

UTAH MEDICAL PRODUCTS INC
Form 10-Q
May 09, 2018

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

FORM 10 Q

Quarterly Report Under Section 13 or 15(d) of
The Securities Exchange Act of 1934

For quarter ended: March 31, 2018 Commission File No. 001-12575

UTAH MEDICAL PRODUCTS, INC.
(Exact name of Registrant as specified in its charter)

UTAH 87 0342734
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

7043 South 300 West
Midvale, Utah 84047
Address of principal executive offices

Registrant's telephone number: (801) 566 1200

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Sections 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 is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, 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 the number of shares outstanding of each of the issuer's classes of common stock as of May 7, 2018:
3,730,538.

UTAH MEDICAL PRODUCTS, INC.

INDEX TO FORM 10 Q

PART I - FINANCIAL INFORMATION	PAGE
Item 1. Financial Statements	
Consolidated Condensed Balance Sheets as of March 31, 2018 and December 31, 2017	1
Consolidated Condensed Statements of Income for the three months ended March 31, 2018 and March 31, 2017	2
Consolidated Condensed Statements of Cash Flows for three months ended March 31, 2018 and March 31, 2017	3
Notes to Consolidated Condensed Financial Statements	4
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	6
Item 3. Quantitative and Qualitative Disclosures About Market Risk	13
Item 4. Controls and Procedures	13
PART II – OTHER INFORMATION	
Item 1. Legal Proceedings	14
Item 1A. Risk Factors	14
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	15
Item 6. Exhibits	16
SIGNATURES	16

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

UTAH MEDICAL PRODUCTS, INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEETS AS OF
MARCH 31, 2018 AND DECEMBER 31, 2017
(in thousands)

	(unaudited) MARCH 31, 2018	(audited) DECEMBER 31, 2017
<u>ASSETS</u>		
Current assets:		
Cash	\$ 42,853	\$ 39,875
Investments, available-for-sale	72	80
Accounts & other receivables, net	4,209	3,623
Inventories	5,558	5,244
Other current assets	427	366
Total current assets	53,119	49,188
Property and equipment, net	11,781	11,621
Goodwill	14,348	14,092
Other intangible assets	36,013	34,805
Other intangible assets - accumulated amortization	(18,073)	(16,961)
Other intangible assets, net	17,940	17,844
Total assets	\$ 97,188	\$ 92,745
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
Current liabilities:		
Accounts payable	\$ 1,084	\$ 934
Accrued expenses	4,036	4,346
Total current liabilities	5,120	5,280
Deferred tax liability - intangible assets	5,785	5,785
Other long term liabilities	3,111	3,102
Deferred income taxes	486	456
Total liabilities	14,502	14,623
Stockholders' equity:		
Preferred stock - \$.01 par value; authorized - 5,000 shares; no shares issued or outstanding	-	-
Common stock - \$.01 par value; authorized - 50,000 shares; issued - March 31, 2018, 3,728 shares and December 31, 2017, 3,721 shares	37	37
Accumulated other comprehensive income (loss)	(7,040)	(8,341)
Additional paid-in capital	986	809
Retained earnings	88,703	85,617
Total stockholders' equity	82,686	78,122
Total liabilities and stockholders' equity	\$ 97,188	\$ 92,745

see notes to consolidated condensed financial statements

UTAH MEDICAL PRODUCTS, INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF INCOME AND
COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2018 AND MARCH
31, 2017
(in thousands, except per share amounts)
(unaudited)

	THREE MONTHS ENDED MARCH 31,	
	2018	2017
Sales, net	\$10,887	\$10,259
Cost of goods sold	3,965	3,724
Gross profit	6,922	6,535
Operating expense		
Selling, general and administrative	1,838	1,692
Research & development	113	118
Total operating expenses	1,951	1,810
Operating income	4,971	4,725
Other income (expense)	37	26
Income before provision for income taxes	5,008	4,751
Provision for income taxes	916	1,215
Net income	\$4,092	\$3,536
Earnings per common share (basic)	\$1.10	\$0.95
Earnings per common share (diluted)	\$1.09	\$0.95
Shares outstanding (basic)	3,725	3,714
Shares outstanding (diluted)	3,748	3,728
Other comprehensive income (loss):		
Foreign currency translation net of taxes of \$0 and \$0	\$1,301	\$655
Total comprehensive income	\$5,393	\$4,191

see notes to consolidated condensed financial statements

UTAH MEDICAL PRODUCTS, INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2018 AND MARCH 31, 2017
(in thousands - unaudited)

	MARCH 31,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$4,092	\$3,536
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	200	166
Amortization	570	508
Provision for (recovery of) losses on accounts receivable	1	(1)
Deferred income taxes	(76)	(118)
Stock-based compensation expense	30	36
Tax benefit attributable to exercise of stock options	16	10
Changes in operating assets and liabilities:		
Accounts receivable	(560)	(934)
Accrued interest and other receivables	0	(5)
Inventories	(303)	(154)
Prepaid expenses and other current assets	(53)	(56)
Accounts payable	142	117
Accrued expenses	(293)	1,202
Total adjustments	(326)	771
Net cash provided by operating activities	3,766	4,307
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures for:		
Property and equipment	(173)	(65)
Intangible assets	-	-
Net cash provided by (used in) investing activities	(173)	(65)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of common stock - options	147	53
Payment of dividends	(1,005)	-
Net cash provided by (used in) financing activities	(858)	53
Effect of exchange rate changes on cash	243	88
Net increase (decrease) in cash and cash equivalents	2,978	4,383
Cash at beginning of period	39,875	26,296
Cash at end of period	\$42,853	\$30,679
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for income taxes	\$788	\$442
Cash paid during the period for interest	-	-

see notes to consolidated condensed financial statements

UTAH MEDICAL PRODUCTS, INC.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(unaudited)

(1) The unaudited financial statements have been prepared in accordance with the instructions to Form 10-Q and do not include all of the information and note disclosures required by accounting principles generally accepted in the United States. These statements should be read in conjunction with the financial statements and notes included in the Utah Medical Products, Inc. ("UTMD" or "the Company") annual report on Form 10-K for the year ended December 31, 2017. In the opinion of management, the accompanying financial statements include all adjustments (consisting only of normal recurring adjustments) necessary to summarize fairly the Company's financial position and results of operations. Currency amounts are in thousands except per-share amounts and where noted.

