Section 1: 10-Q (FORM 10-Q)

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

FORM 10-Q

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

For the quarterly period ended September 30, 2017

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 0-29923

CUI Global, Inc.

(Exact name of registrant as specified in its charter)

Colorado	84-1463284
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

20050 SW 112th Avenue
Tualatin, Oregon 97062

(Address of principal executive offices and zip code)

(503) 612-2300
(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 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 by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or 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 ☐ (Do not check if a smaller reporting company)	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 ☒

There were 28,404,796 shares of the registrant's common stock, par value $0.001 per share, issued and outstanding as of November 7, 2017.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

CUI Global, Inc.
Condensed Consolidated Balance Sheets

(in thousands, except share and per share data)	September 30, 2017 (Unaudited)	December 31, 2016
Assets:		
Current Assets:		
Cash and cash equivalents	$ 758	$ 4,617
Trade accounts receivable, net of allowance of $128 and $151, respectively	11,365	9,375
Inventories, net of allowance of $1,127 and $774, respectively	14,221	13,202
Costs in excess of billings	1,451	2,735
Prepaid expenses and other	1,733	2,174
Total current assets	29,528	32,103
Property and equipment, less accumulated depreciation of $4,128 and $3,299, respectively	11,260	10,952
Goodwill	20,737	20,125
Other intangible assets, less accumulated amortization of $11,415 and $9,438, respectively	15,852	16,201
Note receivable, less current portion	324	362
Deposits and other assets	1,876	100
Total assets	$ 79,577	$ 79,843
Liabilities and Stockholders' Equity:		
Current Liabilities:		
Accounts payable	$ 5,996	$ 6,170
Short-term overdraft facility	1,022	—
Mortgage note payable, current portion	93	89
Capital lease obligation, current portion	3	28
Accrued expenses	4,120	4,542
Billings in excess of costs	2,853	1,977
Unearned revenue	7,231	4,932
Total current liabilities	21,318	17,738
Long term mortgage note payable, less current portion	3,280	3,350
Long term note payable, related party	5,304	5,304
Line of credit	1,932	—
Capital lease obligation, less current portion	10	12
Derivative liability	412	467
Deferred tax liabilities	3,528	4,120
Other long-term liabilities	114	217
Total liabilities	35,898	31,208
Commitments and contingencies		
Stockholders' Equity:		
Preferred stock, par value $0.001; 10,000,000 shares authorized; no shares issued at September 30, 2017 or December 31, 2016	—	—
Common stock, par value $0.001; 325,000,000 shares authorized; 20,995,916 shares issued and outstanding at September 30, 2017 and 20,916,848 shares issued and outstanding at December 31, 2016	21	21
Additional paid-in capital	150,571	150,174
Accumulated deficit	(103,294)	(95,970)
Accumulated other comprehensive loss	(3,619)	(5,590)
Total stockholders' equity	$ 43,679	$ 48,635
Total liabilities and stockholders' equity	$ 79,577	$ 79,843

See accompanying notes to condensed consolidated financial statements

CUI Global, Inc.
Condensed Consolidated Statements of Operations
(Unaudited)

(In thousands, except share and per share amounts)	**For the Three Months Ended September 30,**		**For the Nine Months Ended September 30,**	
	2017	**2016**	**2017**	**2016**
Total revenues	$ 21,796	$ 23,257	$ 62,141	$ 67,058
Cost of revenues	14,356	14,660	40,793	41,269
Gross profit	7,440	8,597	21,348	25,789
Operating expenses:				
Selling, general and administrative	8,212	8,080	25,480	26,328
Depreciation and amortization	521	585	1,636	1,809
Research and development	696	512	1,920	1,544
Provision (credit) for bad debt	30	—	(21)	48
Other operating expenses	—	5	12	5
Total operating expenses	9,459	9,182	29,027	29,734
Loss from operations	(2,019)	(585)	(7,679)	(3,945)
Other income (expense)	77	6	169	(265)
Interest expense	(137)	(119)	(374)	(364)
Loss before taxes	(2,079)	(698)	(7,884)	(4,574)
Income tax expense (benefit)	(177)	(191)	(560)	82
Net loss	$ (1,902)	$ (507)	$ (7,324)	$ (4,656)
Basic and diluted weighted average common shares outstanding	20,991,534	20,906,781	20,969,735	20,891,517
Basic and diluted loss per common share	$ (0.09)	$ (0.02)	$ (0.35)	$ (0.22)

See accompanying notes to condensed consolidated financial statements

CUI Global, Inc.
Condensed Consolidated Statements of Comprehensive Income and Loss
(Unaudited)

