciation	2,450	1,992
Amortization	6,483	6,541
Lease accounting	4,522	3,110
Other accruals	573	330
Total deferred tax liabilities	14,028	11,973
Valuation allowance	8,059	6,289
Net deferred tax assets	\$ 2,974	\$ 4,675

The Company continues to monitor proposed legislation affecting the taxation of transfers of U.S. intangible property and other potential tax law changes.



## 10. DEBT

At December 31, 2021 and 2020, borrowings outstanding related to the respective term loans described below were \$0 and \$104.8 million, respectively, with \$112.5 million and \$12.0 million in borrowings outstanding under the revolver, respectively. The unused credit available under the applicable credit facility was \$62.5 million at December 31, 2021 and \$63.0 million at December 31, 2020. At December 31, 2020, the carrying value of the debt on the consolidated balance sheets is reflected net of \$1.3 million of deferred financing costs.

The interest rate in effect at December 31, 2021 was 1.60%, which consisted of LIBOR of 0.10% plus the Company's margin of 1.50%. The interest rate in effect at December 31, 2020 was 2.19%, which consisted of LIBOR of 0.19% plus the Company's margin of 2.00%. In connection with its outstanding borrowings and amortization of the deferred financing costs described below, the Company incurred \$3.5 million and \$4.7 million of interest expense during the years ended December 31, 2021 and 2020, respectively. The interest expense for the year ended December 31, 2021 included \$0.8 million of deferred financing costs amortized in connection with the extinguishment of debt under the Prior Credit Agreement (as defined below) as further described under "2021 Refinancing" below.

### **2014 Credit and Security Agreement**

On June 19, 2014, the Company entered into a senior Credit and Security Agreement with KeyBank National Association ("KeyBank"), as administrative agent and lender, which was amended on June 30, 2014 principally to add a syndicate of additional lenders (as so amended, the "2014 CSA"). The 2014 CSA consisted of (i) a \$50 million revolving credit facility ("Revolver"), (ii) a \$145 million term loan facility ("Term Loan") and (iii) a \$70 million delayed draw term loan ("DDTL"). The maturity date of the 2014 CSA was June 18, 2019. The Company recorded \$5.8 million of deferred financing costs associated with the 2014 CSA, to be amortized through interest expense over the 5-year term of the agreement.

### **2016 Amendment**

In March 2016, the Company amended the terms of the 2014 CSA to modify (i) the date by which the Company was obligated to make excess cash flow prepayments in 2016 on account of excess cash flow achieved for fiscal year 2015, (ii) the method of application of mandatory and voluntary prepayments related to the Company's loans, and (iii) the maximum Leverage Ratio of the Company allowed under the 2014 CSA for the period from the effective date of the amendment through September 2016. In connection with this amendment to the 2014 CSA, the Company paid \$0.7 million of deferred financing costs, and the modification to the amortization schedule resulted in \$0.5 million of existing deferred financing costs to be accelerated and recorded as interest expense during the first quarter of 2016.

### **2017 Amendment and Refinancing**

On December 11, 2017, the Company refinanced the borrowings under the 2014 CSA and further amended its terms as follows: (i) extended the maturity date to December 11, 2022, (ii) revised the amount of the Term Loan to \$125.0 million, (iii) increased the amount available under the Revolver to \$75.0 million, (iv) reduced mandatory amortization payments over the first four years of the new 5-year term; and (v) reduced the pricing grid related to interest expense, among other items (as so amended, the "2017 CSA"). Concurrent with its entry into the 2017 CSA, the Company's outstanding balances due under the DDTL and Revolver were paid in full. In connection with 2017 CSA and related refinancing, the Company paid \$1.8 million of deferred financing costs. Due to the magnitude of the modifications to the 2014 CSA, including a reduction in the number of lenders within the syndicate, this modification was deemed an extinguishment of the balances outstanding related to the Term Loan and DDTL that originated under the 2014 CSA. As a result, \$1.0 million of existing deferred financing costs were accelerated and recorded as interest expense during the fourth quarter of 2017.

Under the terms of the 2017 CSA, the Company was entitled, subject to the satisfaction of certain conditions, to request additional commitments under the revolving credit facility or term loans in the aggregate principal amount of up to \$75 million to the extent that existing or new lenders agreed to provide such additional commitments and/or term loans.

The borrowings under the 2017 CSA bore interest at a rate equal to, at the Company's option, either (1) LIBOR, plus a margin ranging from 1.375% per annum to 2.75% per annum depending on the Company's leverage ratio, or (2)(a) an "Alternate Base Rate," which was the highest of (i) the federal funds rate plus 0.50%, (ii) KeyBank's prime rate and (iii) the LIBOR rate with a maturity of one month plus 1.00%, plus (b) a margin ranging from 0.375% per annum to 1.75% per annum, depending on the Company's leverage ratio.

The 2017 CSA contained customary representations and warranties, covenants and events of default and financial covenants that measured (i) the ratio of the Company's total funded indebtedness, on a consolidated basis, to the amount of the Company's consolidated EBITDA, as defined, ("Leverage Ratio") and (ii) the ratio of the amount of the Company's consolidated EBITDA to the Company's consolidated fixed charges ("Fixed Charge Coverage Ratio"). If an event of default occurred, the lenders under the CSA would have been entitled to take various actions, including the acceleration of amounts due thereunder and all actions permitted to be taken by a secured creditor.

#### **2020 Amendment**

On February 18, 2020, the Company further amended its credit agreement whereby the Company voluntarily prepaid a portion of its term loan under the credit agreement in the amount of \$8.2 million. The Amendment also served to modify the interest rate and fees applicable to the loans under the credit agreement and change certain covenants related to matters including acquisitions, share repurchases and financial ratios (as so amended, including by all prior amendments, the "Prior Credit Agreement").

#### **2021 Refinancing**

On September 2, 2021, the Company entered into an Amended and Restated Credit and Security Agreement (the "New Credit Agreement"), by and among the Company, as the borrower, KeyBank National Association ("KeyBank"), as administrative agent, swing line lender and issuing lender, and the other lenders identified therein. The New Credit Agreement amends, restates and supersedes Bel's Prior Credit Agreement. The New Credit Agreement provides Bel with a \$175 million 5-year senior secured revolving credit facility (the "New Revolver"), with a sublimit of up to \$10 million available for letters of credit and a sublimit of up to \$5 million available for swing line loans. The New Revolver replaces and refinances the \$75 million revolving credit facility and the \$125 million term loan facility that had existed under the Prior Credit Agreement.

Concurrent with its entry into the New Credit Agreement, the Company borrowed \$115 million under the New Revolver facility, of which approximately \$101.9 million and \$12.0 million, respectively, was applied to discharge and satisfy in full the remaining obligations outstanding under the former term loan and the previous revolving credit facility that had existed under the Prior Credit Agreement.

Under the terms of the New Credit Agreement, the Company is entitled, subject to the satisfaction of certain conditions, to request additional commitments under the New Revolver or the addition of a term loan facility in the aggregate principal amount of up to \$100 million for all such increases (revolver and term) to the extent that existing or new lenders agree to provide such additional commitments and/or term loans. In addition to requesting loans denominated in U.S. dollars, the New Credit Agreement provides that up to a U.S. Dollar equivalent principal amount of \$15 million of the New Revolver may be borrowed by Bel in alternate foreign currencies including Euros, Pounds Sterling, Japanese Yen and such other currency as requested by Bel and consented to by KeyBank and each lender.

In connection with the effectiveness of the New Credit Agreement, the Company and certain of the Company's material U.S. subsidiaries (together with the Company, the "Loan Parties") provided to the administrative agent, for the benefit of the lenders, confirmation of the continuing use and effectiveness of each guaranty of payment and each security document executed and delivered by the Loan Parties in connection with the Prior Credit Agreement. As a result, consistent with the Prior Credit Agreement, the obligations of the Company under the New Credit Agreement are guaranteed by the Loan Parties' material U.S. subsidiaries, and secured by a first priority security interest in substantially all of the existing and future personal property of the Loan Parties, certain material real property of the Loan Parties and certain of the Loan Parties' material U.S. subsidiaries, including 65% of the voting capital stock of certain of the Loan Parties' direct foreign subsidiaries.

The borrowings under the New Credit Agreement bear interest, generally payable quarterly, at a rate equal to, at the Company's option, either (1) LIBOR, plus a margin ranging from 1.125% per annum to 2.125% per annum depending on the Company's leverage ratio, or (2)(a) an alternate "Base Rate," which is the highest of (i) KeyBank's prime rate, (ii) the federal funds rate plus 0.50% and (iii) the LIBOR rate with a maturity of one month plus 1%, plus (b) a margin ranging from 0.125% per annum to 1.125% per annum, depending on the Company's leverage ratio. Additionally, the New Credit agreement contains standard provisions and procedures for transition to a benchmark other than the Eurodollar Rate to determine the applicable interest rate (including reference to the secured overnight financing rate (SOFR) published by the Federal Reserve Bank of New York), with provisions applying that alternate benchmark where applicable following the replacement of LIBOR. Pursuant to the terms of the New Credit Agreement, the Company has agreed to pay to KeyBank, as administrative agent for the ratable account of the revolving lenders in consideration for their commitments in respect of the New Revolver, a commitment fee due quarterly in arrears and calculated based on the average unused amount of the facility (exclusive of swing line exposure), at a rate ranging from 0.2% per annum to 0.3% per annum, depending on the Company's leverage ratio.

Revolving loans borrowed under the New Credit Agreement mature on September 1, 2026, and the commitments with respect to the New Revolver will automatically terminate on such date.

The New Credit Agreement contains customary representations and warranties, covenants and events of default. In addition, the New Credit Agreement contains financial covenants that measure (i) the ratio of the Company's total funded indebtedness, on a consolidated basis, less the aggregate amount of all unencumbered cash and cash equivalents, to the amount of the Company's consolidated EBITDA ("Leverage Ratio") and (ii) the ratio of the amount of the Company's consolidated EBITDA to the Company's consolidated fixed charges ("Fixed Charge Coverage Ratio"). If an event of default occurs, the lenders under the New Credit Agreement would be entitled to take various actions, including the acceleration of amounts due thereunder and all actions permitted to be taken by a secured creditor.