(2) Recent Accounting Standards.

In May 2014, new accounting guidance (ASU 2014-09) was issued that outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The guidance is based on the principle that an entity should recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to fulfill a contract. UTMD adopted this new standard on January 1, 2018, using a modified retrospective approach. In accordance with ASU 2014-09, UTMD's revenue recognition is based on standard terms & conditions of sale for like customers in addition to contracts and the performance obligations identified in them. With very insignificant and limited exceptions, the Company's performance obligation is met when it ships a physical product to a customer. The basis on which UTMD recognizes revenue was updated on January 1, 2018, but it did not result in a change to the process and timing of revenue recognition, because the previous revenue recognition method complies with ASU 2014-09. Therefore, the adoption of ASU 2014-09 did not have an impact on UTMD's financial statements. In accordance with this adoption disaggregated revenue is presented in Note 7.

In February 2016, new accounting guidance was issued which requires recording most leases on the balance sheet. The new lease standard requires disclosure of key information about lease arrangements and aligns many of the underlying principles of this new model with those in the new revenue recognition standard noted above. This guidance becomes effective for annual reporting periods beginning after December 15, 2018, with early adoption permitted. UTMD has yet to assess the impact that this standard will have on its consolidated financial statements when it is adopted. The only significant lease the Company anticipates it will have at that time is for the parking lot at its Utah facility.

In January 2016, the FASB issued ASU No. 2016-01, Financial Instruments – Overall (Topic 825-10), which updates certain aspects of recognition, measurement, presentation and disclosure of financial instruments. Subsequently, in February 2018, the FASB issued ASU No. 2018-03, Technical Corrections and Improvements to Financial Instruments - Overall (Topic 825-10), which clarifies certain aspects of ASU 2016-01 over certain aspects of recognition, measurement, presentation and disclosure of financial instruments. UTMD adopted ASU 2016-01 and 2018-03 effective January 1, 2018, and this guidance did not have a material impact on UTMD's financial statements.

(3) Inventories at March 31, 2018 and December 31, 2017 consisted of the following:

	March	December
	31,	31,
	2018	2017

Finished goods	\$ 1,467	\$ 1,313
----------------	----------	----------

Edgar Filing: UTAH MEDICAL PRODUCTS INC - Form 10-Q

Work in process	1,385	1,270
Raw materials	2,706	2,661
Total	\$5,558	\$ 5,244

(4) **Stock-Based Compensation.** At March 31, 2018, the Company has stock-based employee compensation plans which authorize the grant of stock options to eligible employees and directors. The Company accounts for stock compensation under FASB Accounting Standards Codification ("ASC") 718, Compensation - Stock Compensation. This statement requires the Company to recognize compensation cost based on the grant date fair value of options granted to employees and directors. In the quarters ended March 31, 2018 and 2017, the Company recognized \$30 and \$36, respectively, in stock based compensation cost.

(5) **Warranty Reserve.** The Company's published warranty is: "UTMD warrants its products to conform in all material respects to all published product specifications in effect on the date of shipment, and to be free from defects in material and workmanship for a period of thirty (30) days for supplies, or twenty-four (24) months for equipment, from date of shipment. During the warranty period UTMD shall, at its option, replace any products shown to UTMD's reasonable satisfaction to be defective at no expense to the Purchaser or refund the purchase price." UTMD maintains a warranty reserve to provide for estimated costs which are likely to occur. The amount of this reserve is adjusted, as required, to reflect its actual experience. Based on its analysis of historical warranty claims and its estimate that existing warranty obligations were immaterial, no warranty reserve was made at December 31, 2017 or March 31, 2018.

(6) **Fair Value Measurements.** The Company follows ASC 820, Fair Value Measurement to determine fair value of its financial assets. The following table provides financial assets carried at fair value measured as of March 31, 2018:

<u>Description</u>	Total Fair Value at 3/31/2017	Fair Value Measurements Using		
		Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equities	\$ 72	\$ 72	\$ 0	\$ 0

(7) **Global revenues (USD) by product category:**

	Domestic	Outside US	Total
Obstetrics	\$ 877	\$ 209	\$ 1,086
Gynecology/Electrosurgery/Urology	2,293	3,908	6,201
Neonatal	965	745	1,710
Blood Pressure Monitoring and Accessories	1,119	771	1,890
Total	\$ 5,254	\$ 5,633	\$ 10,887

(8) **Subsequent Events.** UTMD has evaluated subsequent events through the date the financial statements were issued, and concluded there were no other events or transactions during this period that required recognition or disclosure in its financial statements.

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

General

Utah Medical Products, Inc. (UTMD) manufactures and markets a well-established range of specialty medical devices. The Company's Form 10-K Annual Report for the year ended December 31, 2017 provides a detailed description of products, technologies, markets, regulatory issues, business initiatives, resources and business risks, among other details, and should be read in conjunction with this report. Because of the relatively short span of time, results for any given three month period in comparison with a previous three month period may not be indicative of comparative results for the year as a whole. Currency amounts in the report are in thousands, except per share amounts or where otherwise noted. Currencies in this report are denoted as \$ or USD = U.S. Dollars; AUD = Australia Dollars; £ or GBP = UK Pound Sterling; C\$ or CAD = Canadian Dollars; and € or EUR = Euros.

Analysis of Results of Operations

a) Overview

In the first calendar quarter (1Q) of 2018, UTMD attained results consistent with achieving its previously announced goals for year 2018.