(in thousands)	**For the Three Months Ended September 30,**		**For the Nine Months Ended September 30,**	
	2017	**2016**	**2017**	**2016**
Net loss	$ (1,902)	$ (507)	$ (7,324)	$ (4,656)
Other comprehensive income (loss)				
Foreign currency translation adjustment	771	(796)	1,971	(2,897)
Comprehensive loss	$ (1,131)	$ (1,303)	$ (5,353)	$ (7,553)

See accompanying notes to condensed consolidated financial statements

CUI Global, Inc.
Condensed Consolidated Statement of Changes in Stockholders' Equity
(Unaudited)

(In thousands, except share amounts)	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance, December 31, 2016	20,916,848	$ 21	$ 150,174	$ (95,970)	$ (5,590)	$ 48,635
Common stock issued for exercises of options	245	—	—	—	—	—
Common stock issued for compensation, services, and royalty payments	78,823	—	397	—	—	397
Net loss for the period ended September 30, 2017	—	—	—	(7,324)	—	(7,324)
Other comprehensive income	—	—	—	—	1,971	1,971
Balance, September 30, 2017	20,995,916	$ 21	$ 150,571	$ (103,294)	$ (3,619)	$ 43,679

See accompanying notes to condensed consolidated financial statements

CUI Global, Inc.
Condensed Consolidated Statements of Cash Flows
(Unaudited)

(in thousands)	**For the Nine Months Ended September 30,**	
	2017	**2016**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (7,324)	$ (4,656)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation	744	697
Amortization of intangibles	1,388	1,450
Stock and options issued and stock to be issued for compensation, royalties and services	313	983
Unrealized (gain) loss on derivative liability	(55)	98
Non-cash royalties, net (see Note 5)	(6)	15
(Credit to) provision for bad debt expense and returns allowances	(21)	52
(Credit to) provision for warranty reserve	(11)	—
Deferred income taxes	(666)	(105)
Inventory reserve	317	269
Non-cash unrealized foreign currency (gains)/losses	(307)	122
Impairment of intangible assets	3	—
Loss on disposal of assets	9	5
(Increase) decrease in operating assets:		
Trade accounts receivable	(1,667)	2,244
Inventory	(902)	(506)
Costs in excess of billings	1,402	(513)
Prepaid expenses and other current assets	(562)	445
Deposits and other assets	(515)	(27)
Increase (decrease) in operating liabilities:		
Accounts payable	(321)	148
Accrued expenses	(482)	(1,056)
Unearned revenue	2,219	643
Billings in excess of costs	683	865
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	(5,761)	1,173
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(635)	(463)
Proceeds from sale of property and equipment	2	22
Investments in other intangible assets	(448)	(662)
Proceeds from notes receivable	19	—
NET CASH USED IN INVESTING ACTIVITIES	(1,062)	(1,103)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from overdraft facility	2,146	—
Payments on overdraft facility	(1,174)	—
Proceeds from line of credit	19,585	—
Payments on line of credit	(17,653)	—
Payments on capital lease obligations	(27)	(38)
Payments on mortgage note payable	(66)	(64)
Payments on contingent consideration	(61)	(59)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	2,750	(161)
Effect of exchange rate changes on cash	214	(125)
Net decrease in cash and cash equivalents	(3,859)	(216)
Cash and cash equivalents at beginning of period	4,617	7,267
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 758	$ 7,051

See accompanying notes to condensed consolidated financial statements

CUI Global, Inc.
Condensed Consolidated Statements of Cash Flows (continued)
(Unaudited)

(in thousands)	**For the Nine Months Ended September 30, 2017**	**2016**
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Income taxes paid	$ 130	$ 169
Interest paid, net of capitalized interest	$ 375	$ 366
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Common stock issued and to be issued for royalties payable pursuant to product agreements, related party	$ 8	$ 38
Common stock issued and to be issued for consulting services and compensation in common stock	$ 389	$ 718
Exchange of investment in TPI in return for note receivable (note 5)	$ —	$ 385
Accrued property and equipment purchases	$ 21	$ 8
Accrued investment in other intangible assets	$ 83	$ 137
Capital leases	$ —	$ 19

See accompanying notes to condensed consolidated financial statements

1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION

Nature of Operations
CUI Global Inc. (CUI Global) is a platform company composed of two segments, the Power and Electromechanical segment and the Energy segment, along with an "Other" category.

The Power and Electromechanical segment consists of the wholly owned subsidiaries: CUI, Inc. (CUI), based in Tualatin, Oregon; CUI Japan, based in Tokyo, Japan; CUI-Canada, based in Toronto, Canada; and the entity holding the corporate building, CUI Properties. All three subsidiaries are providers of power and electromechanical components including power supplies, transformers, converters, connectors and industrial controls for Original Equipment Manufacturers (OEMs).

The Power and Electromechanical segment defines its product offerings into two categories: components including connectors, speakers, buzzers, test and measurement devices, and control solutions including encoders and sensors; and power solutions, which includes Novum and ICE. These offerings provide a technology architecture that addresses power and related accessories to industries as broadly ranging as consumer electronics, medical and defense.