The Company recorded \$0.7 million of deferred financing costs associated with the New Credit Agreement, which are included in other current assets and other assets on the accompanying consolidated balance sheet at December 31, 2021 and will be amortized to interest expense over the five year term of the New Credit Agreement.

At December 31, 2021, the Company was in compliance with its debt covenants, including its most restrictive covenant, the Leverage Ratio.

### **Interest Rate Swaps**

In December 2021, the Company purchased two interest rate swaps (the "2021 Swaps"), each with an aggregate notional amount of \$30 million, or \$60 million in the aggregate, the effect of which is to fix the LIBOR portion of the interest rate on a portion of our outstanding debt on our New Revolver. The 2021 Swaps were effective December 31, 2021 and continue through August 31, 2026, the original termination date of the New Credit Agreement. The 2021 Swaps require the Company to pay interest on the notional amount at the rate of 1.3055% and 1.3180%, respectively, in exchange for the one-month LIBOR rate. See Note 12, "Derivative Instruments and Hedging Activities" for further information on these interest rate derivative instruments entered into in connection with the New Credit Agreement.

Scheduled principal payments of the total debt outstanding at December 31, 2021 are as follows (in thousands):

2022	\$	-
2023		-
2024		-
2025		-
2026		112,500
Total long-term debt		112,500
Less: Current maturities of long-term debt		-
Noncurrent portion of long-term debt	\$	<u>112,500</u>

## 11. ACCRUED EXPENSES

Accrued expenses consist of the following:

	December 31,	
	2021	2020
Sales commissions	\$ 2,049	\$ 2,574
Subcontracting labor	1,622	758
Salaries, bonuses and related benefits	21,342	17,165
Warranty accrual	1,056	1,010
Other	8,384	6,969
	<u>\$ 34,453</u>	<u>\$ 28,476</u>

The change in warranty accrual during 2021 primarily related to repair costs incurred and adjustments to pre-existing warranties. There were no new material warranty charges incurred during 2021.

## 12. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

Our primary objective for holding derivative financial instruments is to manage foreign currency exchange rate risk and interest rate risk, when deemed appropriate. We enter into these contracts in the normal course of business to mitigate risks and not for speculative purposes.

**Foreign Currency Forward Contracts**

Under our risk management strategy, we periodically use foreign currency forward contracts to manage our short-term exposures to fluctuations in operational cash flows resulting from changes in foreign currency exchange rates. These cash flow exposures result from portions of our forecasted operating expenses, primarily compensation and related expenses, which are transacted in currencies other than the U.S. dollar, most notably the Chinese Renminbi and the Mexican Peso. These foreign currency forward contracts generally have maturities of no longer than twelve months, although occasionally we will execute a contract that extends beyond twelve months, depending upon the nature of the underlying risk.

We held outstanding foreign currency forward contracts with notional amounts of \$17.1 million and \$0.4 million as of December 31, 2021 and 2020, respectively.

**Interest Rate Swap Agreements**

To partially mitigate risks associated with the variable interest rates on the revolver borrowings under the New Credit Agreement, in November 2021, we executed a pay-fixed, receive-variable interest rate swap agreement with each of two multinational financial institutions under which we (i) pay interest at a fixed rate of 1.3055% and receive variable interest of one-month LIBOR on a notional amount of \$30.0 million and (ii) pay interest at a fixed rate of 1.3180% and receive variable interest of one-month LIBOR on a notional amount of \$30.0 million (the "2021 Swaps"). The effective date of the 2021 Swaps was December 31, 2021, and settlements with the counterparties began on January 31, 2022 and occur on a monthly basis. The 2021 Swaps will terminate on August 31, 2026.

The 2021 Swaps are designated as cash flow hedges for accounting purposes and as such, changes in their fair value are recognized in accumulated other comprehensive income (loss) in the consolidated balance sheet and are reclassified into the statement of operations within interest expense in the period in which the hedged transaction affects earnings.

## Fair Values of Derivative Financial Instruments

The fair values of our derivative financial instruments and their classifications in our consolidated balance sheets as of December 31, 2021 were as follows:

	Balance Sheet Classification	December 31,	
		2021	2020
<b>Derivative assets:</b>			
Foreign currency forward contracts:			
Designated as cash flow hedges	Other current assets	\$ 57	\$ -
Not designated as hedging instruments	Other current assets	-	12
<b>Total derivative assets</b>		<b>\$ 57</b>	<b>\$ 12</b>
<b>Derivative liabilities:</b>			
Foreign currency forward contracts:			
Not designated as hedging instruments	Other current liabilities	\$ 19	\$ -
Interest rate swap agreements:			
Designated as a cash flow hedge	Other long-term liabilities	116	-
<b>Total derivative liabilities</b>		<b>\$ 135</b>	<b>\$ -</b>

## Derivative Financial Instruments in Cash Flow Hedging Relationships

The effects of derivative financial instruments designated as cash flow hedges on accumulated other comprehensive loss (“AOCL”) and on the consolidated statement of operations for the years ended December 31, 2021 and 2020 were as follows:

	December 31,	
	2021	2020
Net gains (losses) recognized in AOCL:		
Foreign currency forward contracts	\$ 57	\$ -
Interest rate swap agreements	(116)	-
	<b>\$ (59)</b>	<b>\$ -</b>

The gain related to the foreign currency forward contracts is included as a component of currency translation adjustment on the accompanying statement of other comprehensive income at December 31, 2021. The loss related to the interest rate swap agreements is included as a component of unrealized holding (losses) gains on marketable securities on the accompanying statement of other comprehensive income at December 31, 2021. There were no net gains (losses) reclassified from AOCL to the consolidated statements of operations during 2021 or 2020.

### Derivative Financial Instruments Not Designated as Hedging Instruments

(Losses) gains recognized on derivative financial instruments not designated as hedging instruments in our consolidated statements of operations for the years ended December 31, 2021 and 2020 were as follows:

	Classification in Consolidated Statements of Operations	Year Ended December 31,	
		2021	2020
Foreign currency forward contracts	Other (expense) income, net	\$ 62	\$ 134
Interest rate swap agreements	Other (expense) income, net	-	-
		<u>\$ 62</u>	<u>\$ 134</u>

### 13. SEGMENTS

The Company operates in one industry with three reportable operating segments, which represent the Company's three product groups and a corporate segment. The segments consist of Connectivity Solutions, Power Solutions and Protection, Magnetic Solutions and a Corporate segment. The primary criteria by which financial performance is evaluated and resources are allocated are net sales and gross profit. The following is a summary of key financial data:

	Year Ended December 31, 2021				
	Connectivity Solutions	Power Solutions and Protection	Magnetic Solutions	Corporate Segment	Total
Net sales	\$ 165,027	\$ 218,035	\$ 160,432	\$ -	\$ 543,494
Gross Profit	43,501	58,823	34,106	(2,047)	134,383
Gross Profit %	26.4%	27.0%	21.3%	nm	24.7%
Total Assets	147,813	206,719	104,845	52,469	511,846
Capital Expenditures	1,768	4,718	2,911	-	9,397
Depreciation and Amortization Expense	6,683	8,022	2,126	30	16,861

	Year Ended December 31, 2020				
	Connectivity Solutions	Power Solutions and Protection	Magnetic Solutions	Corporate Segment	Total
Net sales	\$ 150,731	\$ 181,488	\$ 133,552	\$ -	\$ 465,771
Gross Profit	42,200	45,587	33,072	(1,129)	119,730
Gross Profit %	28.0%	25.1%	24.8%	nm	25.7%
Total Assets	137,333	180,939	92,538	43,056	453,866
Capital Expenditures	1,955	2,458	1,063	-	5,476
Depreciation and Amortization Expense	5,700	8,611	2,112	-	16,423

Entity-Wide Information

The following is a summary of entity-wide information related to the Company's net sales to external customers by geographic area and by major product line.

	Years Ended December 31,	
	2021	2020
<b>Net Sales by Geographic Location:</b>		
United States	\$ 317,436	\$ 265,676
Macao	137,065	129,303
United Kingdom	20,000	22,017
Slovakia	19,407	17,609
Germany	17,856	13,582
India	12,430	-
Switzerland	8,315	8,612
All other foreign countries	10,985	8,972
Consolidated net sales	<u>\$ 543,494</u>	<u>\$ 465,771</u>

**Net Sales by Major Product Line:**

Connectivity solutions	\$ 165,027	\$ 150,731
Magnetic solutions	160,432	133,552
Power solutions and protection	218,035	181,488
Consolidated net sales	<u>\$ 543,494</u>	<u>\$ 465,771</u>

The following is a summary of long-lived assets by geographic area as of December 31, 2021 and 2020:

	December 31,	
	2021	2020
<b>Long-lived Assets by Geographic Location:</b>		
United States	\$ 30,438	\$ 26,748
People's Republic of China (PRC)	29,904	28,711
Slovakia	6,675	5,514
United Kingdom	1,264	1,715
All other foreign countries	1,190	1,235
Consolidated long-lived assets	<u>\$ 69,471</u>	<u>\$ 63,923</u>

Long-lived assets consist of property, plant and equipment, net and other assets of the Company that are identified with the operations of each geographic area.

The territory of Hong Kong became a Special Administrative Region ("SAR") of the PRC in the middle of 1997. The territory of Macao became a SAR of the PRC at the end of 1999. Management cannot presently predict what future impact this will have on the Company, if any, or how the political climate in the PRC will affect the Company's contractual arrangements in the PRC. A significant portion of the Company's manufacturing operations and approximately 35.6% of its identifiable assets are located in Asia.

Net Sales to Major Customers

The Company had net sales to one customer in excess of ten percent of consolidated net sales in 2021 and 2020. The net sales associated with this customer were \$57.8 million (10.6% of sales) in 2021 and \$55.2 million (11.9% of sales) in 2020. Net sales related to this significant customer were primarily reflected in the Magnetic Solutions operating segment.