Income statement results in 1Q 2018 compared to 1Q 2017 were as follows:

	1Q 2018	1Q 2017	change	
Net Sales	\$ 10,887	\$ 10,259	+6.1	%
Gross Profit	6,922	6,535	+5.9	%
Operating Income	4,971	4,725	+5.2	%
Income Before Tax	5,008	4,750	+5.4	%
Net Income	4,092	3,536	+15.7	%
Earnings per Share	\$ 1.092	\$ 0.948	+15.1	%

Because 33% of consolidated sales were in foreign currencies, the volatility of foreign currency exchange (FX) rates for sales outside the U.S. (OUS) continued to have an impact on period-to-period financial results. FX rates for income statement purposes are transaction-weighted averages. The average FX rates from the applicable foreign currency to USD during 1Q 2018 and 1Q 2017 follow:

	1Q 2018	1Q 2017	change	
GBP	1.391	1.239	+12.2	%
EUR	1.226	1.065	+15.1	%
AUD	0.786	0.760	+3.4	%
CAD	0.791	0.755	+4.7	%

The weighted average positive impact on all foreign currency sales was 12.5%, increasing reported USD sales by \$340 relative to the same foreign currency sales at 1Q 2017 FX rates (constant currency sales). In constant currency terms, total consolidated 1Q 2018 sales were up \$288 (+3%).

Profit margins in 1Q 2018 compared to 1Q 2017 follow:

	1Q 2018 (JAN – MAR)	1Q 2017 (JAN – MAR)
Gross Profit Margin (gross profits/ sales):	63.6 %	63.7 %
Operating Income Margin (operating income/ sales):	45.7 %	46.1 %
EBT Margin (profits before income taxes/ sales):	46.0 %	46.3 %
Net Income Margin (profit after taxes/ sales):	37.6 %	34.5 %

Despite experiencing inflationary pressures on manufacturing costs, UTMD was able to maintain its GPM. Because 54% of consolidated operating expenses are in foreign currencies, UTMD's Operating Income Margin (OIM) was squeezed by the weaker USD. For example, Identifiable Intangible Asset (IIA) amortization expense from the Femcare acquisition, which comprises a significant portion of General & Administrative (G&A) operating expenses, was the same in 1Q 2018 GBP as in 1Q 2017, but \$61 higher in 1Q 2018 USD.

Income Before Tax (EBT) was consistent with OI as 1Q 2018 non-operating income was \$37 compared to \$26 in 1Q 2017. UTMD's Net Income Margin (NIM) substantially improved because UTMD's combined income tax provision rate in 1Q 2018 was only 18.3% of EBT compared to 25.6% in 1Q 2017. The primary reasons for the lower provision rate were two: 1) the lower U.S. Federal Income Tax rate, reduced to 21% from 34% as a result of the U.S. Tax Cuts and Jobs Act enacted in December 2017, and 2) substantial tax deductions in Ireland and the UK as a result of native currency translation losses on 1Q 2018 ending USD cash balances. The USD translation losses in Ireland and the UK do not affect UTMD's consolidated income statement except in accrued taxes.

UTMD's Balance Sheet, in the absence of debt, continued to strengthen. March 31, 2018 ending Cash and Investments were up \$3.0 million and Stockholders' Equity was up \$4.6 million in the three month period from December 31, 2017. FX rates for Balance Sheet purposes are the applicable rates at the end of each reporting period. The FX rates from the applicable foreign currency to USD for assets and liabilities at the end of 1Q 2018 and the end of 1Q 2017 follow:

	3-31-18	3-31-17	Change
GBP	1.402	1.253	+11.9 %
EUR	1.232	1.070	+15.1 %
AUD	0.769	0.764	+ 0.6 %
CAD	0.775	0.751	+ 3.3 %

b) Revenues

Beginning on January 1, 2018, the Company adopted ASU 2014-09, the new revenue recognition accounting standard. Management completed an extensive assessment and implementation of the standard, including UTMD's various contracts with customers and associated performance obligations and the Company's conclusions regarding its revenue recognition practices and procedures. Other items like commissions and rights of return were also evaluated by the Company. Management is confident that the Company has properly evaluated the standard's requirements and has arrived at appropriate conclusions in recognizing revenue in accordance with the new standard. Those practices and procedures the Company will use to recognize revenue under the new standard are not significantly different than the methods used previously since UTMD has traditionally recognized revenue upon shipping a physical product to a customer, which is also when the Company has met its performance obligations under contracts it has with its customers that represent over 99% of its revenue. While the Company's revenue not associated with shipping a physical product is immaterial, management believes the Company's practices in recognizing that revenue is also in accordance with ASU 2014-09.

Terms of sale are established in advance of UTMD's acceptance of customer orders. In the U.S., Ireland, UK and Australia prior to 2017, UTMD generally accepted orders directly from and shipped directly to end user clinical facilities, as well as third party medical/surgical distributors, under UTMD's Standard Terms and Conditions (T&C) of Sale. The same was true in 2017 with the addition of direct shipments to end user facilities in Canada and France. About 14% of UTMD's domestic end user sales, excluding Femcare's Filshie Clip System sales to its exclusive U.S. distributor, CooperSurgical Inc. (CSI), go through third party med/surg distributors which contract separately with clinical facilities to provide purchasing, storage and scheduled delivery functions for the applicable facility. UTMD's T&C of Sale to end user facilities are substantially the same in the U.S., Canada, Ireland, UK, France and Australia.

UTMD may have separate discounted pricing agreements with a specific clinical facility or group of affiliated facilities based on volume of purchases. Pricing agreements which are documented arrangements with clinical facilities, or groups of affiliated facilities, if applicable, are established in advance of orders accepted or shipments made. For existing customers, past actual shipment volumes typically determine the fixed price by part number for the next agreement period of one year. For new customers, the customer's best estimate of volume is usually accepted by UTMD for determining the ensuing fixed prices for the agreement period. Prices are not adjusted after an order is

accepted. For the sake of clarity, the separate pricing agreements with clinical facilities based on volume of purchases disclosure is not inconsistent with UTMD's disclosure that the selling price is fixed prior to the acceptance of a specific customer order.