The Company’s Energy segment consists of the Orbital Gas Systems Ltd subsidiary (Orbital-UK) and the Orbital Gas Systems, North America, Inc. subsidiary, collectively referred to as "Orbital." This business segment was formed when in April 2013, CUI Global acquired 100% of the capital stock of Orbital-UK, a United Kingdom-based provider of natural gas infrastructure and advanced technology, including metering, odorization, remote telemetry units (‘‘RTU’’) and a diverse range of personalized gas engineering solutions to the gas utilities, power generation, emissions, manufacturing and automotive industries. In January 2015, CUI Global formed and opened Orbital Gas Systems, North America, Inc., a wholly owned subsidiary of CUI Global, to represent the Energy segment in the North American market. GasPT® and VE Technology® products are sold through Orbital.

The Other category represents the remaining activities that are not included as part of the other reportable segments and primarily represents corporate activity.

Basis of Presentation
The accompanying interim unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and the rules and regulations of the United States Securities and Exchange Commission for interim financial information, which includes condensed consolidated financial statements. Accordingly, they do not include all the information and notes necessary for a comprehensive presentation of financial position and results of operations and should be read in conjunction with the Company's Annual Report, Form 10-K for the year ended December 31, 2016.

It is management's opinion that all material adjustments (consisting of normal recurring adjustments) have been made, which are necessary for a fair financial statement presentation. Significant intercompany accounts and transactions have been eliminated in consolidation. The results for the interim period are not necessarily indicative of the results to be expected for the year ending December 31, 2017.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include estimates used to review the Company's goodwill, impairments and estimations of long-lived assets, impairment of prepaid royalties, revenue recognition on percentage of completion type contracts, allowances for uncollectible accounts, inventory valuation, warranty reserves, valuations of non-cash capital stock issuances and the valuation allowance on deferred tax assets. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable in 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.

Revision

Immaterial revision was made to the condensed consolidated statement of cash flows: for the nine months ended September 30, 2016, $122 thousand was reclassified from effect of exchange rate changes on cash to non-cash unrealized foreign currency gains/losses included as a reconciling item to cash provided by operating activities. This change was related primarily to foreign currency gains and losses on intercompany advances to Orbital-UK.

2. INVENTORIES

Inventories consist of raw materials, work-in-process and finished goods and are stated at the lower of cost or market using the first-in, first-out (FIFO) method or through the moving average cost method. At September 30, 2017 and December 31, 2016, accrued liabilities included $1.3 million and $1.1 million of accrued inventory payable, respectively. At September 30, 2017 and December 31, 2016, inventory by category is valued net of reserves and consists of:

(in thousands)	September 30, 2017	December 31, 2016
Finished goods	$ 11,126	$ 9,684
Raw materials	3,267	3,357
Work-in-process	955	935
Inventory reserves	(1,127)	(774)
Total inventories	$ 14,221	$ 13,202

3. PREPAID EXPENSES, DEPOSITS AND OTHER

(in thousands)	September 30, 2017	December 31, 2016
Prepaid expenses and other	$ 1,733	$ 2,174
Deposits and other assets	$ 1,876	$ 100

During the second quarter of 2017, prepaid royalties in the amount of $1.6 million were transferred to long-term and included in Deposits and other assets from prepaid expenses due to a change in the estimated period of when those prepayments will be amortized based upon management's assessment of future GasPT sales. There was $1.8 million of prepaid royalty included in Deposits and other assets at September 30, 2017.

4. GOODWILL AND INDEFINITE-LIVED INTANGIBLES

The Company tests for impairment of other indefinite-lived intangible assets in the second quarter of each year and when events or circumstances indicate that the carrying amount of the intangible assets exceed their fair value and may not be recoverable. The Company performed a qualitative assessment of impairment for other indefinite-lived intangible assets at May 31, 2017 following the guidance in ASC 350-30-35-18A and 18B and determined there to be no impairment. Other indefinite-lived intangibles were $7.3 million at September 30, 2017.

The Company also tests for impairment of Goodwill in the second quarter of each year and when events or circumstances indicate that the carrying amount of Goodwill exceeds its fair value and may not be recoverable. As detailed in ASC 350-20-35-3A, in performing its testing for impairment of goodwill as of May 31, 2017, management completes a qualitative analysis to determine whether it was more likely than not that the fair value of a reporting unit is less than its carrying amount, including goodwill. Periodically, as was done at May 31, 2016, the Company also prepares a quantitative analysis in addition to the qualitative one. To complete the qualitative review, management follows the steps in ASC 350-20-35-3C to evaluate the fair values of the goodwill and considers all known events and circumstances that might trigger an impairment of goodwill. Through these reviews, management concluded that there were no events or circumstances that triggered an impairment (and there was no expectation that a reporting unit or a significant portion of a reporting unit would be sold or otherwise disposed of in the following year).