## 14. RETIREMENT FUND AND PROFIT SHARING PLAN

The Company maintains the Bel Fuse Inc. Employees' Savings Plan, a defined contribution plan that is intended to meet the applicable requirements for tax-qualification under sections 401(a) and (k) of the Internal Revenue Code of 1986, as amended (the "Code"). The Employees' Savings Plan allows eligible employees to voluntarily contribute a percentage of their eligible compensation, subject to Code limitations, which contributions are matched by the Company in an amount equal to 100% of the first 1% of compensation contributed by participants, and 50% of the next 5% of compensation contributed by participants. The Company's matching contribution is made in the form of Bel Fuse Inc. Class A common stock. Prior to January 1, 2012, the Company's matching and profit sharing contributions were made in the form of shares of Bel Fuse Inc. Class A and Class B common stock. The expense for the years ended December 31, 2021 and 2020 amounted to \$1.2 million and \$1.1 million, respectively. As of December 31, 2021, the plan owned 303,712 and 99,277 shares of Bel Fuse Inc. Class A and Class B common stock, respectively.

The Company's subsidiaries in Asia have a retirement fund covering substantially all of their Hong Kong based full-time employees. Eligible employees contribute up to 5% of salary to the fund. In addition, the Company must contribute a minimum of 5% of eligible salary, as determined by Hong Kong government regulations. The Company currently contributes 7% of eligible salary in cash or Company stock. The expense for the years ended December 31, 2021 and 2020 amounted to approximately \$2.7 million and \$0.3 million, respectively. As of December 31, 2021, the plan owned 3,323 and 17,342 shares of Bel Fuse Inc. Class A and Class B common stock, respectively.

The Company maintains a SERP, which is designed to provide a limited group of key management and other key employees of the Company with supplemental retirement and death benefits. Participants in the SERP are selected by the Compensation Committee of the Board of Directors. The SERP initially became effective in 2002 and was amended and restated in April 2007 to conform with applicable requirements of Section 409A of the Internal Revenue Code and to modify the provisions regarding benefits payable in connection with a change in control of the Company. The Plan is unfunded. Benefits under the SERP are payable from the general assets of the Company, but the Company has established a rabbi trust which includes certain life insurance policies in effect on participants as well as other investments to partially cover the Company's obligations under the Plan. See Note 6, "Other Assets," for further information on these assets.

The benefits available under the SERP vary according to when and how the participant terminates employment with the Company. If a participant retires (with the prior written consent of the Company) on his normal retirement date (65 years old, 20 years of service, and 5 years of Plan participation), his normal retirement benefit under the Plan would be annual payments equal to 40% of his average base compensation (calculated using compensation from the highest five consecutive calendar years of Plan participation), payable in monthly installments for the remainder of his life. If a participant retires early from the Company (55 years old, 20 years of service, and five years of Plan participation), his early retirement benefit under the Plan would be an amount (i) calculated as if his early retirement date were in fact his normal retirement date, (ii) multiplied by a fraction, with the numerator being the actual years of service the participant has with the Company and the denominator being the years of service the participant would have had if he had retired at age 65, and (iii) actuarially reduced to reflect the early retirement date. If a participant dies prior to receiving 120 monthly payments under the Plan, his beneficiary would be entitled to continue receiving benefits for the shorter of (i) the time necessary to complete 120 monthly payments or (ii) 60 months. If a participant dies while employed by the Company, his beneficiary would receive, as a survivor benefit, an annual amount equal to (i) 100% of the participant's annual base salary at date of death for one year, and (ii) 50% of the participant's annual base salary at date of death for each of the following four years, each payable in monthly installments. The Plan also provides for disability benefits, and a forfeiture of benefits if a participant terminates employment for reasons other than those contemplated under the Plan. The expense related to the Plan for the years ended December 31, 2021 and 2020 amounted to \$1.7 million and \$1.6 million, respectively.

Net Periodic Benefit Cost

The net periodic benefit cost related to the SERP consisted of the following components during the years ended December 31, 2021 and 2020:

	Years Ended December 31,	
	2021	2020
Service Cost	\$ 677	\$ 600
Interest Cost	540	636
Net amortization	509	343
Net periodic benefit cost	<u>\$ 1,726</u>	<u>\$ 1,579</u>

The service cost component of net benefit cost is presented within cost of sales or selling, general and administrative expense on the accompanying consolidated statements of operations, in accordance with where compensation cost for the related associate is reported. All other components of net benefit cost, including interest cost and net amortization noted above, are presented within other expense, net in the accompanying consolidated statements of operations.



Obligations and Funded Status

Summarized information about the changes in plan assets and benefit obligation, the funded status and the amounts recorded at December 31, 2021 and 2020 are as follows:

	Years Ended December 31,	
	2021	2020
Fair value of plan assets, January 1	\$ -	\$ -
Company contributions	504	446
Benefits paid	(504)	(446)
Fair value of plan assets, December 31	\$ -	\$ -
Benefit obligation, January 1	\$ 24,308	\$ 21,541
Service cost	677	600
Interest cost	540	636
Benefits paid	(504)	(446)
Actuarial (gains) losses	(1,441)	1,977
Benefit obligation, December 31	\$ 23,580	\$ 24,308
Underfunded status, December 31	\$ (23,580)	\$ (24,308)

The Company has recorded the 2021 and 2020 underfunded status as a long-term liability on the consolidated balance sheets. The accumulated benefit obligation for the SERP was \$21.8 million as of December 31, 2021 and \$22.4 million as of December 31, 2020. The aforementioned company-owned life insurance policies and marketable securities held in a rabbi trust had a combined value of \$16.4 million and \$15.4 million at December 31, 2021 and 2020, respectively. See Note 6, "Other Assets," for additional information on these investments.

The estimated net loss and prior service cost for the SERP that will be amortized from accumulated other comprehensive loss into net periodic benefit cost over the next fiscal year is \$0.3 million. The Company expects to make contributions of \$0.6 million to the SERP in 2022. The Company had no net transition assets or obligations recognized as an adjustment to other comprehensive income and does not anticipate any plan assets being returned to the Company during 2022, as the plan has no assets.

The following benefit payments, which reflect expected future service, are expected to be paid:

	Years Ending December 31,	
2022	\$	935
2023		940
2024		979
2025		1,021
2026		1,016
2027 - 2031		6,057

The following gross amounts are recognized net of tax in accumulated other comprehensive loss:

	December 31,	
	2021	2020
Prior service cost	\$ 460	\$ 586
Net loss	1,391	1,773
	\$ 1,851	\$ 2,359

#### Actuarial Assumptions

The weighted average assumptions used in determining the periodic net cost and benefit obligation information related to the SERP are as follows:

	Years Ended December 31,	
	2021	2020
<b>Net periodic benefit cost:</b>		
Discount rate	2.25%	3.00%
Rate of compensation increase	2.50%	2.50%
<b>Benefit obligation:</b>		
Discount rate	2.75%	2.25%
Rate of compensation increase	2.50%	2.50%

## 15. SHARE-BASED COMPENSATION

The Company has an equity compensation program (the "Program") which provides for the granting of "Incentive Stock Options" within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended, non-qualified stock options and restricted stock awards. The Company believes that such awards better align the interest of its employees with those of its shareholders. The 2020 Equity Compensation Plan provides for the issuance of 1.0 million shares of the Company's Class B common stock. At December 31, 2021, 795,000 shares remained available for future issuance under the 2020 Equity Compensation Plan. The 2011 Equity Compensation Plan provided for the issuance of 1.4 million shares of the Company's Class B common stock. At December 31, 2021, no shares remained available for future issuance under the 2011 Equity Compensation Plan.

The Company records compensation expense in its consolidated statements of operations related to employee stock-based options and awards. The aggregate pretax compensation cost recognized for stock-based compensation amounted to approximately \$2.3 million and \$2.3 million for 2021 and 2020, respectively, and related solely to restricted stock awards. The Company did not use any cash to settle any equity instruments granted under share-based arrangements during 2021 and 2020. At December 31, 2021 and 2020, the only instruments issued and outstanding under the Program related to restricted stock awards.

### Restricted Stock Awards

The Company provides common stock awards to certain officers, directors and key employees. The Company grants these awards, at its discretion, from the shares available under the Program. Unless otherwise provided at the date of grant or unless subsequently accelerated, the shares awarded are typically earned in 25% increments on the second, third, fourth and fifth anniversaries of the award and are distributed provided the employee has remained employed by the Company through such anniversary dates; otherwise the unearned shares are forfeited. The market value of these shares at the date of award is recorded as compensation expense on the straight-line method over the applicable vesting period from the respective award dates, as adjusted for forfeitures of unvested awards. During 2021 and 2020, the Company issued 209,000 shares and 113,000 shares of the Company's Class B common stock, respectively, under a restricted stock plan to various officers, directors and employees.

A summary of the restricted stock activity under the Program for the year ended December 31, 2021 is presented below:

Restricted Stock Awards	Shares	Weighted Average Award Price	Weighted Average Remaining Contractual Term (In Years)
Outstanding at January 1, 2021	405,450	\$ 19.77	3.0
Granted	209,000	15.07	
Vested	(112,100)	23.85	
Forfeited	(40,500)	16.98	
Outstanding at December 31, 2021	<u>461,850</u>	\$ 16.94	3.2

As of December 31, 2021, there was \$5.3 million of total pretax unrecognized compensation cost related to non-vested stock-based compensation arrangements granted under the restricted stock award plan. That cost is expected to be recognized over a period of 4.9 years. This expense is recorded in cost of sales and SG&A expense based upon the employment classification of the award recipients.

The Company's policy is to issue new shares to satisfy restricted stock awards. Currently the Company believes that the majority of its restricted stock awards will vest.

## 16. COMMON STOCK

As of December 31, 2021, according to regulatory filings, there was one shareholder of the Company's common stock (other than shareholders subject to specific exceptions) with ownership in excess of 10% of Class A outstanding shares with no ownership of the Company's Class B common stock. In accordance with the Company's certificate of incorporation, the Class B Protection clause is triggered if a shareholder owns 10% or more of the outstanding Class A common stock and does not own an equal or greater percentage of all then outstanding shares of both Class A and Class B common stock (all of which common stock must have been acquired after the date of the 1998 recapitalization). In such a circumstance, such shareholder must, within 90 days of the trigger date, purchase Class B common shares, in an amount and at a price determined in accordance with a formula described in the Company's certificate of incorporation, or forfeit its right to vote its Class A common shares. As of December 31, 2021, to the Company's knowledge, this shareholder had not purchased any Class B shares to comply with these requirements. In order to vote its shares at Bel's next shareholders' meeting, this shareholder must either purchase the required number of Class B common shares or sell or otherwise transfer Class A common shares until its Class A holdings are under 10%. As of December 31, 2021, to the Company's knowledge, this shareholder owned 19.1% of the Company's Class A common stock in the aggregate and had not taken steps to either purchase the required number of Class B common shares or sell or otherwise transfer Class A common shares until its Class A holdings fall below 10%. Unless and until this situation is satisfied in a manner permitted by the Company's Restated Certificate of Incorporation, the subject shareholder will not be permitted to vote its shares of common stock.