7

Edgar Filing: UTAH MEDICAL PRODUCTS INC - Form 10-Q

Total consolidated 1Q 2018 UTMD revenues (sales) were \$627 (+6.1%) higher than in 1Q 2017. U.S. domestic sales were 1% higher and outside the U.S. (OUS) sales were 12% higher. Because of the relatively short span of time, results for any given three month period in comparison with a previous three month period may not be indicative of comparative results for the year as a whole.

Domestic sales in 1Q 2018 were \$5,254 compared to \$5,218 in 1Q 2017. The components of domestic sales include 1) "direct sales" of UTMD's medical devices to user facilities (and med/surg stocking distributors for hospitals), 2) "OEM sales" of components and other products manufactured by UTMD for other medical device and non-medical device companies, and 3) sales of Filshie Clip System devices by UTMD's UK subsidiary, Femcare Ltd (Femcare), to CooperSurgical Inc. (CSI) for distribution in the U.S. under an exclusive distribution agreement between CSI and Femcare executed prior to UTMD's acquisition of Femcare in 2011. Direct sales, representing 62% of total domestic sales, were \$43 (1%) lower in 1Q 2018 than in 1Q 2017. OEM sales, representing 17% of total domestic sales, were \$131 (+17%) higher. CSI sales, representing 21% of 1Q 2018 total domestic sales, were \$53 (4%) lower. CSI's current forecasts indicate that its purchases from Femcare will be lower for the remainder of 2018 than they were in 2017.

OUS sales in 1Q 2018 were \$5,633 compared to \$5,041 in 1Q 2017. OUS sales invoiced in GBP, EUR, AUD and CAD currencies were \$340 (+12.5%) higher as a result of changes in FX rates shown above. In other words, about 57% of the OUS sales increase was due to a weaker USD FX rate. The foreign currency OUS sales in 1Q 2018 were \$3,614, which was 64% of all OUS sales and 33% of total consolidated sales. Foreign currency OUS sales in 1Q 2017 were \$2,486, which was 49% of all OUS sales and 24% of total consolidated sales.

Trade sales are sales to third parties, excluding sales from one UTMD entity to another. Ireland subsidiary 1Q 2018 trade sales were \$94 higher than in 1Q 2017 due to the stronger EUR. Ireland EUR sales were €71 lower. Similarly, trade sales by UTMD's UK subsidiary, Femcare-Nikomed Ltd, were \$356 higher, while in GBP terms, sales were just £47 higher. Trade sales by UTMD's Australia subsidiary to Australian end user facilities in 1Q 2018 were \$23 lower than in 1Q 2017. Trade sales by UTMD's Canada subsidiary to Canadian end user facilities in 1Q 2018 were \$21 lower than in 1Q 2017. Because of the relatively short span of time, sales results for any given three month period in comparison with a previous three month period may not be indicative of comparative results for the year as a whole.

The following table provides USD sales amounts divided into general product categories for total sales and the subset of OUS sales:

Global revenues (USD) by product category:

	1Q 2018	%	1Q 2017	%
Obstetrics	\$1,086	10	\$1,039	10
Gynecology/ Electrosurgery/ Urology	6,201	57	5,837	57
Neonatal	1,710	16	1,571	15
Blood Pressure Monitoring and Accessories*	1,890	17	1,812	18
Total:	\$10,887	100	\$10,259	100

OUS revenues (USD) by product category:

	1Q 2018	%	1Q 2017	%
Obstetrics	\$209	4	\$144	3
Gynecology/ Electrosurgery/ Urology	3,908	69	3,559	71
Neonatal	745	13	518	10

Edgar Filing: UTAH MEDICAL PRODUCTS INC - Form 10-Q

Blood Pressure Monitoring and Accessories*	771	14	820	16
Total:	\$5,633	100	\$5,041	100

*includes molded components sold to OEM customers.

c) Gross Profit

Gross Profit (GP) results from subtracting the cost of manufacturing and shipping products to customers (direct materials, direct labor, manufacturing overhead and shipping costs), or the purchase price of distributed finished products manufactured by other companies, from revenues. At UTMD, manufacturing overhead costs fully absorb indirect costs including depreciation on manufacturing equipment and facilities, quality assurance, materials requirements planning and purchasing, manufacturing engineering, production supervision, shipping, royalties paid to other entities and health plan benefits for both direct and indirect manufacturing personnel. UTMD's GP margin (GPM) is GP as a percentage of revenues. GP in 1Q 2018 was \$6,922 (63.6% GPM) compared to \$6,535 (63.7% GPM) in 1Q 2017. Variable cost increases in direct labor and materials were offset by better absorption of manufacturing overhead as a result of higher sales.

8

d) Operating Income

Operating income (OI) is the profit remaining after subtracting operating expenses (OE) from GP. OE include sales and marketing (S&M) expenses, product development (R&D) expenses and general and administrative (G&A) expenses. UTMD's operating income margin (OIM) is OI divided by revenues. OI income was up only 5.2% with a 6.1% increase in sales because the 1Q 2018 OIM was squeezed by the stronger EUR and GBP compared to 1Q 2017.

OI in 1Q 2018 was \$4,971 (45.7% OIM) compared to \$4,725 (46.1% OIM) in 1Q 2017. Consolidated 1Q 2018 USD OE were \$1,952 (17.9% of sales) compared to \$1,811 (17.7% of sales) in 1Q 2017. The 1Q 2018 OE of UTMD's foreign subsidiaries in the aggregate would have been \$107 lower using 1Q 2017 FX rates.