The carrying value of goodwill and the activity for the nine months ended September 30, 2017 are as follows:

(in thousands)	Power and Electro - Mechanical	Energy	Other	Total
Balance, December 31, 2016	$ 13,083	$ 7,042	$ —	$ 20,125
Currency translation adjustments	9	603	—	612
Balance, September 30, 2017	$ 13,092	$ 7,645	$ —	$ 20,737

5. INVESTMENT AND NOTE RECEIVABLE

During the three months ended March 31, 2016, CUI Global's 8.5% ownership investment in Test Products International, Inc. ("TPI"), recognized under the cost method, was exchanged for a note receivable from TPI of $0.4 million, which was the carrying value of the investment, earning interest at 5% per annum, due June 30, 2019. The Company recorded $5 thousand and $5 thousand of interest income from the note in the three months ended September 30, 2017 and 2016, respectively. The Company recorded $13 thousand and $15 thousand of interest income from the note in the nine months ended September 30, 2017 and 2016, respectively. The interest receivable is settled on a quarterly basis via a non-cash offset against the finders-fee royalties earned by TPI on GasPT sales. Any remaining finders-fee royalties balance is offset against the note receivable quarterly. The Company also received a $19 thousand cash payment against the note in the nine months ended September 30, 2017. CUI Global reviewed the note receivable for non-collectability as of September 30, 2017 and concluded that no allowance was necessary. For more details on this investment see Note 2 - Summary of Significant Accounting policies to CUI Global's financial statements filed in Item 8 of the Company's latest Form 10-K filed with the SEC on March 14, 2017.

6. DERIVATIVE INSTRUMENTS

The Company uses various derivative instruments including forward currency contracts and interest rate swaps to manage certain exposures. These instruments are entered into under the Company's corporate risk management policy to minimize exposure and are not for speculative trading purposes. The Company recognizes all derivatives as either assets or liabilities in the condensed consolidated balance sheet and measures those instruments at fair value. Changes in the fair value of derivatives are recognized in earnings. For additional information on fair value of derivatives, see Note 10, "Investments and Fair Value Measurements," of these condensed consolidated financial statements. The Company has limited involvement with derivative instruments and does not trade them. The Company has entered into one interest rate swap, which has a maturity date of ten years from the date of inception, and is used to minimize the interest rate risk on the variable rate mortgage. During the three and nine months ended September 30, 2017, the Company had $20 thousand and $55 thousand, respectively of unrealized gain related to the derivative liabilities.

Embedded Derivative Liabilities

The Company evaluates embedded conversion features pursuant to FASB Accounting Standards Codification No. 815 ("FASB ASC 815"), "Derivatives and Hedging," which requires a periodic valuation of the fair value of derivative instruments and a corresponding recognition of liabilities associated with such derivatives.

7. STOCK-BASED PAYMENTS FOR COMPENSATION, SERVICES AND ROYALTIES

The Company records its stock-based compensation expense under its stock option plans and the Company also issues stock for services and royalties. A detailed description of the awards under these plans and the respective accounting treatment is included in the "Notes to the Consolidated Financial Statements" included in the Company's Annual Report on Form 10-K for the year ended December 31, 2016. The Company did not grant any stock options in the three and nine months ended September 30, 2017. For the three and nine months ended September 30, 2017, the Company recorded stock-based expense of $0.1 million and $0.3 million, respectively, and for the three and nine months ended September 30, 2016, the Company recorded stock-based expense of $0.1 million and $1.0 million, respectively.

8. SEGMENT REPORTING

Operating segments are defined in accordance with ASC 280-10 as components of an enterprise for which separate financial information is available that is evaluated regularly by the chief operating decision maker, or decision making group, in deciding how to allocate resources and in assessing performance. The measurement basis of segment profit or loss is income (loss) from operations.

Management has identified six operating segments based on the activities of the Company in accordance with the ASC 280-10. These operating segments have been aggregated into two reportable segments, and an Other category. The two reportable segments are Power and Electromechanical and Energy. The Power and Electromechanical segment is focused on the operations of CUI, CUI-Canada and CUI Japan for the sale of internal and external power supplies, related components and industrial controls. The Power and Electromechanical segment also includes CUI Properties, LLC that owns the Company's Tualatin, Oregon facility. The Energy segment is focused on the operations of Orbital Gas Systems Ltd. and Orbital Gas Systems, North America, Inc. which includes gas related test and measurement systems, including the GasPT. The Other category represents the remaining activities that are not included as part of the other reportable segments and represents primarily corporate activity.

