

QUALSTAR CORP  
Form 10-Q  
August 08, 2018

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**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**Form 10-Q**

(Mark One)

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

**For the quarterly period ended June 30, 2018**

**OR**

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

**For the Transition Period From                      to**

**Commission file number 001-35810**

**QUALSTAR CORPORATION**

(Exact name of registrant as specified in its charter)

**CALIFORNIA**

(State or other jurisdiction of incorporation or organization)

**95-3927330**

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

**130 West Cochran Street, Unit C, Simi Valley, CA 93065**

(Address of principal executive offices) (zip code)

**(805) 583-7744**

(Registrant's telephone number, including area code)

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or 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

(do not check if smaller reporting company) Emerging growth company

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

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

At August 1, 2018 the issuer had 2,048,118 shares of common stock, no par value, issued and outstanding.

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**QUALSTAR CORPORATION**

**FORM 10-Q**

**FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2018**

**INDEX**

**PART I — FINANCIAL INFORMATION**

**Item 1. Financial Statements**

Condensed Consolidated Balance Sheets — June 30, 2018 (unaudited) and December 31, 2017 1

Unaudited Condensed Consolidated Statements of Operations — Three and six months ended June 30, 2018  
and 2017 2

Unaudited Condensed Consolidated Statements of Cash Flows — Six months ended June 30, 2018 and 2017

Notes to unaudited Condensed Consolidated Financial Statements 4

**Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations 15**

**Item 3. Qualitative and Quantitative Disclosures About Market Risk 20**

**Item 4. Controls and Procedures 20**

**PART II — OTHER INFORMATION**

**Item 1. Legal Proceedings 21**

**Item 1A. Risk Factors 21**

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds 21**

**Item 3. Defaults Upon Senior Securities 21**

**Item 4. Mine Safety Disclosures 21**

|                                  |    |
|----------------------------------|----|
| <b>Item 5. Other Information</b> | 21 |
| <b>Item 6. Exhibits</b>          | 22 |
| <b>Signatures</b>                | 23 |

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**PART I — FINANCIAL INFORMATION****ITEM 1. Financial Statements**

**QUALSTAR CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

(In thousands, except share amounts)

|   | <b>June 30,</b>    | <b>December</b> |
|---|--------------------|-----------------|
|   | <b>2018</b>        | <b>31,</b>      |
|   | <b>(Unaudited)</b> | <b>2017</b>     |
| <b>Assets</b>                               |                    |                 |
| Current assets:                             |                    |                 |
| Cash and cash equivalents                   | \$ 5,547           | \$ 4,698        |
| Restricted cash                             | 100                | 100             |
| Accounts receivables, net                   | 1,948              | 1,802           |
| Inventories, net                            | 1,679              | 1,564           |
| Prepaid expenses and other current assets   | 124                | 163             |
| Total current assets                        | 9,398              | 8,327           |
| Non-current assets:                         |                    |                 |
| Property and equipment, net                 | 129                | 172             |
| Other assets                                | 120                | 68              |
| Total assets                                | \$ 9,647           | \$ 8,567        |
| <b>Liabilities and Shareholders' Equity</b> |                    |                 |
| Current liabilities:                        |                    |                 |
| Accounts payable                            | \$ 1,056           | \$ 1,065        |
| Accrued payroll and related liabilities     | 300                | 173             |
| Deferred service revenue, short-term        | 712                | 834             |
| Other accrued liabilities                   | 464                | 454             |
| Total current liabilities                   | 2,532              | 2,526           |
| Long-term liabilities:                      |                    |                 |
| Other long-term liabilities                 | 39                 | 52              |

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|   |           |           |
|---|-----------|-----------|
| Deferred service revenue  | 77        | 93        |
| Total long-term liabilities   | 116       | 145       |
| Total liabilities   | 2,648     | 2,671     |
| Shareholders' equity:   |           |           |
| Preferred stock, no par value; 5,000,000 shares authorized; no shares issued  | -         | -         |
| Common stock, no par value; 50,000,000 shares authorized, shares issued and outstanding<br>2,048,118 at June 30, 2018 and 2,042,019 shares at December 31, 2017 | 19,519    | 19,480    |
| Accumulated deficit   | (12,520 ) | (13,584 ) |
| Total shareholders' equity  | 6,999     | 5,896     |
| Total liabilities and shareholders' equity  | \$ 9,647  | \$ 8,567  |

See notes to condensed consolidated financial statements.