Consolidated S&M expenses in 1Q 2018 were \$409 (3.8% of sales) compared to \$381 (3.7% of sales) in 1Q 2017.

S&M expenses include all customer support costs including training. In general, training is not required for UTMD's products since they are well-established and have been clinically widely used. Written "Instructions For Use" are packaged with all finished devices. Although UTMD does not have any explicit contracts with customers to provide training, it does have agreements in the U.S. and UK under which it agrees to provide hospital members inservice and clinical training as required and reasonably requested.

UTMD promises prospective customers that it will provide, at no charge in reasonable quantities, copies of instruction materials developed for the use of its products. UTMD provides customer support from offices in the U.S., Canada, the UK, Ireland and Australia by telephone, and retained representatives on a geographically dispersed basis, to answer user questions and help troubleshoot any user issues. Occasionally, on a case-by-case basis, UTMD may utilize the services of an independent practitioner to provide educational assistance to clinicians. All inservice and training expenses are routinely expensed as they occur. All of these services are allocated from S&M overhead costs included in OE. Historically, marginal consulting costs have been immaterial to financial results.

R&D expenses in 1Q 2018 were \$113 (1.0% of sales) compared to \$118 (1.2% of sales) in 1Q 2017.

Consolidated G&A expenses were \$1,429 (13.1% of sales) in 1Q 2018 compared to \$1,312 (12.8% of sales) in 1Q 2017. The G&A expenses in 1Q 2018 included \$555 (5.1% of sales) of non-cash expense from the amortization of identifiable intangible assets resulting from the Femcare acquisition, which were \$494 (4.8% of sales) in 1Q 2017. The higher USD amortization expense was the result of the stronger GBP, as the amortization expense in GBP was £399 in both 1Q 2018 and 1Q 2017.

G&A expenses include the cost of outside financial auditors and corporate governance activities related to the implementation of SEC rules resulting from the Sarbanes-Oxley Act of 2002, as well as estimated stock-based compensation cost, a noncash expense. Option compensation expense included in G&A expenses was \$30 in 1Q 2018 compared to \$36 in 1Q 2017.

Summary comparison of (USD) consolidated OE:

	1Q 2018	1Q 2017
S&M Expense	\$409	\$381
R&D Expense	113	118
G&A Expense	1,429	1,312
Total Operating Expenses:	\$1,952	\$1,811

e) Non-operating expense (NOE)/ Non-operating income (NOI)

NOE/NOI includes the combination of 1) expenses from loan interest and bank fees; 2) expenses or income from losses or gains from remeasuring the value of EUR cash bank balances in the UK, and GBP cash balances in Ireland, in USD terms; and 3) income from rent of underutilized property, investment income and royalties received from licensing the Company's technology. Negative NOE is NOI. Net NOI in 1Q 2018 was \$37 compared to \$26 NOI in 1Q 2017. The higher NOI in 1Q 2018 was due to higher interest on savings accounts. Royalties received were \$22 and \$23 in 1Q 2018 and 1Q 2017 respectively.

f) Income Before Income Taxes (EBT)

EBT results from subtracting net NOE or adding NOI from or to, as applicable, OI. Consolidated 1Q 2018 EBT was \$5,008 (46.0% of sales) compared to \$4,750 (46.3% of sales) in 1Q 2017. With slightly higher NOI, the 5.4% increase in EBT was slightly higher than the increase in OI.

The EBT of Utah Medical Products, Inc. (U.S.) was \$2,252 in 1Q 2018 compared to \$2,251 in 1Q 2017. The EBT of Utah Medical Products, Ltd (Ireland) was EUR 797 in 1Q 2018 compared to EUR 637 in 1Q 2017. The EBT of Femcare Group Ltd (Femcare-Nikomed, Ltd., UK and Femcare Australia) was GBP 1,063 in 1Q 2018 compared to GBP 1,161 in 1Q 2017. The 1Q 2018 EBT of Utah Medical Products Canada, Inc. (dba Femcare Canada) was CAD 471 compared to CAD 496 in 1Q 2017.

Excluding the noncash effects of depreciation, amortization of intangible assets and stock option expense, 1Q 2018 consolidated EBT excluding remeasured bank balance currency gains ("adjusted consolidated EBITDA") were \$5,810 compared to \$5,458 in 1Q 2017, a 6.5% increase. Management believes that the 1Q 2018 pre-tax operating performance provides a solid start to achieving its financial objectives for the year 2018, as previously described in its 2017 SEC 10-K Report.

g) Net Income (NI)

NI is EBT minus a provision for income taxes. NI in 1Q 2018 of \$4,092 (37.6% of sales) was 15.7% higher than the NI of \$3,536 (34.5% of sales) in 1Q 2017. The average consolidated income tax provisions (as a % of EBT) in 1Q 2018 and 1Q 2017 were 18.3% and 25.6%, respectively.

The primary reasons for the lower 2018 provision rate were two: 1) the lower U.S. Federal Income Tax rate, reduced to 21% from 34% as a result of the U.S. Tax Cuts and Jobs Act enacted in December 2017, and 2) substantial tax deductions in Ireland and the UK as a result of native currency translation losses on 1Q 2018 ending USD cash balances.

The total tax savings as a result of the lower tax provision rate was \$366. Approximately \$221, or about 60% of the lower provision, resulted from a lower corporate income tax rate in the U.S. The remaining lower income tax provision emanated primarily as a result of lower valued USD cash balances in the UK and Ireland when expressed in their native currencies, which results in a tax deduction in those sovereignties. According to U.S. GAAP, the USD translation losses in Ireland and the UK do not affect UTMD's consolidated income statement except in accrued taxes. Also helping was a lower corporate income tax rate in the UK in 1Q 2018 compared to 1Q 2017 (19% instead of 20%).

h) Earnings Per Share (EPS)

EPS are consolidated NI divided by the number of shares of stock outstanding (diluted to take into consideration stock option awards which are "in the money," i.e., have exercise prices below the applicable period's weighted average market value). Diluted EPS in 1Q 2018 were \$1.092, which was 15.1% higher than EPS of \$0.948 in 1Q 2017 as a result of a combination of 15.7% higher NI and slightly higher diluted shares than in 1Q 2017.