During the three months ended September 30, 2017, the Company's total revenues consisted of 77% from the Power and Electromechanical segment and 23% from the Energy segment. During the three months ended September 30, 2016, the Company's total revenues consisted of 69% from the Power and Electromechanical segment and 31% from the Energy segment.

During the nine months ended September 30, 2017, the Company's total revenues consisted of 78% from the Power and Electromechanical segment and 22% from the Energy segment. During the nine months ended September 30, 2016, the Company's total revenues consisted of 67% from the Power and Electromechanical segment and 33% from the Energy segment.

The following information represents segment activity for the three months ended September 30, 2017 and selected balance sheet items as of September 30, 2017:

(in thousands)	**Power and Electro-Mechanical**	**Energy**	**Other**	**Total**
Revenues from external customers	$ 16,700	$ 5,096	$ —	$ 21,796
Depreciation and amortization(1)	363	342	—	705
Interest expense	75	1	61	137
Profit (loss) from operations	890	(1,660)	(1,249)	(2,019)
Segment assets	49,377	29,495	705	79,577
Other intangible assets, net	8,979	6,873	—	15,852
Goodwill	13,092	7,645	—	20,737
Expenditures for long-lived assets (2)	157	114	—	271

The following information represents segment activity for the nine months ended September 30, 2017 and selected balance sheet items as of September 30, 2017:

(in thousands)	Power and Electro-Mechanical	Energy	Other	Total
Revenues from external customers	$ 48,542	$ 13,599	$ —	$ 62,141
Depreciation and amortization[1]	1,139	993	—	2,132
Interest expense	187	3	184	374
Profit (loss) from operations	1,984	(5,924)	(3,739)	(7,679)
Segment assets	49,377	29,495	705	79,577
Other intangible assets, net	8,979	6,873	—	15,852
Goodwill	13,092	7,645	—	20,737
Expenditures for long-lived assets [2]	786	297	—	1,083

[1] For the Power and Electromechanical segment, for the three and nine months ended September 30, 2017, depreciation and amortization include $184 thousand and $496 thousand, respectively, which were classified as cost of revenues in the Condensed Consolidated Statements of Operations.

[2] Includes purchases of property, plant and equipment and the investment in other intangible assets.

The following information represents segment activity for the three months ended September 30, 2016 and selected balance sheet items as of September 30, 2016:

(in thousands)	Power and Electro-Mechanical	Energy	Other	Total
Revenues from external customers	$ 16,157	$ 7,100	$ —	$ 23,257
Depreciation and amortization [1]	371	339	—	710
Interest expense	56	3	60	119
Profit (loss) from operations	813	(201)	(1,197)	(585)
Segment assets	51,438	32,316	268	84,022
Other intangibles assets, net	9,461	7,541	—	17,002
Goodwill	13,102	7,403	—	20,505
Expenditures for segment assets [2]	99	255	—	354

The following information represents segment activity for the nine months ended September 30, 2016 and selected balance sheet items as of September 30, 2016:

(in thousands)	Power and Electro-Mechanical	Energy	Other	Total
Revenues from external customers	$ 44,607	$ 22,451	$ —	$ 67,058
Depreciation and amortization [1]	1,063	1,083	1	2,147
Interest expense	166	5	193	364
Profit (loss) from operations	1,038	(480)	(4,503)	(3,945)
Segment assets	51,438	32,316	268	84,022
Other intangibles assets, net	9,461	7,541	—	17,002
Goodwill	13,102	7,403	—	20,505
Expenditures for segment assets [2]	580	545	—	1,125

(1) For the Power and Electromechanical segment, depreciation and amortization totals for the three and nine months ended September 30, 2016, include $125 thousand and $338 thousand, respectively, which were classified as cost of revenues in the Condensed Consolidated Statements of Operations.

(2) Includes purchases of property plant and equipment and the investment in other intangible assets.

The following represents revenue by country:

(dollars in thousands)	For the Three Months Ended September 30,			
	2017		2016	
	Amount	%	Amount	%
USA	$ 13,631	62%	$ 13,152	56%
United Kingdom	3,634	17%	4,540	20%
All Others	4,531	21%	5,565	24%
Total	$ 21,796	100%	$ 23,257	100%

(dollars in thousands)	For the Nine Months Ended September 30,			
	2017		2016	
	Amount	%	Amount	%
USA	$ 38,209	61%	$ 35,006	52%
United Kingdom	10,434	17%	13,988	21%
All Others	13,498	22%	18,064	27%
Total	$ 62,141	100%	$ 67,058	100%

9. RECENT ACCOUNTING PRONOUNCEMENTS

In January 2017, the FASB issued Accounting Standards Update ("ASU") No. 2017-04, *Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*. ASU 2017-04 simplifies the goodwill impairment test by eliminating Step 2 from the test among other technical changes intended to streamline the impairment test. The amendment requires an entity to perform its annual, or interim goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. The amendments should be applied on a prospective basis.