**QUALSTAR CORPORATION AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****(Unaudited)****(In thousands, except per share data)**

|                                       | <b>Three Months<br/>Ended</b> |             | <b>Six Months<br/>Ended</b> |             |
|---------------------------------------|-------------------------------|-------------|-----------------------------|-------------|
|                                       | <b>June 30,</b>               |             | <b>June 30,</b>             |             |
|                                       | <b>2018</b>                   | <b>2017</b> | <b>2018</b>                 | <b>2017</b> |
| Net revenues                          | \$3,231                       | \$2,267     | \$6,166                     | \$4,706     |
| Cost of goods sold                    | 1,809                         | 1,370       | 3,316                       | 2,919       |
| Gross profit                          | 1,422                         | 897         | 2,850                       | 1,787       |
| Operating expenses:                   |                               |             |                             |             |
| Engineering                           | 128                           | 110         | 249                         | 296         |
| Sales and marketing                   | 354                           | 279         | 649                         | 526         |
| General and administrative            | 466                           | 449         | 888                         | 848         |
| Total operating expenses              | 948                           | 838         | 1,786                       | 1,670       |
| Income from operations                | 474                           | 59          | 1,064                       | 117         |
| Other expenses                        | -                             | -           | -                           | -           |
| Income before income taxes            | 474                           | 59          | 1,064                       | 117         |
| Provision for income taxes            | -                             | -           | -                           | -           |
| Net income                            | \$474                         | \$59        | \$1,064                     | \$117       |
| Earnings per share:                   |                               |             |                             |             |
| Basic                                 | \$0.23                        | \$0.03      | \$0.52                      | \$0.06      |
| Diluted                               | \$0.23                        | \$0.03      | \$0.51                      | \$0.06      |
| Shares used in per share calculation: |                               |             |                             |             |
| Basic                                 | 2,048                         | 2,042       | 2,048                       | 2,042       |
| Diluted                               | 2,094                         | 2,042       | 2,098                       | 2,042       |

See notes to condensed consolidated financial statements.

**QUALSTAR CORPORATION AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(Unaudited)****(In thousands)**

|   | <b>Six Months<br/>Ended</b> |                |
|---|-----------------------------|----------------|
|   | <b>June 30,</b>             |                |
|   | <b>2018</b>                 | <b>2017</b>    |
| <b>Cash flows from operating activities:</b>                                      |                             |                |
| Net income  | \$1,064                     | \$117          |
| Adjustments to reconcile net income to net cash provided by operating activities: |                             |                |
| Depreciation and amortization   | 52                          | 83             |
| Loss on disposal of assets  | -                           | 5              |
| Provision for recovery of bad debts and returns, net                              | (4 )                        | (12 )          |
| Provision for inventory obsolescence  | 133                         | 132            |
| Changes in operating assets and liabilities:                                      |                             |                |
| Accounts receivable   | (142 )                      | 225            |
| Inventories   | (248 )                      | 118            |
| Prepaid expenses and other current assets   | (12 )                       | 73             |
| Accounts payable  | (9 )                        | (55 )          |
| Accrued payroll and related liabilities   | 127                         | 64             |
| Deferred service revenue  | (138 )                      | 58             |
| Other accrued liabilities   | (3 )                        | (40 )          |
| Total adjustments   | (244 )                      | 651            |
| Net cash provided by operating activities   | 820                         | 768            |
| <b>Cash flows from investing activities:</b>                                      |                             |                |
| Purchases of equipment  | (10 )                       | (2 )           |
| Net cash used in investing activities   | (10 )                       | (2 )           |
| <b>Cash flows from financing activities:</b>                                      |                             |                |
| Proceeds from the exercise of stock options                                       | 39                          | -              |
| Net cash provided by financing activities   | 39                          | -              |
| <b>Net increase in cash, restricted cash and cash equivalents</b>                 | <b>849</b>                  | <b>766</b>     |
| <b>Cash, restricted cash and cash equivalents at beginning of period</b>          | <b>4,798</b>                | <b>3,791</b>   |
| <b>Cash, restricted cash and cash equivalents at end of period</b>                | <b>\$5,647</b>              | <b>\$4,557</b> |
| <b>Supplemental cash flow disclosures:</b>  |                             |                |
| Income taxes paid   | \$24                        | \$3            |

**See notes to condensed consolidated financial statements.**

3

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## QUALSTAR CORPORATION AND SUBSIDIARIES

### NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### *Basis of Presentation*

The accompanying condensed consolidated balance sheet as of *December 31, 2017*, has been derived from audited consolidated financial statements. The accompanying unaudited interim condensed consolidated financial statements have been prepared on the same basis as our annual audited consolidated financial statements and in accordance with accounting principles generally accepted in the United States (“GAAP”) for interim financial information and the rules and regulations of the Securities and Exchange Commission (“SEC”) for interim financial statements.