Throughout 2021 and 2020, the Company declared cash dividends on a quarterly basis at a rate of \$0.06 per Class A (voting) share of common stock and \$0.07 per Class B (non-voting) share of common stock. The Company declared and paid cash dividends totaling \$3.4 million and \$3.4 million in 2021 and 2020, respectively. There are no contractual restrictions on the Company's ability to pay dividends, provided that the Company is not in default under its credit agreements immediately before such payment and after giving effect to such payment.

## 17. LEASES

The Company has operating leases for its facilities used for manufacturing, research and development, sales and administration. There are also operating and finance leases related to manufacturing equipment, office equipment and vehicles. These leases have remaining lease terms ranging from 1 year to 8 years. Certain of the leases contain options to extend the term of the lease and certain of the leases contain options to terminate the lease within a specified period of time. These options to extend or terminate a lease are included in the lease term only when it is reasonably likely that the Company will elect that option. The Company is not a party to any material sublease arrangements.

The components of lease expense, which are included in cost of sales, research and development costs, and selling, general and administrative expense, based on the underlying use of the ROU asset, were as follows:

	Year Ended December 31,	
	2021	2020
Amortization of ROU assets - finance leases	\$ 270	\$ 205
Interest on lease liabilities - finance leases	77	65
Operating lease cost (cost resulting from lease payments)	8,229	8,113
Short-term lease cost	183	189
Variable lease cost (cost excluded from lease payments)	297	270
Sublease income	-	-
Total lease cost	<u>\$ 9,056</u>	<u>\$ 8,842</u>

Supplemental cash flow information related to leases is as follows:

	Year Ended December 31,	
	2021	2020
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 8,250	\$ 8,022
Operating cash flows from finance leases	77	65
Finance cash flows from finance leases	253	185
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	12,595	3,384
Finance leases	1,862	451

Supplemental balance sheet information related to leases was as follows:

	2021	2020
<b>Operating Leases:</b>		
Operating lease right-of-use assets	\$ 21,252	\$ 14,217
Operating lease liability, current	6,880	6,591
Operating lease liability, long-term	14,668	8,064
Total operating lease liabilities	<u>\$ 21,548</u>	<u>\$ 14,655</u>
<b>Finance Leases:</b>		
Property, plant and equipment, gross	\$ 2,719	\$ 966
Accumulated depreciation	(690)	(391)
Property, plant and equipment, net	<u>\$ 2,029</u>	<u>\$ 575</u>
Other current liabilities	\$ 363	\$ 198
Other long-term liabilities	1,650	790
Total finance lease liabilities	<u>\$ 2,013</u>	<u>\$ 988</u>
<b>Weighted-Average Remaining Lease Term:</b>		
Operating leases (in years)	4.3	2.7
Finance leases (in years)	5.9	4.6
<b>Weighted-Average Discount Rate:</b>		
Operating leases	6.0%	6.0%
Finance leases	6.1%	6.3%

Our discount rate is based on our incremental borrowing rate, as adjusted based on the geographic regions in which our lease assets are located.

Maturities of lease liabilities were as follows as of December 31, 2021:

Year Ending December 31,	Operating Leases	Finance Leases
2022	\$ 7,891	\$ 555
2023	5,366	555
2024	3,920	542
2025	3,240	391
2026	2,950	391
Thereafter	1,538	577
Total undiscounted cash flows	24,905	3,011
Less imputed interest	(3,357)	(998)
Present value of lease liabilities	\$ 21,548	\$ 2,013

## 18. COMMITMENTS AND CONTINGENCIES

### Other Commitments

The Company submits purchase orders for raw materials to various vendors throughout the year for current production requirements, as well as forecasted requirements. Certain of these purchase orders relate to special purpose material and, as such, the Company may incur penalties if an order is cancelled. The Company had outstanding purchase orders related to raw materials in the amount of \$119.6 million and \$42.5 million at December 31, 2021 and December 31, 2020, respectively. The Company also had outstanding purchase orders related to capital expenditures in the amount of \$5.1 million and \$2.1 million at December 31, 2021 and December 31, 2020, respectively.

### Legal Proceedings

The Company is party to a number of legal actions and claims, none of which individually or in the aggregate, in the opinion of management, are expected to have a material adverse effect on the Company's consolidated results of operations or consolidated financial position.

On June 23, 2021, a patent infringement lawsuit styled *Bel Power Solutions, Inc. v. Monolithic Power Systems, Inc.*, Case Number 6:21cv00655, was filed in the United States District Court for the Western District of Texas (Waco Division) by Bel Power Solutions, Inc. against Monolithic Power Systems, Inc. for infringement of various patents directed towards systems, methods and articles of manufacture that provide a substantial improvement in power control for circuits, including novel and unique point-of-load regulators. A parallel Complaint asserting the same patents against Monolithic Power Systems, Inc. was also filed in the United States District Court for the District of Delaware in order to safeguard against potential venue challenges. The Company has made a demand for a jury trial in both Complaints.

In connection with the Company's 2014 acquisition of the Power-One Power Solutions business ("Power Solutions") of ABB Ltd., there is an ongoing claim by the Arezzo Revenue Agency in Italy concerning certain tax matters related to what was then Power-One Asia Pacific Electronics Shenzhen Co. Ltd. (now Bel Power Solutions Asia Pacific Electronics Shenzhen Co. Ltd, or "BPS China") for the years 2004 to 2006. In September 2012, the Tax Court of Arezzo ruled in favor of BPS China and cancelled the claim. In February 2013, the Arezzo Revenue Agency filed an appeal of the Tax Court's ruling. The hearing of the appeal was held on October 2, 2014. On October 13, 2014, BPS China was informed of the Regional Tax Commission of Florence ruling which was in favor of the Arezzo Revenue Agency and against BPS China. An appeal was filed on July 18, 2015 before the Regional Tax Commission of Florence and rejected. On December 5, 2016, the Arezzo Revenue Agency filed an appeal with the Supreme Court and BPS China filed a counter-appeal on January 4, 2017. The Supreme Court has yet to render its judgment. The estimated liability related to this matter is approximately \$12.0 million and has been included as a liability for uncertain tax positions on the accompanying consolidated balance sheets. As Bel is fully indemnified in this matter per the terms of the stock purchase agreement with ABB, a corresponding other asset for indemnification is also included in other assets on the accompanying consolidated balance sheets at December 31, 2021 and 2020.

The Company is not a party to any other legal proceeding, the adverse outcome of which is likely to have a material adverse effect on the Company's consolidated financial condition or consolidated results of operations.

#### 19. ACCUMULATED OTHER COMPREHENSIVE LOSS

The components of accumulated other comprehensive loss as of December 31, 2021 and 2020 are summarized below:

	December 31,	
	2021	2020
Foreign currency translation adjustment, net of taxes of (\$417) at December 31, 2021 and (\$750) at December 31, 2020	\$ (14,911)	\$ (13,142)
Unrealized holding (losses) gains on available-for-sale securities, net of taxes of (\$7) at December 31, 2021 and \$0 at December 31, 2020	(87)	19
Unfunded SERP liability, net of taxes of (\$502) at December 31, 2021 and (\$1,377) at December 31, 2020	(3,865)	(4,940)
<b>Accumulated other comprehensive loss</b>	<b><u>\$ (18,863)</u></b>	<b><u>\$ (18,063)</u></b>

Changes in accumulated other comprehensive (loss) income by component during the years ended December 31, 2021 and 2020 are as follows. All amounts are net of tax.

	Foreign Currency Translation Adjustment	Unrealized Holding Gains (Losses) on Available-for- Sale Securities	Unfunded SERP Liability	Total
<b>Balance at January 1, 2020</b>	<b><u>\$ (20,032)</u></b>	<b><u>\$ 12</u></b>	<b><u>\$ (4,045)</u></b>	<b><u>\$ (24,065)</u></b>
Other comprehensive income (loss) before reclassifications	6,890	7	(933)	5,964
Amounts reclassified from accumulated other comprehensive income (loss)	-	-	38 (a)	38
Net current period other comprehensive income (loss)	<u>6,890</u>	<u>7</u>	<u>(895)</u>	<u>6,002</u>
<b>Balance at December 31, 2020</b>	<b><u>(13,142)</u></b>	<b><u>19</u></b>	<b><u>(4,940)</u></b>	<b><u>(18,063)</u></b>
Other comprehensive income (loss) before reclassifications	(1,769)	(106)	1,431	(444)
Amounts reclassified from accumulated other comprehensive income (loss)	-	-	(356) (a)	(356)
Net current period other comprehensive income (loss)	<u>(1,769)</u>	<u>(106)</u>	<u>1,075</u>	<u>(800)</u>
<b>Balance at December 31, 2021</b>	<b><u>\$ (14,911)</u></b>	<b><u>\$ (87)</u></b>	<b><u>\$ (3,865)</u></b>	<b><u>\$ (18,863)</u></b>

- (a) This reclassification relates to the amortization of prior service costs and gains/losses associated with the Company's SERP plan. This expense is reflected in other expense, net on the accompanying consolidated statement of operations.

**Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure**

None.

**Item 9A. Controls and Procedures**

Evaluation of Disclosure Controls and Procedures

During the fourth quarter of 2021, the Company's management, including the principal executive officer and principal financial officer, supervised and participated in the evaluation of 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) related to the recording, processing, summarization, and reporting of information in the Company's periodic reports that the Company files with the SEC. These disclosure controls and procedures have been designed to ensure that material information relating to the Company, including its subsidiaries, is made known to the Company's management, including these officers, by other of the Company's employees, and that this information is recorded, processed, summarized, evaluated, and reported, as applicable, within the time periods specified in the SEC's rules and forms.