The Company is required to adopt ASU 2017-04 for its annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019 and may early adopt as early as its first annual or interim impairment testing date following January 1, 2017. The Company elected to early adopt the amendments of this standard effective with its May 31, 2017 goodwill impairment test. The early adoption of this standard did not impact the Company’s financial condition, results of operations, and cash flows.

In August 2016, the FASB issued Accounting Standards Update (“ASU”) No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments* (“ASU 2016-15”). ASU 2016-15 clarifies whether eight specifically identified cash flow issues should be categorized as operating, investing or financing activities in the statement of cash flows. The guidance will be effective for the fiscal year beginning after December 15, 2017, including interim periods within that year. The Company is currently assessing the impact of this ASU on its consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13"). ASU 2016-13 is intended to provide financial statement users with more useful information about expected credit losses on financial assets held by a reporting entity at each reporting date. The new standard replaces the existing incurred loss impairment methodology with a methodology that requires consideration of a broader range of reasonable and supportable forward-looking information to estimate all expected credit losses. This ASU is effective for fiscal years and interim periods within those years beginning after December 15, 2019 and early adoption is permitted for fiscal years and interim periods within those years beginning after December 15, 2018. The Company is currently assessing the impact of this ASU on its consolidated financial statements.

In February 2016, The FASB issued ASU No. 2016-02, *Leases (Topic 842)* (''ASU 2016-02''). ASU 2016-02 requires lessees to present right-of-use assets and lease liabilities (with the exception of short-term leases) on the balance sheet. The new guidance will be effective for public business entities for fiscal years beginning after December 15, 2018 including interim periods within that fiscal year. We are currently evaluating the impact of the Company's pending adoption of ASU 2016-02 on the Company's consolidated financial statements and will adopt the standard in 2019.

In July 2015, the FASB issued ASU No. 2015-11, "*Simplifying the Measurement of Inventory*" ("ASU 2015-11") that requires entities to measure inventory at the lower of cost or net realizable value. Net realizable value is defined as the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. The guidance is effective for fiscal years beginning after December 15, 2016 and interim periods within fiscal years beginning after December 15, 2017. The guidance must be applied on a prospective basis with early adoption permitted. The guidance is not expected to have a material impact on our financial statements and we have not elected to early adopt.

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU No. 2014-09, "*Revenue from Contracts with Customers*" ("ASU 2014-09"), which supersedes nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. ASU 2014-09 defines a five-step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than are required under existing U.S. GAAP. The standard was originally effective for annual periods beginning after December 15, 2016, and interim periods therein, using either of the following transition methods: (i) a full retrospective approach reflecting the application of the standard in each prior reporting period with the option to elect certain practical expedients, or (ii) a retrospective approach with the cumulative effect of initially adopting ASU 2014-09 recognized at the date of adoption (which includes additional note disclosures). On July 9, 2015, the FASB affirmed its proposal to defer the effective date of the new revenue standard for public entities by one year to annual reporting periods beginning after December 15, 2017, and interim periods beginning in the first interim period within the year of adoption. Early application is permitted, but not before the original effective date for public entities, annual reporting periods after December 15, 2016, and interim periods beginning in the first interim period within the year of adoption. We are currently evaluating the impact of the Company's pending adoption of ASU 2014-09 on the Company's consolidated financial statements. After initial evaluation, the Company expects to implement using the modified retrospective method. The Company continues to prepare for implementation in the first quarter of 2018. The Company expects to utilize certain practical expedients in its implementation of the revenue standard.

10. INVESTMENTS AND FAIR VALUE MEASUREMENTS

The Company's fair value hierarchy for its cash equivalents, marketable securities and derivative instruments, including contingent consideration, as of September 30, 2017 and December 31, 2016, respectively, was as follows:

(in thousands)

September 30, 2017	Level 1		Level 2		Level 3		Total	
Money market securities	$	16	$	—	$	—	$	16
Total assets	$	16	$	—	$	—	$	16
Derivative instrument payable	$	—	$	413	$	—	$	413
Contingent consideration		—		—		45		45
Total liabilities	$	—	$	413	$	45	$	458

December 31, 2016	Level 1		Level 2		Level 3		Total	
Money market securities	$	16	$	—	$	—	$	16
Total assets	$	16	$	—	$	—	$	16
Derivative instrument payable	$	—	$	467	$	—	$	467
Contingent consideration		—		—		103		103
Total liabilities	$	—	$	467	$	103	$	570

Fair Value Measurements
Using Significant Unobservable Inputs (Level 3)

(in thousands)	Contingent consideration	
Balance at December 31, 2016	$	103
Payments		(61)
Fair value adjustments		3
Balance at September 30, 2017	$	45