Preparing condensed consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. Examples include estimates of loss contingencies, product life cycles and inventory obsolescence, bad debts, sales returns, share-based compensation, forfeiture rates, the potential outcome of future tax consequences of events that have been recognized in our financial statements or tax returns and determining when investment impairments are other-than-temporary. Actual results and outcomes *may* differ from management’s estimates and assumptions.

On June 5, 2017, a wholly-owned subsidiary of Qualstar Corporation, N2Power, Inc., was created to operate the Company’s internal business unit known as N2Power. The N2Power business unit is reflected in the Company’s SEC filings under the power supplies business segment. Following the establishment of N2Power, Inc., all assets (and liabilities) associated with the N2Power business were assigned to the newly created entity.

On July 4, 2018, a wholly-owned subsidiary of Qualstar Corporation, Qualstar Limited, was created to operate the Company’s data storage business in Europe and Africa.

The Company's significant accounting policies are disclosed in Note 2 to the Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2017, filed with the SEC on March 16, 2018 (the "Annual Report"). There were no material changes to the significant accounting policies during the six months ended June 30, 2018, apart from the Company's accounting policy related to revenue recognition, as discussed below.

Effective January 1, 2018, the Company adopted Accounting Standards Codification ("ASC") 606, *Revenue from Contracts with Customers* ("ASC 606" or the "New Revenue Standard"), the new standard on revenue from contracts with customers, which codified Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09"). As a result, the Company changed its accounting policy for revenue recognition to ensure compliance with ASC 606 as described below.

### ***Principles of Consolidation***

The condensed consolidated financial statements include our accounts and the accounts of each of our wholly owned subsidiaries that were in existence during the periods presented: Qualstar Corporation Singapore Private Limited and N2Power, Inc. All significant intercompany accounts and transactions have been eliminated in consolidation.

Interim results are not necessarily indicative of results for a full year. The information included in this Form 10-Q should be read in conjunction with information included in the Company's Annual Report.

## QUALSTAR CORPORATION AND SUBSIDIARIES

### NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)-(Continued)

#### *Revenue Recognition*

Effective January 1, 2018, we adopted Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers* (ASC 606), and we determined that the new guidance had no material impact to the revenue recognized prior to January 1, 2018 and, had no impact on retained earnings as of January 1, 2018. Accordingly, the adoption of ASC 606 had no impact on the Company's financial position, results of operations or liquidity. This standard applies to all contracts with customers, except for contracts that are within the scope of other standards, such as leases and financial instruments. Under ASC 606, the Company recognizes revenue when its customer obtains control of promised goods or services, in an amount that reflects the consideration which we expect to receive in exchange for those goods or services. To determine revenue recognition for arrangements that the Company determines are within the scope of ASC 606, we perform the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) we satisfy a performance obligation. The five-step model is applied to contracts when it is probable that we will collect the consideration we are entitled to in exchange for the goods or services transferred to the customer. At contract inception, once the contract is determined to be within the scope of ASC 606, we assess the goods or services promised within each contract and determine those that are performance obligations and assess whether each promised good or service is distinct. We then recognize revenue in the amount of the transaction price that is allocated to the respective performance obligation when (or as) the performance obligation is satisfied.

Furthermore, we recognize revenue when there is persuasive evidence that an arrangement exists, title and risk of loss have passed, delivery has occurred or the services have been rendered, the sales price is fixed or determinable and collection of the related receivable is reasonably assured. Title and risk of loss generally pass to our customers upon shipment. In limited circumstances where either title or risk of loss pass upon destination or acceptance or when collection is not reasonably assured, we defer revenue recognition until such events occur. We derive revenues from two primary sources: products and services. Product revenue includes the shipment of product according to the agreement with our customers for data storage products and power supplies. Services include customer support (technical support), installations, consulting, and design services. A contract may include both product and services. Rarely, contracts with customers contain multiple performance obligations. For these contracts, the Company accounts for individual performance obligations separately if they are distinct. The transaction price is allocated to the separate performance obligations on a relative standalone selling price basis. Standalone selling prices are typically estimated based on observable transactions when these services are sold on a standalone basis.

We provide product warranties with varying lengths of time and terms. The product warranties are considered to be assurance-type in nature and do not cover anything beyond ensuring that the product is functioning as intended. Based on the guidance in ASC 606, assurance-type warranties do not represent separate performance obligations. We also sell separately-priced maintenance service contracts which qualify as service-type warranties and represent separate performance obligations. We have historically experienced a low rate of product returns under the warranty program.