In designing and evaluating the disclosure controls and procedures, the Company recognizes that any controls and procedures, no matter how well designed and operated, provide only reasonable, not absolute, assurance that the above objectives have been met. Notwithstanding these limitations, the Company believes that its disclosure controls and procedures are designed and are operating to provide reasonable assurances of achieving their objectives.

Based on their evaluation as of December 31, 2021, the Company's principal executive officer and principal financial officer have 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) are effective to ensure that the information required to be disclosed by the Company in the reports that the Company files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms.

Management's Annual Report on Internal Control Over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of the Company's management, including the Company's principal executive officer and principal financial officer, the Company conducted an evaluation of the effectiveness of the Company's internal control over financial reporting based on the framework in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Based on the Company's evaluation under the framework in *Internal Control – Integrated Framework (2013)*, the Company's management concluded that the Company's internal control over financial reporting was effective as of December 31, 2021.

Grant Thornton LLP has audited the effectiveness of the Company's internal control over financial reporting as of December 31, 2021 and has expressed an unqualified opinion on the effectiveness of our internal control over financial reporting as of December 31, 2021 in their report which is included in Item 8 herein.

Changes in Internal Controls Over Financial Reporting

There has not been any change in our internal control over financial reporting during the three months ended December 31, 2021 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**Item 9B. Other Information**

None.

**Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections**

Not applicable.



**PART III****Item 10. Directors, Executive Officers and Corporate Governance**

The Registrant incorporates by reference herein information to be set forth in its definitive proxy statement for its 2022 annual meeting of shareholders that is responsive to the information required with respect to this item.

The Registrant has adopted a code of ethics for all of its associates, including directors, executive officers and all other senior financial personnel. The code of ethics, as amended from time to time, is available on the Registrant's website under Corporate Governance. The Registrant will also make copies of its code of ethics available to investors upon request. Any such request should be sent by mail to Bel Fuse Inc., 206 Van Vorst Street, Jersey City, NJ 07302 Attn: Farouq Tuweiq or should be made by telephone by calling Farouq Tuweiq at 201-432-0463.

The Registrant intends to satisfy the disclosure requirement under Item 5.05 of Form 8-K regarding an amendment to, or a waiver from, a provision of its code of ethics that applies to the Registrant's principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions and that relates to any element of the code of ethics definition enumerated in paragraph (b) of Item 406 of the SEC's Regulation S-K, by posting such information on the Registrant's website, www.belfuse.com.

**Item 11. Executive Compensation**

The Registrant incorporates by reference herein information to be set forth in its definitive proxy statement for its 2022 annual meeting of shareholders that is responsive to the information required with respect to this Item.

**Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**

The Registrant incorporates by reference herein information to be set forth in its definitive proxy statement for its 2022 annual meeting of shareholders that is responsive to the remaining information required with respect to this Item.

The table below depicts the securities authorized for issuance under the Company's equity compensation plans.

**Equity Compensation Plan Information**

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)
Equity compensation plans approved by security holders:			
2020 Equity Compensation Plan	-	\$ -	795,000
Equity compensation plans not approved by security holders	-	-	-
Totals	-	\$ -	795,000

**Item 13. Certain Relationships and Related Transactions, and Director Independence**

The Registrant incorporates by reference herein information to be set forth in its definitive proxy statement for its 2022 annual meeting of shareholders that is responsive to the information required with respect to this Item.

**Item 14. Principal Accountant Fees and Services**

The Registrant incorporates by reference herein information to be set forth in its definitive proxy statement for its 2022 annual meeting of shareholders that is responsive to the information required with respect to this Item.

## PART IV

## Item 15.

**Exhibits and Financial Statement Schedules****(a) Documents filed as a part of this Annual Report on Form 10-K:**

(1) Financial Statements

See Index to Consolidated Financial Statements in Item 8 of this Form 10-K.

(2) Exhibits

## Exhibit No.:

- 3.1 [Restated Certificate of Incorporation, as amended, is incorporated by reference to \(i\) Restated Certificate of Incorporation filed as Exhibit 3.1 of the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1998 and \(ii\) Certificate of Amendment to the Company's Restated Certificate of Incorporation filed as Exhibit 3.1 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1999.](#)
- 3.2 [Amended and Restated By-Laws of Bel Fuse Inc. \(Adopted March 27, 2020\), are incorporated by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K filed on April 2, 2020.](#)
- 4.1\* [Description of securities.](#)
- 10.1† [2020 Equity Compensation Plan, as amended, is incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on June 12, 2020.](#)
- 10.2† [Amended and Restated Bel Fuse Supplemental Executive Retirement Plan, dated as of April 17, 2007. Filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on April 23, 2007 and incorporated herein by reference.](#)
- 10.3† [2011 Equity Compensation Program. Incorporated by reference to the Registrant's proxy statement for its 2011 annual meeting of shareholders.](#)
- 10.4 [Amended and Restated Credit and Security Agreement, dated as of September 2, 2021, by and among Bel Fuse Inc., as Borrower, KeyBank National Association, as Administrative Agent, Swing Line Lender and Issuing Lender, and the other lenders identified therein, is incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on September 9, 2021.](#)
- 10.5 [ISDA Master Agreement, by and between Bel Fuse Inc. and PNC Bank, National Association, dated as of November 10, 2021, is incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on December 10, 2021.](#)
- 10.6 [ISDA Master Agreement, by and between Bel Fuse Inc. and KeyBank National Association, dated as of November 16, 2021, is incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on December 10, 2021.](#)
- 10.7 [Confirmation of transaction, by and between Bel Fuse Inc. and PNC Bank, National Association, dated as of December 6, 2021, is incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on December 10, 2021.](#)
- 10.8 [Confirmation of transaction, by and between Bel Fuse Inc. and KeyBank National Association, dated as of December 6, 2021, is incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed on December 10, 2021.](#)
- 10.9 [Consulting Agreement, dated October 15, 2021, by and between Bel Fuse Inc. and HR Asset Partners.](#)
- 11.1 A statement regarding the computation of earnings per share is omitted because such computation can be clearly determined from the material contained in this Annual Report on Form 10-K.
- 21.1\* [Subsidiaries of the Registrant.](#)
- 23.1\* [Consent of Independent Registered Public Accounting Firm \(Grant Thornton LLP\).](#)
- 23.2\* [Consent of Independent Registered Public Accounting Firm \(Deloitte & Touche LLP\).](#)

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24.1*	<a href="#">Power of attorney (included on the signature page)</a>
31.1*	<a href="#">Certification of the Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
31.2*	<a href="#">Certification of the Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
32.1**	<a href="#">Certification of the Principal Executive Officer pursuant to Section 906 of the Sarbanes - Oxley Act of 2002.</a>
32.2**	<a href="#">Certification of the Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
101.INS*	Inline XBRL Instance Document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

\* Filed herewith.

\*\* Submitted herewith.

† Management contract or compensatory plan or arrangement.

**Item 16. Form 10-K Summary**

None.

## 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.

BEL FUSE INC.  
(Registrant)

By: /s/ Daniel Bernstein  
Daniel Bernstein  
*President and Chief Executive Officer*

Dated: March 14, 2022

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Daniel Bernstein and Farouq Tuweiq as his/her attorney-in-fact and agent, with full power of substitution and resubstitution, for him/her and in his/her name, place, and stead, in any and all capacities, to sign and file any and all amendments to this Annual Report on Form 10-K, with all exhibits thereto and hereto, and other documents with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent, and each of them, full power and authority to do and perform each and every act and thing requisite or necessary to be done in and about the premises, as fully to all intents and purposes as he/she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his substitutes, may lawfully do or cause to be done by virtue hereof.

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.

Signature	Title	Date
<u>/s/ Daniel Bernstein</u> Daniel Bernstein	President, Chief Executive Officer and Director <i>(Principal Executive Officer)</i>	March 14, 2022
<u>/s/ Peter Gilbert</u> Peter Gilbert	Director	March 14, 2022
<u>/s/ John Tweedy</u> John Tweedy	Director	March 14, 2022
<u>/s/ Mark Segall</u> Mark Segall	Director	March 14, 2022
<u>/s/ Eric Nowling</u> Eric Nowling	Director	March 14, 2022
<u>/s/ Vincent Vellucci</u> Vincent Vellucci	Director	March 14, 2022
<u>/s/ Thomas E. Dooley</u> Thomas E. Dooley	Director	March 14, 2022
<u>/s/ Rita V. Smith</u> Rita V. Smith	Director	March 14, 2022
<u>/s/ Jacqueline Brito</u> Jacqueline Brito	Director	March 14, 2022
<u>/s/ Farouq Tuweiq</u> Farouq Tuweiq	Chief Financial Officer <i>(Principal Financial Officer)</i>	March 14, 2022
<u>/s/ Lynn Hutkin</u> Lynn Hutkin	Director of Financial Reporting <i>(Principal Accounting Officer)</i>	March 14, 2022

### Description of Capital Stock

Bel Fuse Inc. (the "Company") is authorized to issue 10,000,000 shares of Class A Common Stock, par value \$0.10 per share (the "Class A Common Stock"), and 30,000,000 shares of Class B Common Stock, par value \$0.10 per share (the "Class B Common Stock" and, together with the Class A Common Stock, the "Common Stock"). As of March 1, 2022, there were 2,144,912 shares of Class A Common Stock outstanding and 10,373,102 shares of Class B Common Stock outstanding.

The Company is also authorized to 1,000,000 shares of preferred stock, no par value (the "Preferred Stock"), none of which are outstanding.

#### **Common Stock**

##### **Voting**

Except as described below under the caption "Class B Protection," each share of Class A entitles the holder thereof to one vote per share on all matters on which shareholders are entitled to vote, including the election of directors. The Class B Common Stock does not entitle the holder thereof to any vote except as otherwise provided in the Company's certificate of incorporation or as required by law.

##### **Dividends and Other Distributions**

Cash dividends are payable to the holders of Class A Common Stock and Class B Common Stock only as and when declared by the Board of Directors. Subject to the foregoing, cash dividends declared on shares of Class B Common Stock in any calendar year cannot be less than 5% higher per share than the annual amount of cash dividends per share declared in such calendar year on shares of Class A Common Stock. No cash dividends may be paid on shares of Class A Common Stock unless, at the same time, cash dividends are paid on shares of Class B Common Stock, subject to the annual 5% provision described above. Cash dividends may be paid at any time or from time to time on shares of Class B Common Stock without corresponding cash dividends being paid on shares of Class A Common Stock.