There were no transfers between Level 3 and Level 2 in 2017 as determined at the end of the reporting period. The contingent consideration liability is associated with the acquisition of Tectrol in March 2015 and represents the present value of the expected future contingent payment based on revenue projections of select Tectrol legacy products. The inputs used to measure contingent consideration are classified as Level 3 within the valuation hierarchy. The valuation is not supported by market criteria and reflects the Company’s internal revenue forecasts. Since the valuation is not supported by market criteria, the valuation is completely dependent on unobservable inputs. During quarterly updates of the valuation, the calculation of the value is based on actual and reasonably estimated future revenues. Based on the Company’s revenue projections and third quarter 2017 analysis, the current value of the contingent consideration increased $3 thousand, net of actual payments made during the nine months ended September 30, 2017.

Contingent consideration in the amount of $61 thousand was paid out during the nine months ended September 30, 2017.

11. LOSS PER COMMON SHARE

In accordance with FASB Accounting Standards Codification Topic 260 (“FASB ASC 260”), “Earnings per Share,” basic net income (loss) per share is computed by dividing the net income (loss) available to common stockholders for the period by the weighted average number of common shares outstanding during the period. Diluted net income (loss) per share is computed by dividing net income (loss) available to common stockholders by the weighted average number of diluted shares outstanding during the period calculated using the treasury stock method. Due to the Company’s net loss in the three and nine months ended September 30, 2017 and September 30, 2016, the assumed exercise of stock options using the treasury stock method would have had an antidilutive effect and therefore 1.0 million shares related to stock options were excluded from the computation of diluted net loss per share for both the three and nine months ended September 30, 2017 and 2016. Accordingly, diluted net loss per share is the same as basic net loss per share for the three and nine months ended September 30, 2017 and 2016.

(in thousands, except share and per share amounts)	For the Three Months Ended September 30, 2017	2016	For the Nine Months Ended September 30, 2017	2016
Net loss	$ (1,902)	$ (507)	$ (7,324)	$ (4,656)
Basic and diluted weighted average number of shares outstanding	20,991,534	20,906,781	20,969,735	20,891,517
Basic and diluted loss per common share	$ (0.09)	$ (0.02)	$ (0.35)	$ (0.22)

12. CAPITALIZED INTEREST

The cost of constructing facilities, equipment and project assets includes interest costs incurred during the assets' construction period. The components of interest expense and capitalized interest are as follows:

(in thousands)	For the Three Months Ended September 30, 2017	2016	For the Nine Months Ended September 30, 2017	2016
Interest cost incurred	$ 143	$ 123	$ 389	$ 370
Interest cost capitalized - property and equipment	(6)	(4)	(15)	(6)
Interest expense, net	$ 137	$ 119	$ 374	$ 364

13. INCOME TAXES

The Company is subject to taxation in the U.S., as well as various state and foreign jurisdictions. The Company continues to record a full valuation allowance against the Company's U.S. net deferred tax assets as it is not more likely than not that the Company will realize a benefit from these assets in a future period. In future periods, tax benefits and related deferred tax assets will be recognized when management concludes realization of such amounts is more likely than not.

A net tax benefit of $(177) thousand and $(560) thousand was recorded to the income tax provision for the three and nine months ended September 30, 2017 resulting in an effective tax rate of 8.5% and 7.1%, respectively. The income tax benefit primarily relates to realizable benefits on losses in certain foreign jurisdictions offset by taxes on profitable foreign operations and domestic state minimum taxes. All of our USA deferred tax assets were reduced by a full valuation allowance. During the three months ended September 30, 2017, the Company received notice that the Canada Revenue Agency had accepted the Company's application for a Scientific Research and Experimental Development (SRED) tax credit for research and development performed in Canada in a prior year. Accordingly, the Company recorded a tax benefit of $51 thousand related to the SRED credit in the current period.

The Company's total income tax expense (benefit) and effective tax rate was $(191) thousand and 27.4%, and $82 thousand and (1.8)% respectively, for the same periods in 2016. The income tax expense (benefit) for the quarter and year-to-date related primarily to taxes on the Company's profitable foreign operations and domestic state minimum taxes.

The Company adopted ASU 2016-09, *Compensation - Stock Compensation (Topic 718)* effective January 1, 2017 on a modified retrospective basis, whereby a cumulative-effect adjustment to equity as of the beginning of the period is required. Upon evaluation, no adjustment was required as of January 1, 2017.

14. WORKING CAPITAL LINE OF CREDIT AND OVERDRAFT FACILITY

During the period ended September 30, 2017, the Company's wholly owned subsidiary, CUI, Inc., maintained a two-year revolving Line of Credit (LOC) with Wells Fargo Bank with the following terms:

(in thousands)

Credit Limit	September 30, 2017 Balance	Expiration Date	Interest rate
$ 6,000[2]	$ 1,932[1]	June 1, 2019[2]	Fixed rate at 2.25% above the LIBOR in effect on the first day of the applicable fixed-rate term, or
			Variable rate at 2.25% above the daily one-month LIBOR rate.