A variety of technical services can be contracted by our customers for a designated period of time. The service contracts allow customers to call Qualstar for technical support, replace defective parts and to have onsite service provided by Qualstar's third party contract service provider. We record revenue for contract services at the amount of the service contract, but such amount is deferred at the beginning of the service term and amortized ratably over the life of the contract.

Our professional services include consulting, engineer and design services. Because control transfers over time, revenue is recognized based on progress toward completion of the performance obligation. The method to measure progress toward completion requires judgment and is based on the nature of the products or services to be provided. The Company generally uses the input method to measure progress for its contracts because it best depicts the transfer of assets to the customer, which occurs as the Company incurs costs for the contracts. Under the cost-to-cost measure of progress, the progress toward completion is measured based on the ratio of costs incurred to date to the total estimated costs at completion of the performance obligation. Revenue is recorded proportionally as costs are incurred. Costs to fulfill these obligations include labor and subcontractor costs.

## QUALSTAR CORPORATION AND SUBSIDIARIES

### NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)-(Continued)

Deferred service revenue is shown separately in the condensed consolidated balance sheets as current and long term. At *June 30, 2018* we had deferred service revenue of approximately \$789,000. At *December 31, 2017*, we had deferred service revenue of approximately \$927,000.

#### *Allowance for Doubtful Accounts*

We estimate our allowance for doubtful accounts based on an assessment of the collectability of specific accounts and the overall condition of accounts receivable. In evaluating the adequacy of the allowance for doubtful accounts, specific trade receivables, historical bad debts, customer credits, customer credit-worthiness and changes in customers' payment terms and patterns are analyzed. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make additional payments, then additional allowances *may* be needed. Likewise, if it is determined that more of our receivables *may* be realized in the future than previously estimated, we would adjust the allowance to increase income in the period of this determination.

#### *Inventory Valuation*

We record inventories at the lower of cost (*first-in, first-out* basis) or net realizable value. We assess the value of our inventories periodically based upon numerous factors including expected product or material demand, current market conditions, technological obsolescence, current cost and net realizable value. If necessary, we write down our inventory for estimated obsolescence, potential shrinkage, or unmarketable inventory equal to the difference between the cost of inventory and the estimated market value based upon assumptions about future demand and market conditions. If technology changes more rapidly than expected, or market conditions become less favorable than those projected by management, additional inventory write-downs *may* be required.

#### *Warranty Obligations*

We provide for the estimated cost of product warranties at the time the related revenue is recognized. We engage in extensive product quality programs and processes, including active monitoring and evaluation of product failure rates,

material usage and estimation of service delivery costs incurred in correcting a product failure. However, should actual product failure rates, material usage, or service delivery costs differ from our estimates, then revisions to the estimated warranty liability would be required. Historically, our warranty costs have *not* been significant.

### ***Legal and Other Contingencies***

The outcomes of legal proceedings and claims brought against us are subject to significant uncertainty. An estimated loss from a loss contingency such as a legal proceeding or claim is accrued by a charge to income if it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. When legal costs that the entity expects to incur in defending itself in connection with a loss contingency accrual are expected to be material, the loss should factor in all costs and, if the legal costs are reasonably estimable, they should be accrued in accordance with ASC 450, regardless of whether a liability can be estimated for the contingency itself. Disclosure of a contingency is required if there is at least a reasonable possibility that a loss has been incurred. Changes in these factors could materially impact our condensed consolidated financial statements.

## QUALSTAR CORPORATION AND SUBSIDIARIES

### NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)-(Continued)

#### *Fair Value of Financial Instruments*

The carrying amounts of the Company's financial instruments, which include cash equivalents, accounts receivable, accounts payable, related party; and other long-term liabilities; approximate their fair values.

#### *Share-Based Compensation*

Share-based compensation is accounted for in accordance with ASC 718, "Compensation – Stock Compensation." The Black-Scholes option-pricing model is used to determine fair value of the award at the date of grant and recognize compensation expense over the vesting period. The inputs for the model require the use of judgment, estimates and assumptions regarding the expected volatility of the stock, the expected term the average employee will hold the option prior to the date of exercise, expected future dividends, and the number of share-based awards that are expected to be forfeited. Changes in these inputs and assumptions could occur and actual results could differ from these estimates, and our results of operations could be impacted.

#### *Accounting for Income Taxes*

We estimate our tax liabilities based on current tax laws in the statutory jurisdictions in which we operate in accordance with ASC 740, "Income Taxes." These estimates include judgments about deferred tax assets and liabilities resulting from temporary differences between assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes, as well as about the realization of deferred tax assets. We *may* recognize the tax benefit from an uncertain tax position only if it is more likely than *not* that the tax position will be sustained upon examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. ASC 740 also provides guidance on derecognition of income tax assets and liabilities, classification of current and deferred income tax assets and liabilities, accounting for interest and penalties associated with tax positions, and income tax disclosures.