Diluted shares used to calculate EPS were 3,747,800 in 1Q 2018 compared to 3,728,000 in 1Q 2017 as a result of employee option exercises as well as a higher dilution factor for unexercised options due to a higher share price. No new options were awarded in 2017 or 2018 to-date. The number of shares added as a dilution factor in 1Q 2018 was 22,800 compared to 13,700 in 1Q 2017.

Outstanding UTMD shares at the end of 1Q 2018 were 3,727,600. The number of shares used for calculating earnings per share was higher than ending shares because of a time-weighted calculation of average outstanding shares plus

dilution from unexercised employee and director options. The total number of outstanding unexercised employee and outside director options at March 31, 2018 was 45,700 shares at an average exercise price of \$45.93/ share, including shares awarded but not vested. This compares to 71,600 unexercised option shares outstanding at March 31, 2017 at an average exercise price of \$46.91/ share.

During both 1Q 2018 and 1Q 2017, UTMD did not repurchase its shares in the open market. The Company retains the financial ability for repurchasing its shares when they seem undervalued. UTMD's closing share price at the end of 1Q 2018 was \$98.85 compared to \$81.40 at the end of calendar year 2017, and \$62.30 at the end of 1Q 2017.

10

i) Return on Equity (ROE)

ROE is the portion of NI retained by UTMD to internally finance its growth, divided by the average accumulated stockholders' equity for the applicable time period. Annualized ROE (before stockholder dividends) in both 1Q 2018 and 1Q 2017 was 20%. Targeting a high ROE of 20% remains a key financial objective for UTMD management. ROE can be increased by increasing NI, or by reducing stockholders' equity by paying cash dividends to stockholders or by repurchasing shares.

Liquidity and Capital Resources

j) Cash flows

Net cash provided by operating activities, including adjustments for depreciation and amortization and other non-cash expenses along with changes in working capital, totaled \$3,766 in 1Q 2018 compared to \$4,307 in 1Q 2017. The most significant differences in cash provided during the two periods were the \$556 increase in net income and a \$374 lower decrease in trade A/R. The largest difference in use was a \$1,496 larger decrease in accrued expenses in 1Q 2018 compared to 1Q 2017.

Capital expenditures for property and equipment (PP&E) were \$173 in 1Q 2018 compared to \$65 in 1Q 2017. Depreciation of PP&E was \$200 in 1Q 2018 compared to \$166 in 1Q 2017. The differences in both capital expenditures and depreciation were due to the continued fitting out and use of the new UK facility, which began in late 2017.

UTMD made its payment of the 4Q 2017 stockholder dividend in the amount of \$1,005 in January 2018. There was no dividend payment in 1Q 2017, because the 4Q 2016 dividend was paid in December 2016 instead of January 2017.

In 1Q 2018, UTMD received \$147 and issued 8,620 shares of its stock upon the exercise of employee stock options, net of 2,439 shares retired upon employees trading those shares in payment of the stock option exercise price. Option exercises in 1Q 2018 were at an average price of \$43.17 per share. In comparison, in 1Q 2017 the Company received \$53 from issuing 1,860 shares of stock on the exercise of employee stock options. Option exercises in 1Q 2017 were at an average price of \$28.75 per share.

Management believes that current cash balances, income from operations and effective management of working capital will provide the liquidity needed to finance internal growth plans. The Company may utilize cash not needed to support normal operations in one or a combination of the following: 1) in general, to continue to invest at an opportune time in ways that will enhance future profitability; 2) to make additional investments in new technology and/or processes; and/or 3) to acquire a product line or company that will augment revenue and EPS growth and better utilize UTMD's existing infrastructure. If there are no better strategic uses for UTMD's cash, the Company will continue to return cash to stockholders in the form of dividends and share repurchases when the stock appears undervalued.

k) Assets and Liabilities

March 31, 2018 total consolidated assets increased \$4,444 from December 31, 2017 to \$97,188. The increase was predominantly due to a \$2,971 increase in cash and investments. Other significant changes in assets from the end of 2017 included a \$585 increase in consolidated net trade receivables, a \$315 increase in consolidated inventories and a \$352 increase in net intangible assets. UTMD's Ireland subsidiary EUR-denominated assets were translated into USD at an FX rate 2.5% higher (stronger EUR) than the FX rate at the end of 2017. UTMD's UK subsidiary GBP-denominated assets were translated into USD at an FX rate 3.7% higher (stronger GBP) than the FX rate at the end of 2017. This was responsible for the increase in intangible assets as the Femcare intangibles are in GBP.

UTMD's Australia subsidiary AUD-denominated assets were translated into USD at an FX rate 1.6% lower (weaker AUD) than the FX rate at the end of 2017. Canada subsidiary CAD-denominated assets were translated into USD at an FX rate 2.9% lower (weaker CAD) than the FX rate at the end of 2017. Consolidated net property, plant and equipment increased \$161 at March 31, 2018 from the end of 2017 due to the changing FX rates, \$173 in new asset purchases and \$200 in depreciation.

Working capital (current assets minus current liabilities) was \$47,998 at March 31, 2018 compared to \$43,909 at December 31, 2017. Current liabilities declined \$159, including a \$309 decline in accrued liabilities. The accrued liabilities decrease was due primarily to the payment of the accrued 2017 annual profit-sharing management bonus (MB) in 1Q 2018. The \$558 decline in accrued MB was partially offset by the U.S. quarterly income tax payment schedule, which delays the 1Q 2018 estimated payment until 15 April 2018, while the 4Q 2017 payment was due 15 December 2017. The 1Q delay in tax payment increased accrued liabilities by \$204. UTMD management believes that its working capital remains sufficient to meet normal operating needs, new capital investments and projected cash dividend payments to stockholders.