Each share of Class A Common Stock and Class B Common Stock is otherwise equal with respect to dividends (other than cash) and distributions (including distributions in connection with any recapitalization and upon liquidation, dissolution or winding up of the Company), except that dividends or other distributions payable on the Common Stock in shares of Common Stock may be made only as follows: (i) in shares of Class B Common Stock to the holders of both Class A Common Stock and Class B Common Stock; or (ii) in shares of Class A Common Stock to the holders of Class A Common Stock and in shares of Class B Common Stock to the holders of Class B Common Stock. The Company's certificate of incorporation also provides that neither the Class A Common Stock nor the Class B Common Stock may be split, subdivided or combined unless the other is proportionately split, subdivided or combined.

The respective amounts of future dividends, if any, to be declared on each class of Common Stock depends on circumstances existing at the time, including the Company's financial condition, capital requirements, earnings, legally available funds for the payment of dividends and other relevant factors.

### **Merger and Consolidations**

Each holder of Class B Common Stock is entitled to receive the same amount and form of consideration per share as the per-share consideration, if any, received by any holder of the Class A Common Stock in a merger or consolidation of the Company (whether or not the Company is the surviving corporation).

### **Class B Protection**

The provisions described under this caption (the "Class B Protection Provisions") may have an anti-takeover effect by making the Company a less attractive target for a takeover bid.

For purposes of the Class B Protection Provisions, the following definitions apply:

"Affiliate" of any Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such Person. For purposes of this definition, control when used with respect to any specified Person means the possession of the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms controlling and controlled have meanings correlative to the foregoing.

"4% Shareholder" means any Person that, alone or together with any Affiliate, or any member of the immediate family (or trusts for the benefit thereof) of any such Person or Affiliate, beneficially owned at June 9, 1998, at least 4% of the aggregate number of shares of the Company's Common Stock then outstanding.

"1934 Act" means the Securities Exchange Act of 1934, as amended.

"Person" means any individual, partnership, joint venture, limited liability company, corporation, association, trust, incorporated organization, government or governmental department or agency or any other entity (other than the Company).

For purposes of the Class B Protection Provisions as set forth in the Company's certificate of incorporation, the following shares of Class A Common Stock are excluded for the purpose of determining the shares of Class A Common Stock beneficially owned or acquired by any Person or group but not for the purpose of determining shares outstanding:

(a) shares beneficially owned by such Person or group (or, in the case of a group, shares beneficially owned by Persons that are members of such group), immediately after the effective time of the recapitalization in 1998 when the Company caused each share of its Common Stock to be converted into one half share of Class A Common Stock and one half share of Class B Common Stock (the "Effective Time");

(b) shares acquired by will or by the laws of descent and distribution, or by a gift that is made in good faith and not for the purpose of circumventing the Class B Protection Provisions, or by termination or revocation of a trust or similar arrangement or by a distribution from a trust or similar arrangement if such trust or similar arrangement was created, and such termination, revocation or distribution occurred or was effected, in good faith and not for the purpose of circumventing the Class B Protection Provisions, or by reason of the ability of a secured party (following a default) to exercise voting rights with respect to, or to dispose of, shares that had been pledged in good faith as security for a bona fide loan, or by foreclosure of a bona fide pledge which secures a bona fide loan;

(c) shares acquired upon issuance or sale by the Company;

(d) shares acquired by operation of law (including a merger or consolidation effected for the purpose of recapitalizing a Person or reincorporating a Person in another jurisdiction but excluding a merger or consolidation effected for the purpose of acquiring another Person);

(e) shares acquired in exchange for Common Stock by a holder of Common Stock (or by a parent, lineal descendant or donee of such holder of Common Stock who received such Common Stock from such holder) if the Common Stock so exchanged was acquired by such holder directly from the Company as a dividend on shares of Class A Common Stock;

(f) shares acquired by a plan of the Company qualified under Section 401(a) of the Internal Revenue Code of 1986, as amended, or any successor provision thereto, or acquired by reason of a distribution from such a plan;

(g) shares beneficially owned by a Person or group immediately after the Effective Time which are thereafter acquired by an Affiliate of such Person or group (or by the members of the immediate family (or trusts for the benefit thereof) of any such Person or Affiliate) or by a group which includes such Person or group or any such Affiliate; and

(h) shares acquired indirectly through the acquisition of securities, or all or substantially all of the assets, of a Person that has a class of its equity securities registered under Section 12 (or any successor provision) of the 1934 Act.

For purposes of calculating the number of shares of Common Stock beneficially owned or acquired by any Person or group in administering the Class B Protection Provisions:

(a) shares of Common Stock acquired by gift are deemed to be beneficially owned by such Person or member of a group if such gift was made in good faith and not for the purpose of circumventing the operations of the Class B Protection Provisions; and

(b) only shares of Common Stock owned of record by such Person or member of a group or held by others as nominees of such Person or member of a group and identified as such to the Company shall be deemed to be beneficially owned by such Person or group (provided that shares of Common Stock with respect to which such Person or member of a group has sole investment and voting power shall be deemed to be beneficially owned thereby).

Subject to the other definitional provisions applicable to the Class B Protection Provisions, "beneficial ownership" under the Class B Protection Provisions is to be determined pursuant to Rule 13d-3 (as in effect on February 1, 1996) promulgated under the 1934 Act, and the formation or existence of a "group" is to be determined pursuant to Rule 13d-5(b) (as in effect on May 1, 1998) promulgated under the 1934 Act, in each case subject to the following additional qualifications:

(a) relationships by blood or marriage between or among any Persons will not constitute any of such Persons as a member of a group with any such other Person(s), absent affirmative attributes of concerted action; and

(b) any Person acting in his or her official capacity as a director or officer of the Company shall not be deemed to beneficially own shares where such ownership exists solely by virtue of such Person's status as a trustee (or similar position) with respect to shares held by plans or trusts for the general benefit of employees or former employees of the Company, and actions taken or agreed to be taken by a Person in such Person's official capacity as an officer or director of the Company will not cause such Person to become a member of a group with any other Person.

If any Person or group (other than any 4% Shareholder) acquires after the Effective Time beneficial ownership of shares representing 10% or more of the then outstanding Class A Common Stock, and such Person or group (a "Significant Shareholder") does not then beneficially own an equal or greater percentage of all then outstanding shares of Class B Common Stock, all of which Class B Common Stock must have been acquired by such Person or group after the Effective Time, the Class B Protection Provisions require that such Significant Shareholder must, in order to maintain all of its voting power, make (within a ninety-day period beginning the day after becoming a Significant Shareholder) a public cash tender offer, in accordance with all applicable laws and regulations, to acquire additional shares of Class B Common Stock (a "Class B Protection Transaction"). The 10% ownership threshold of the number of shares of Class A Common Stock which triggers a Class B Protection Provision may not be waived by the Board of Directors, nor may this threshold be amended without shareholder approval, including a majority vote of the votes cast by the then outstanding shares of Class B Common Stock entitled to vote, tabulated separately as a class.

The Company's certificate of incorporation contains several provisions describing the nature of the public cash tender offer to be made by a Significant Shareholder. If a Significant Shareholder fails to make a tender offer required by the Class B Protection Provisions, or to purchase validly tendered and not withdrawn shares (after proration, if any), the voting rights of all of the shares of Class A Common Stock beneficially owned by such Significant Shareholder which were acquired after the Effective Time are to be automatically suspended until completion of a Class B Protection Transaction or until divestiture of the excess shares of Class A Common Stock that triggered such requirement. To the extent that the voting power of any shares of Class A Common Stock is so suspended, such shares will not be included in the determination of aggregate voting shares for any purpose.



A Class B Protection Transaction is also be required of any Significant Shareholder each time that the Significant Shareholder acquires after the Effective Time beneficial ownership of an additional amount of shares of Class A Common Stock equal to or greater than the next higher integral multiple of 5% in excess of 10% (e.g., 20%, 25%, 30%, etc.) of the outstanding shares of Class A Common Stock and such Significant Shareholder does not then own an equal or greater percentage of all then outstanding shares of Class B Common Stock that such Significant Shareholder acquired after the Effective Time. Such Significant Shareholder would be required to offer to buy that number of additional shares prescribed by a formula set forth in the Company's certificate of incorporation.

The Class B Protection Provisions specifically exclude any 4% Shareholder.

Neither the Class B Protection Transaction requirement nor the related possibility of suspension of voting rights applies to any increase in percentage beneficial ownership of shares of Class A Common Stock resulting solely from a change in the total number of shares of Class A Common Stock outstanding, provided that any acquisition after such change which results in any Person or group having acquired after the Effective Time beneficial ownership of 10% or more of the number of then outstanding shares of Class A Common Stock (or, after the last acquisition which triggered the requirement for a Class B Protection Transaction, additional shares of Class A Common Stock in an amount equal to the next higher integral multiple of 5% in excess of the number of shares of Class A Common Stock then outstanding) is subject to any Class B Protection Transaction requirement that would be otherwise imposed. All calculations with respect to percentage beneficial ownership of issued and outstanding shares of either class of Common Stock are to be based upon the number of issued and outstanding shares reported by the Company on the last to be filed of (i) the Company's most recent Annual Report on Form 10-K, (ii) its most recent Quarterly Report on Form 10-Q, (iii) its most recent Current Report on Form 8-K, and (iv) its most recent definitive proxy statement filed with the SEC.

### **Convertibility**

Except as described below, neither the Class A Common Stock nor the Class B Common Stock is convertible into another class of Common Stock or any other security of the Company.

The Class B Common Stock may be converted into Class A Common Stock on a share-for-share basis by resolution of the Board of Directors if, as a result of the existence of the Class B Common Stock, the Class A Common Stock or the Class B Common Stock or both become excluded from quotation on the NASDAQ National Market System or, if such shares are then quoted on another national quotation system or listed on a national securities exchange, from trading on the principal national quotation system or national securities exchange on which the shares are then traded.