We maintain a valuation allowance to reduce our deferred tax assets due to the uncertainty surrounding the timing of realizing the benefits of net deferred tax assets in future years. We have considered future taxable income and ongoing prudent and feasible tax planning strategies in assessing the need for such a valuation allowance. In the event we were to determine that we would be able to realize all or part of our net deferred tax asset in the future, the valuation allowance would be decreased accordingly.

We *may* periodically undergo examinations by the federal and state regulatory authorities and the Internal Revenue Service. We *may* be assessed additional taxes and/or penalties contingent on the outcome of these examinations. Our previous examinations have *not* resulted in any unfavorable or significant assessments.

### *Operating Segments*

The Company operates in *two* segments, as the chief operating decision maker makes decisions and assesses performance at the divisional level. Operating segments are identified as components of an enterprise about which separate discrete financial information is utilized for evaluation by the chief operating decision maker in making decisions regarding resource allocation and assessing performance. To date, the chief operating decision maker has made such decisions and assessed performance at the *two* divisional levels. The Company's chief operating decision maker is its President and Chief Executive Officer.

## QUALSTAR CORPORATION AND SUBSIDIARIES

### NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)-(Continued)

#### NOTE 2 – RECENT ACCOUNTING PRONOUNCEMENTS

##### *Recent accounting guidance not yet adopted*

In July 2018, the FASB issued ASU 2018-10 and 2018-11 to provide additional guidance related to accounting for leases, such as the application of an implicit rate, lessee reassessment of lease classification and certain transition adjustments. This standard is effective for fiscal years beginning after December 15, 2018. We are evaluating the impact of ASU 2018-10 and 2018-11 may have on our condensed consolidated financial statements.

In July 2018, the FASB issued ASU 2018-09, “Codification Improvements”. This ASU makes changes to a variety of topics to provide clarification and correction of errors to the Accounting Standards Codification. The majority of the amendments in ASU 2018-09 are effective for the Company after December 15, 2018. We are evaluating the impact ASU 2018-09 may have on our condensed consolidated financial statements.

In *June 2018*, the FASB issued ASU 2018-07 as a simplification for the accounting for nonemployee share-based payment transactions resulting from expanding the scope of Topic 718, Compensation-Stock Compensation. This standard is effective for fiscal years beginning after *December 15, 2018*. We are evaluating the impact ASU 2018-07 may have on our condensed consolidated financial statements.

In *February 2018*, the FASB issued ASU 2018-02 to provide guidance related to adjustments for deferred tax assets and liabilities based on the changes created by the U.S. federal government tax bill enacted *December 22, 2017*. This standard is effective for fiscal years beginning after *December 15, 2018*. We are evaluating the impact ASU 2018-02 may have on our condensed consolidated financial statements.

In *February 2016*, the FASB issued ASU 2016-02 to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. For related party leases, the basis will be the legally enforceable terms and conditions of the

arrangement. The FASB has also issued ASU 2018-10 to narrow aspects of the guidance in 2016-02, with the same effective date. This standard is effective for fiscal years beginning after *December 15, 2018*. We are evaluating the impact ASU 2016-02 may have on our condensed consolidated financial statements.

**NOTE 3 – SIGNIFICANT CUSTOMERS, CONCENTRATION OF CREDIT RISK, AND GEOGRAPHIC INFORMATION**

We have *no* outstanding debt nor do we utilize auction rate securities or derivative financial instruments in our investment portfolio. Cash and other investments *may* be in excess of FDIC insurance limits.

Our financial results could be affected by changes in foreign currency exchange rates or weak economic conditions in foreign markets. As all sales are currently made in U.S. dollars, a strengthening of the dollar could make our products less competitive in foreign markets.

|  | <b>Three Months Ended</b>     |             | <b>Six Months Ended</b>       |             |
|--|-------------------------------|-------------|-------------------------------|-------------|
|  | <b>June 30,</b>               |             | <b>June 30,</b>               |             |
|  | <b>2018</b>                   | <b>2017</b> | <b>2018</b>                   | <b>2017</b> |
|  | <b>(unaudited)(unaudited)</b> |             | <b>(unaudited)(unaudited)</b> |             |
|  | <b>\$</b>                     | <b>\$</b>   | <b>\$</b>                     | <b>%</b>    |
| <b>Revenue – geographic activity (in thousands):</b> |                               |             |                               |             |