March 31, 2018 intangible assets (goodwill plus other intangible assets) increased \$352 from the end of 2017. The increase was due to the higher GBP FX rate for Femcare intangibles as of March 31, 2018 compared to year-end 2017, offset in part by \$555 1Q 2018 amortization of identifiable intangible Femcare assets. At March 31, 2018, net intangible assets including goodwill were 33% of total consolidated assets compared to 34% at year-end 2017, and 39% at March 31, 2017.

The deferred tax liability balance for Femcare identifiable intangible assets (\$9,084 on the date of the acquisition) was \$3,111 at March 31, 2018 compared to \$3,102 at December 31, 2017 and \$3,160 at March 31, 2017. Reduction of the deferred tax liability occurs as the book/tax difference of amortization is eliminated over the remaining useful life of the Femcare identifiable intangible assets. UTMD's total debt ratio (total liabilities/total assets) as of March 31, 2018 declined to 15% from 16% as of December 31, 2017 as a result of the decline in accrued liabilities described above and higher total assets. UTMD's total debt ratio as of March 31, 2017 was 12%. This year-ago lower ratio was because the \$6,288 repatriation tax on cumulative foreign subsidiary earnings, of which none has been paid as of March 31, 2018, was accrued after enactment in 4Q 2017.

l) Management's Outlook

As outlined in its December 31, 2017 SEC 10-K report, UTMD's plan for 2018 is to

- 1) continue to exploit distribution and manufacturing synergies by further integrating capabilities and resources in its multinational operations;
- 2) introduce additional products helpful to clinicians through internal new product development;
- 3) continue achieving excellent overall financial operating performance;
- 4) utilize positive cash generation to continue cash dividends to stockholders and make open market share repurchases if/when the UTMD share price seems undervalued; and
- 5) be vigilant for accretive acquisition opportunities which may be increasingly brought about by difficult burdens on small, innovative companies.

Management believes it is on track after 1Q 2018 to accomplish its previously stated objectives for the full year of 2018.

m) Accounting Policy Changes

On January 1, 2018 UTMD adopted ASU 2014-09, Revenue from Contracts with Customers. Refer to Note 2 for further information.

Forward-Looking Information. This report contains certain forward-looking statements and information relating to the Company that are based on the beliefs of management as well as assumptions made by management based on information currently available. When used in this document, the words "anticipate," "believe," "project," "estimate," "expect," "intend" and similar expressions, as they relate to the Company or its management, are intended to identify forward-looking statements. Such statements reflect the current view of the Company respecting future events and are subject to certain risks, uncertainties and assumptions, including the risks and uncertainties stated throughout the

document. Although the Company has attempted to identify important factors that could cause the actual results to differ materially, there may be other factors that cause the forward statement not to come true as anticipated, believed, projected, expected, or intended. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may differ materially from those described herein as anticipated, believed, projected, estimated, expected or intended. Financial estimates are subject to change and are not intended to be relied upon as predictions of future operating results, and the Company assumes no obligation to update or disclose revisions to those estimates.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

UTMD has manufacturing and trading operations, including related assets, in the U.S. denominated in the U.S. Dollar (USD), in Ireland denominated in the Euro (EUR), in England denominated in the British Pound (GBP), in Australia denominated in the Australia Dollar (AUD), and, starting in 2017, in Canada denominated in the Canadian Dollar (CAD). The currencies are subject to exchange rate fluctuations that are beyond the control of UTMD. The exchange rates were .8119, .8319 and .9348 EUR per USD as of March 31, 2018, December 31, 2017 and March 31, 2017, respectively. Exchange rates were .7130, .7395 and .7978 GBP per USD as of March 31, 2018, December 31, 2017 and March 31, 2017, respectively. Exchange rates were 1.3008, 1.2796 and 1.3093 AUD per USD on March 31, 2018, December 31, 2017 and March 31, 2017, respectively. Exchange rates were 1.2895, 1.2519, and 1.3320 CAD per USD on March 31, 2018, December 31, 2017, and March 31, 2017 respectively. UTMD manages its foreign currency risk without separate hedging transactions by either invoicing customers in the local currency where costs of production were incurred, by converting currencies as transactions occur, and by optimizing global account structures through liquidity management accounts.

Item 4. Controls and Procedures

The Company's management, under the supervision and with the participation of the Chief Executive Officer and the Principal Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended) as of March 31, 2018. Based on this evaluation, the Chief Executive Officer and Principal Financial Officer concluded that, as of March 31, 2018, the Company's disclosure controls and procedures were effective.

There were no changes in the Company's internal controls over financial reporting that occurred during the quarter ended March 31, 2018, that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

The Company may be a party from time to time in litigation incidental to its business. Presently, there is no litigation for which the Company believes the outcome may be material to its financial results.

Item 1A. Risk Factors

In addition to the other information set forth in this report, investors should carefully consider the factors discussed in Part I, "Item 1A. Risk Factors" in UTMD's Annual Report on Form 10-K for the year ended December 31, 2017, which could materially affect its business, financial condition or future results. The risks described in the Annual Report on Form 10-K are not the only risks facing the Company. Additional risks and uncertainties not currently known to UTMD or currently deemed to be immaterial also may materially adversely affect the Company's business, financial condition and/or operating results.

Legislative healthcare reform in the United States, as embodied in The Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 (the "Acts") added a substantial excise tax (MDET) in 2013-2015 that increased administrative costs and has led to decreased revenues in the U.S.:

The voluminous Acts, administrative rules to enforce the Acts and promised efforts to reform the Acts, make the U.S. medical device marketplace unpredictable, particularly for the thousands of small medical device manufacturers including UTMD that do not have the overhead structure that the larger medical device companies can afford. Fortunately, the U.S. Congress suspended the MDET for the years of 2016-2019. To the extent that the Acts will in the future continue to place additional burdens on small medical device companies in the form of the excise tax on medical device sales, additional oversight of marketing and sales activities and new reporting requirements, the result is likely to continue to be negative for UTMD's ability to effectively compete and support continued investments in new product development and marketing of specialty devices in the U.S.