In addition, if at any time, as a result of additional issuances by the Company of Class B Common Stock, repurchases by the Company of Class A Common Stock or a combination of such issuances and repurchases, the number of outstanding shares of Class A Common Stock as reflected on the stock transfer books of the Company falls below 10% of the aggregate number of outstanding shares of Class A Common Stock and Class B Common Stock, then immediately upon the occurrence of such event all of the outstanding shares of Class B Common Stock will be automatically converted into shares of Class A Common Stock, on a share-for-share basis. For purposes of the immediately preceding sentence, any shares of Class A Common Stock or Class B Common Stock repurchased or otherwise acquired by the Company and held as treasury shares will no longer be deemed "outstanding" from and after the date of acquisition.

### **Preemptive Rights**

The Common Stock does not carry any preemptive rights enabling a holder thereof to subscribe for or receive shares of any class of stock of the Company or any securities convertible into shares of any class of stock of the Company.

### **Preferred Stock**

Pursuant to the Company's certificate of incorporation, the Company's board of directors has the authority, without further action by the stockholders, to issue from time to time up to 1,000,000 shares of Preferred Stock in one or more series. The Company's board of directors may designate the rights, preferences, privileges and restrictions of the Preferred Stock, including dividend rights, conversion rights, voting rights, redemption rights, liquidation preference, sinking fund terms and the number of shares constituting any series or the designation of any series. The issuance of Preferred Stock could have the effect of limiting dividends on the Class A Common Stock and Class B Common Stock, diluting the voting power of the Class A Common Stock, impairing the liquidation rights of the Class A Common Stock and Class B Common Stock or delaying, deterring or preventing a change in control. Such issuance could have the effect of decreasing the market price of the Class A Common Stock and Class B Common Stock.

### **Anti-takeover Effects of our Certificate of Incorporation and Bylaws and New Jersey Law**

The Company's certificate of incorporation and bylaws contain provisions that could have the effect of delaying, deferring or discouraging another party from acquiring control of the Company. These provisions and certain provisions of New Jersey law, which are summarized below, could discourage takeovers, coercive or otherwise. These provisions are also designed, in part, to encourage persons seeking to acquire control of the Company to negotiate first with the Company's board of directors. The Company believes that the benefits of increased protection of its potential ability to negotiate with an unfriendly or unsolicited acquirer outweigh the disadvantages of discouraging a proposal to acquire the Company.

*Dual class stock.* As described above, the Company's certificate of incorporation provides for a dual class common stock structure, which provides the holders of the Class A Common Stock (other than those whose right to vote has been suspended) significant influence over all matters requiring shareholder approval, including the election of directors and significant corporate transactions, such as a merger or other sale of the Company or its assets.

*Issuance of undesignated preferred stock.* As discussed above, the Company's board of directors has the ability to designate and issue Preferred Stock with voting or other rights or preferences that could deter hostile takeovers or delay changes in the Company's control or management.

*Board classification.* The Company's certificate of incorporation provides that its board of directors is divided into three classes, one class of which is elected each year by the Company's voting shareholders. The directors in each class serve for a three-year term. The Company's classified board of directors may tend to discourage a third party from making a tender offer or otherwise attempting to obtain control of the Company because it generally makes it more difficult for shareholders to replace a majority of the directors.

*Greater Than Majority Vote.* The Company's certificate of incorporation provides that in addition to any other voting requirement imposed by law, by contract, by the Company's certificate of incorporation or by the Company's by-laws, specific greater than majority voting requirements will apply in order to approve certain "Business Combinations" (as defined in the Company's certificate of incorporation) unless the applicable Business Combination is approved by a majority of the Company's "Continuing Directors" (as defined in the Company's certificate of incorporation) or the consideration payable to shareholders in the transaction meets certain stringent requirements. The specific greater than majority voting requirements mandate that (in the absence of such Board approval or satisfaction of the stringent consideration requirements) approval be granted by holders of (i) at least 80% of the shares entitled to vote on the transaction and (ii) at least a majority of the shares entitled to vote on the Business Combination excluding shares held by Related Persons (as defined in the Company's certificate of incorporation) and their affiliates (with certain variances depending upon whether or not the Business Combination involves a liquidation or dissolution). This provision is intended to encourage potential bidders to negotiate with the Board and its representatives. This provision, and the New Jersey legislation described in the next two paragraphs, may have an anti-takeover effect with respect to transactions that the Company's board of directors does not approve in advance and may discourage attempts that might result in a premium over the market price for the shares of Common Stock held by the Company's shareholders.

*New Jersey Legislation.* Similarly, for public companies incorporated in New Jersey (such as the Company), the New Jersey Business Corporation Act contains mandatory provisions that are designed to encourage potential bidders to negotiate with the board of directors and its representatives in connection with certain business combinations. The New Jersey Business Corporation Act provides that no such companies may engage in any "business combination" (as defined in the New Jersey Business Corporation Act) with any interested stockholder (generally a 10% or greater stockholder) of such companies for a period of five years following such interested stockholder's stock acquisition date (as defined in the New Jersey Business Corporation Act), unless (x) such business combination is approved by the board of directors of such corporation prior to the interested stockholder's stock acquisition date or (y) the transaction or series of transactions that caused the interested stockholder to become an interested stockholder is approved by the board of directors of the corporation prior to that stockholder's stock acquisition date and a subsequent business combination is approved by (i) directors who are independent of the interested stockholder and (ii) holders of a majority of the voting shares (excluding the shares owned by the interested stockholder).

In addition, no such company may engage, after the five year period, in any business combination with any interested stockholder of such corporation other than: (i) a business combination approved by the board of directors prior to that stockholder's stock acquisition date, (ii) a business combination approved by the affirmative vote of the holders of two-thirds of the voting stock not beneficially owned by such interested stockholder, (iii) a business combination in which the interested stockholder pays a formula price designed to ensure that all other shareholders receive at least the highest price per share paid by such interested stockholder or (iv) a business combination that is approved by (a) directors who are independent of the interested stockholder and (b) holders of a majority of the voting shares (excluding the shares owned by the interested stockholder) if the transaction or series of related transactions that caused the interested stockholder to become an interested stockholder was approved by the board of directors of such company prior to the consummation of such transaction or series of related transactions.

*Limits on ability of stockholders to call a special meeting.* Subject to provisions of New Jersey law that permit holders of at least 10% of the Class A Common Stock to petition a New Jersey court to order a special meeting of shareholders for good cause shown, the Company's bylaws provide that special meetings of the stockholders may be called only by the president or a majority of the board of directors. This provision may delay the ability of the Company's shareholders to force consideration of a proposal or for holders controlling a majority of the Class a Common Stock to take any action.

*Requirements for advance notification of shareholder nominations and proposals.* The Company's bylaws establish advance notice procedures with respect to shareholder proposals and the nomination of candidates for election as directors at the Company's annual meeting of shareholders, other than nominations made by or at the direction of the Company's board of directors. These advance notice procedures may have the effect of precluding the conduct of certain business at a meeting if the proper procedures are not followed and may also discourage or deter a potential acquirer from conducting a solicitation of proxies to elect its own slate of directors or otherwise attempt to obtain control of the Company.

*Election and removal of directors.* Under the Company's certificate of incorporation, newly created directorships on the board of directors may be filled only by the affirmative vote of three quarters of the directors then serving on the board of directors. Under the Company's certificate of incorporation, directors may be removed by shareholders only for cause and only with the approval of holders of two-thirds of the shares entitled to vote on removal.

The provisions of New Jersey law and the provisions of the Company's certificate of incorporation and bylaws could have the effect of discouraging others from attempting hostile takeovers and, as a consequence, they might also inhibit temporary fluctuations in the market price of the Common Stock that often result from actual or rumored hostile takeover attempts. These provisions might also have the effect of preventing changes in the Company's management. It is also possible that these provisions could make it more difficult to accomplish transactions that shareholders might otherwise deem to be in their best interests.

## CONSULTING AGREEMENT

This Agreement (hereinafter referred to as "Agreement") is made and entered into by and between HR Asset Partners (hereinafter referred to as "Consultant") located at 109 Pine Tree Lane, Altamonte Springs, FL 32714, and Bel Fuse Inc. (hereinafter referred to as "Bel") located at 206 Van Vorst Street, Jersey City, NJ 07302.

*Bel* desires to retain *Consultant* to render consulting and advisory services on the terms and conditions set forth in this Agreement, and *Consultant* desires to be retained by *Bel* on such terms and conditions.

Now, therefore, *Bel* and *Consultant* agree as follows:

**Retention of Consultant; Services to be Performed.** *Bel* hereby retains *Consultant* for the term of this Agreement to perform the consulting services set forth in Schedule A for *Bel* ("Services").

In rendering Services hereunder, *Consultant* shall act as an independent contractor and not as an employee or agent of *Bel*. As independent contractors, neither *Consultant* nor *Bel* shall have any authority, express or implied, to commit or obligate the other in any manner whatsoever, except as specifically authorized from time to time in writing by an authorized representative of *Consultant* or *Bel*, which authorization may be general or specific. Nothing contained in this Agreement shall be construed or applied to create a partnership. *Consultant* shall be responsible for paying all federal, state, or local taxes payable concerning all amounts paid to *Consultant* under this Agreement.

**Compensation for Consulting Services.** For Services hereunder, *Bel* shall pay to *Consultant* fees outlined in Schedule A, and in any other amendments to Schedule A which are agreed to in writing by both parties.

*Bel* may at any time request in writing changes to the work in the form of modifications, additions, or omissions. If such changes result in increases to the assessment cost, the *Consultant* will provide *Bel* with a revised written estimate, based on the revised scope of work, for *Bel*'s approval in writing.

**Billing.** Refer to Schedule A for billing procedures related to this Agreement.

**Confidentiality and Non-Disclosure.** The *Consultant* acknowledges and agrees that the information provided by *Bel* is confidential and proprietary and will not disclose any of the Confidential Information for its use or for any other purpose whatsoever, other than that required for discussions with *Bel*-approved employees, without prior written consent.

**Legal Disputes.** In the event a dispute shall arise between the parties to this Agreement, the parties agree to participate in at least four hours of mediation in accordance with the mediation procedures of United States Arbitration & Mediation. The parties agree to share equally in the costs of the mediation.

**Termination.** This Agreement shall be terminated when either party gives at least 15 days written notice to the other party of the intent to terminate this Agreement.

**Entire Agreement.** This Agreement embodies the entire Agreement and understanding between the parties with respect to the subject matter hereof and supersedes all prior agreements and understandings relating to the subject matter hereof.

**Authority.** The parties executing this Agreement represent and certify that they are of lawful age and authorized to enter into this Agreement on behalf of their respective companies. The parties certify that they are officers of their respective corporations and have the authority to execute this Agreement by their signature.

**Miscellaneous.** All the terms of this Agreement, whether so expressed or not, shall be binding upon the respective successors and assigns of the parties hereto and shall be enforceable by the parties hereto and their respective successors and assigns.

By signing this Agreement, Bel acknowledges that it has read and agrees to the proposal, project objectives, assessment design, project scope and schedule, project compensation, and terms outlined for the Organization Development Risk Assessment. The Consultant agrees to perform the work as outlined in the proposal.

The parties hereby acknowledge their acceptance of the terms of this Agreement as evidenced by the execution of their signatures below:

ACKNOWLEDGED AND ACCEPTED:

/s/ Jacqueline Brito  
Authorized Signature for Consultant

Jacqueline Brito, Principal and Founder  
Printed Name

10/15/2021  
Date ("Effective Date")

/s/ Sherry L. Urban  
Authorized Signature for Bel Fuse Inc.

Sherry L. Urban  
Printed Name

10/15/2021  
Date ("Effective Date")

*PLEASE SIGN WITH BLUE PEN*

## SCHEDULE A – SERVICES TO BE PERFORMED

### INTRODUCTION

HR Asset Partners LLC is an organization development consulting firm that believes in building legacies that promote the ethical integrity, emotional intelligence, and fiscal wellbeing of individuals, organizations, and communities. We establish mutual trust, identify your unique needs, and deliver informed recommendations for tangible results.

### SITUATIONAL OVERVIEW

Founded in 1949, Bel continues to design, manufacture, and market a broad array of products that power, protect and connect electronic circuits.<sup>1</sup> Their developments impact every facet of our existence from commercial aerospace, military, medical, space, and beyond.

Established as a “formidable competitor on a global basis”<sup>2</sup>, turnover at Bel has increased in both professional and non-professional positions during the past year. To maintain its competitive edge and ensure market share, Bel is interested in procuring a professional services consulting firm, HR Asset Partners, in conducting an organization risk assessment.

### ASSESSMENT OBJECTIVES

The primary objectives of the organization risk assessment are to:

- Determine Bel’s culture (and potential sub-cultures) that could be impacting turnover.
- Assess its strengths, weaknesses, opportunities, and threats.
- Identify barriers – real or perceived – to a healthy work environment.
- Establish a baseline of information to help inform the Company of the assumptions, norms, philosophies, and values of their executive leadership team and front-line employees.
- Provide recommendations to address existing barriers to prevent risks to a healthy, sustainable organizational culture that fosters quality recruitment and retention efforts.

### ASSESSMENT DESIGN

Following a discovery process to include reviewing pertinent historical data provided by Bel, the recommended design will consist of the following:

#### **Phase I – Key Influencer Interviews (Qualitative Study)**

The recommendation is to conduct 15 virtual interviews with key influencers (including the CEO). This step will yield a baseline understanding of their collective values, beliefs, and perceptions and how they have the potential to influence the behavior of others. Each one-on-one conversation will last approximately 45 - 60 minutes.

## Phase II – Employee Focus Groups (Qualitative Study)

The recommendation is to convene 7 focus groups of 5 - 7 employees. This approach will provide opportunities to delve deeply into identifying the “real issues;” attitudes most prevalent in Bel. A comprehensive moderator’s guide outlining the core objectives of each group and modifying questions. Each session will last approximately 90 – 120 minutes.

## Phase III – Online Risk Assessment Survey (Quantitative Study)

The recommendation is to provide every Bel employee who didn’t participate in Phase I or II the opportunity to contribute through this anonymous feedback tool. Plus, the survey will validate significant perceptions discovered in the qualitative assessments.

### PROJECT SCOPE

- Consulting and project management
- Conduct 15 individual key influencer interviews (45 - 60 minutes each)
- Facilitate 7 employee focus group sessions of 5-7 employees (90-120 minutes each)
- Develop influencer interview questions and comprehensive focus group moderator guide(s)
- Online survey questionnaire design, programming, testing, deployment, and field management
- Data processing and analysis
- Final report of key findings and recommendations

### PROJECT SCHEDULE

The project duration is estimated to span approximately 11 weeks (considering Bel-approved employee holidays included).

- The following represents a general project duration.
- Should estimation or calendar dates change for any reason after the project schedule is approved, an updated schedule will be provided.

<b>Task</b>	<b>October</b>	<b>November</b>	<b>December</b>	<b>January</b>
Discovery	X			
Influencer Interviews		X		
Facilitated Focus Groups		X		
Survey Development, Review & Approval		X		
Survey Testing		X		
Administer Online Survey			X	
Data Analysis			X	
Report of Key Findings & Recommendations				X

**Note expected delivery of the Report of Key Findings by January 7, 2022.**



HR Asset Partners will provide the services outlined for the sole purpose of conducting an organization risk assessment. Consultant agrees not to perform any human resource functions or act as an agent of Bel when receiving information from their employees in connection with Consultant's services. Consultant agrees to not hold itself out as an agent of Bel to its employees.

**PROJECT COMPENSATION:** \$88,953.00

*TERMS: A project deposit of 33.3% of the total lump sum fee invoiced upon approval of the Agreement and 33.3% at the beginning of Phase III. The project balance will be invoiced upon delivery of the report of key findings.*

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1. <https://www.belfuse.com/home/about-us>

2. Ibid.

## SUBSIDIARIES OF THE REGISTRANT

BCMZ Precision Engineering Limited	England and Wales
Bel Components Ltd.	Hong Kong
Bel Connector Inc.	Delaware
Bel Fuse (Macao Commercial Offshore) Limited	Macao
Bel Fuse Limited	Hong Kong
Bel Power (Hangzhou) Co. Ltd.	PRC
Bel Power Europe S.r.l.	Italy
Bel Power Inc.	Massachusetts
Bel Power Solutions Co. Ltd.	China
Bel Power Solutions GmbH	Switzerland
Bel Power Solutions Inc.	Delaware
Bel Power Solutions Ireland Limited	Ireland
Bel Power Solutions s.r.o.	Slovakia
Bel Sales (Hong Kong) Ltd.	Hong Kong
Bel Stewart GmbH	Germany
Bel Stewart s.r.o.	Czech Republic
Bel Transformer Inc.	Delaware
Bel Ventures Inc.	Delaware
BPS Asia Pacific Electronics (Shenzhen) Co. Ltd.	China
BPS Cooperatief U.A.	Netherlands
Cinch Connectivity Solutions LTD	England and Wales
Cinch Connectivity Solutions, Inc.	Delaware
Cinch Connectors de Mexico, S.A. de C.V.	Mexico
Cinch Connectors Limited	England and Wales
Cinch Connectors, Inc.	Delaware
Dongguan Transpower Electric Products Co., Ltd.	PRC
EOS Power India Private Limited	India
PAI Capital LLC	Delaware
Shireoaks Worksop Holdings Ltd.	England and Wales
Signal Dominicana, S.R.L.	Dominican Republic
Stewart Connector Systems de Mexico, S.A. de C.V.	Mexico
Stratos International, LLC	Delaware
Stratos Lightwave LLC	Delaware
Stratos Lightwave-Florida LLC	Delaware
Transpower Cooperatief U.A.	Netherlands
Transpower Technologies (HK) Limited	Hong Kong
Trompeter Electronics, Inc.	Delaware
TRP Connector B.V.	Netherlands
TRP Connector Limited	Macao
TRP International*	PRC
Winsonko (Guangxi Pingguo) Electron Co., Ltd.	PRC

\* TRP International is a China Business Trust

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We have issued our reports dated March 14, 2022, with respect to the consolidated financial statements and internal control over financial reporting included in the Annual Report of Bel Fuse Inc. on Form 10-K for the year ended December 31, 2021. We consent to the incorporation by reference of said reports in the Registration Statements of Bel Fuse Inc. on Form S-3 (File No. 333-239189) and on Forms S-8 (File No. 333-180340 and File No. 333-239267).

/s/ GRANT THORNTON LLP

Iselin, New Jersey  
March 14, 2022

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in Registration Statement No. 333-239189 on Form S-3 and Registration Statement No. 333-180340 and 333-239267 on Form S-8 of our report dated March 12, 2021, relating to the consolidated financial statements of Bel Fuse Inc. and subsidiaries (the “Company”), appearing in this Annual Report on Form 10-K of the Company for the year ended December 31, 2021.

/s/ Deloitte & Touche LLP

New York, New York  
March 14, 2022

## CERTIFICATIONS

I, Daniel Bernstein, certify that:

1. I have reviewed this annual report on Form 10-K of Bel Fuse 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. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 14, 2022

/s/ Daniel Bernstein

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Daniel Bernstein  
President and Chief Executive Officer  
(Principal Executive Officer)

## CERTIFICATIONS

I, Farouq Tuweiq, certify that:

1. I have reviewed this annual report on Form 10-K of Bel Fuse 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. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 14, 2022

/s/ Farouq Tuweiq  
\_\_\_\_\_  
Farouq Tuweiq  
Chief Financial Officer  
(Principal Financial Officer)

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the annual report of Bel Fuse Inc. (the "Company") on Form 10-K for the year ended December 31, 2021 filed with the Securities and Exchange Commission (the "Report"), I, Daniel Bernstein, as President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

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

Date: March 14, 2022

/s/ Daniel Bernstein

\_\_\_\_\_  
Daniel Bernstein

President and Chief Executive Officer  
(Principal Executive Officer)

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the annual report of Bel Fuse Inc. (the "Company") on Form 10-K for the year ended December 31, 2021 filed with the Securities and Exchange Commission (the "Report"), I, Farouq Tuweiq, as Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

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

Date: March 14, 2022

/s/ Farouq Tuweiq  
Farouq Tuweiq  
Chief Financial Officer  
(Principal Financial Officer)