Increasing regulatory burdens including premarketing approval delays may result in significant loss of revenue, unpredictable costs and loss of management focus on helping the Company proactively conform with requirements and thrive:

The Company's experience in 2001-2005, when the FDA improperly sought to shut it down, highlights the ongoing risk of being subject to a regulatory environment which can be arbitrary and capricious. The risks associated with such a circumstance relate not only to the substantial costs of litigation in millions of dollars, but also loss of business, the diversion of attention of key employees for an extended period of time, including new product development and routine quality control management activities, and a tremendous psychological and emotional toll on dedicated and diligent employees.

Since the FDA reserves to itself the interpretation of which vague industry standards comprise law at any point in time, it is impossible for any medical device manufacturer to ever be confident that it is operating within the Agency's version of the law. The unconstitutional result is that all companies, including UTMD, are considered guilty prior to proving their innocence.

Premarketing submission administrative burdens and substantial increases in "user fees" increase product development costs and result in delays to revenues from new or improved devices. It recently took two and a half years to gain FDA approval of the use of a clearly safer single use Filshie Clip applicator, which had been in use for over seven years OUS, in lieu of a reused applicator approved in the U.S. since 1996, made of substantially equivalent materials for the same intended use applying the same implanted clip.

The existence of Group Purchasing Organizations (GPOs) adds non-productive costs, typically weakens the Company's marketing and sales efforts and may result in lower revenues:

GPOs, theoretically acting as bargaining agents for member hospitals, but actually collecting revenues from the companies that they are negotiating with, have made a concerted effort to turn medical devices that convey special patient safety advantages and better health outcomes, like UTMD's, into undifferentiated commodities. GPOs have been granted an antitrust exemption by the U.S. Congress. Otherwise, their business model based on "kickbacks" would be a violation of law. These bureaucratic entities do not recognize or understand the overall cost of care as it relates to safety and effectiveness of devices, and they create a substantial administrative burden that is primarily related to collection of their administrative fees.

14

The Company's business strategy may not be successful in the future:

As the level of complexity and uncertainty in the medical device industry increases, evidenced, for example, by the unpredictable regulatory environment, the Company's views of the future and product/ market strategy may not yield financial results consistent with the past.

As the healthcare industry becomes increasingly bureaucratic, it puts smaller companies like UTMD at a competitive disadvantage:

An aging population is placing greater burdens on healthcare systems, particularly hospitals. The length of time and number of administrative steps required in adopting new products for use in hospitals has grown substantially in recent years. Smaller companies like UTMD typically do not have the administrative resources to deal with broad new administrative requirements, resulting in either loss of revenue or increased costs. As UTMD introduces new products it believes are safer and more effective, it may find itself excluded from certain clinical users because of the existence of long term supply agreements for preexisting products, particularly from competitors which offer hospitals a broader range of products and services. Restrictions used by hospital administrators to limit clinician involvement in device purchasing decisions makes communicating UTMD's clinical advantages much more difficult.

A product liability lawsuit could result in significant legal expenses and a large award against the Company:

UTMD's devices are frequently used in inherently risky situations to help physicians achieve a more positive outcome than what might otherwise be the case. In any lawsuit where an individual plaintiff suffers permanent physical injury, the possibility of a large award for damages exists whether or not a causal relationship exists.

The Company's reliance on third party distributors in some markets may result in less predictable revenues:

UTMD's distributors have varying expertise in marketing and selling specialty medical devices. They also sell other devices that may result in less focus on the Company's products. In some countries, notably China, Pakistan and India not subject to similarly rigorous standards, a distributor of UTMD's products may eventually become a competitor with a cheaper but lower quality version of UTMD's devices.

The loss of one or more key employees could negatively affect UTMD performance:

In a small company with limited resources, the distraction or loss of key personnel at any point in time may be disruptive to performance. The Company's benefits programs are key to recruiting and retaining talented employees. An increase in UTMD's employee healthcare plan costs, for example, may cause the Company to have to reduce coverages which in turn represents a risk to retaining key employees.

Fluctuations in foreign currencies relative to the USD can result in significant differences in period to period financial results:

Since a significant portion of UTMD's sales are invoiced in foreign currencies and consolidated financial results are reported in USD terms, a stronger USD can have negative revenue effects. Conversely, a weaker USD would increase foreign subsidiary operating costs in USD terms. For the portion of sales to foreign entities made in fixed USD terms, a stronger USD makes the devices more expensive and weakens demand. For the portion invoiced in a foreign currency, not only USD-denominated sales are reduced, but also gross profits may be reduced because finished distributed products and/or U.S. made raw materials and components are likely being purchased in fixed USD.

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

UTMD did not purchase any of its own securities during 1Q 2018.

15

Item 6. Exhibits

Exhibit #	SEC Reference #	Title of Document
1	31	Certification of CEO pursuant to Rule 13a-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
2	31	Certification of Principal Financial Officer pursuant to Rule 13a-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
3	32	Certification of CEO pursuant to 18 U.S.C. §1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
4	32	Certification of Principal Financial Officer pursuant to 18 U.S.C. §1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
5	101.ins	XBRL Instance
6	101.sch	XBRL Schema
7	101.cal	XBRL Calculation
8	101.def	XBRL Definition
9	101.lab	XBRL Label
10	101.pre	XBRL Presentation

SIGNATURES

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

UTAH MEDICAL PRODUCTS, INC.
REGISTRANT

Date: 5/7/18 By: /s/ Kevin L. Cornwell
Kevin L. Cornwell
CEO

Date: 5/7/18 By: /s/ Brian L. Koopman
Brian L. Koopman
Principal Financial Officer