[1] As a result of the Company's cash management system, checks issued but not presented to the bank for payment may create negative book cash balances. When those checks are presented for payment if there isn't sufficient cash in the bank account, the checks would be honored by the bank with a corresponding increase to CUI's draw on its line of credit. There were no negative book cash balances included in the balance on the line of credit as of September 30, 2017.

[2] During the second quarter of 2017, the Company modified its LOC agreement, which included extending the expiration date, adding CUI-Canada assets as collateral, and modifying restrictive debt covenants and increasing the interest rate on the facility. During the third quarter of 2017, the Company further modified its LOC agreement, temporarily increasing the credit limit until December 31, 2017 to $6 million from $4 million.

The line of credit is secured by the following collateral via a security agreement with CUI Inc. and CUI-Canada at September 30, 2017:

(in thousands)

CUI Inc. and CUI-Canada General intangibles, net	$	8,979
CUI Inc. and CUI-Canada Accounts receivable, net	$	6,773
CUI Inc. and CUI-Canada Inventory, net	$	12,393
CUI Inc. and CUI-Canada Equipment, net	$	1,784

The borrowing base for the line of credit is based on a percent of CUI Inc. and CUI-Canada's inventory plus a percent of CUI Inc.'s accounts receivable.

CUI Global, Inc., the parent company, is a payment guarantor of the LOC. Other terms included in this revolving line of credit for CUI limit capital expenditures by CUI Inc. and CUI-Canada to $1.75 million in any fiscal year. The LOC is supported by a single long-term note that does not require repayment until maturity although the Company at its option can repay and re-borrow amounts up to the LOC limit. Since the maturity date is June 1, 2019, which is more than one year in the future, the LOC is classified as long-term. The LOC contains certain financial covenants. In the second quarter of 2017, the Company renegotiated the terms of the LOC and its related covenants. In the third quarter of 2017, the Company received a temporary increase in its credit limit to $6 million. The credit limit will automatically decrease to $4 million as of January 1, 2018. The Company is currently in compliance with its covenants. At September 30, 2017, there was a $1.9 million balance outstanding on the LOC and $4.1 million of credit was available.

On October 5, 2016, Orbital Gas Systems Ltd. signed a five-year agreement with the London branch of Wells Fargo Bank N.A. for a multi-currency variable rate overdraft facility with a facility limit of 1.5 million pounds sterling ($2.0 million at September 30, 2017) that expires on October 5, 2021. The London branch of Wells Fargo Bank N.A. can demand repayment of amounts on overdraft at any time. The interest rate on the facility is a base rate plus a 2.25% margin. The facility had an interest rate of 2.5% at September 30, 2017. The overdraft facility is primarily secured by land, equipment, intellectual property rights, and rights to potential future insurance proceeds held by Orbital Gas Systems Ltd. At September 30, 2017, there was a $1.0 million balance outstanding on the overdraft facility and $1.0 million of credit was available.

15. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The components of accumulated other comprehensive income (loss) are as follows:

(in thousands)	**As of September 30, 2017**	**As of December 31, 2016**
Foreign currency translation adjustment	$ (3,619)	$ (5,590)
Accumulated other comprehensive income (loss)	$ (3,619)	$ (5,590)

16. CAPITAL LEASES

The following is an analysis of the leased property under capital leases by major classes as of September 30, 2017 and December 31, 2016:

(in thousands)	**September 30, 2017**	**December 31, 2016**
Classes of Property		
Motor vehicles	$ —	$ 98
Equipment	19	19
Less: Accumulated depreciation	(6)	(65)
	$ 13	$ 52

The following summarizes the current and long-term portion of capital leases payable as of September 30, 2017 and December 31, 2016:

(in thousands)	September 30, 2017	December 31, 2016
Current leases payable	$ 3	$ 28
Long-term leases payable	10	12
	$ 13	$ 40

17. NOTES PAYABLE

Notes payable is summarized as follows as of September 30, 2017 and December 31, 2016:

(in thousands)	September 30, 2017	December 31, 2016
Mortgage note payable (1)	$ 3,373	$ 3,439
Acquisition Note Payable - related party (2)	5,304	5,304
Ending Balance	$ 8,677	$ 8,743

(1) On October 1, 2013, the funding of the purchase of the Company's Tualatin, Oregon corporate offices from Barakel, LLC was completed. The purchase price for this asset was $5.1 million. The purchase was funded, in part, by a promissory note payable to Wells Fargo Bank in the amount of $3.7 million plus interest at the rate of 2% above LIBOR, payable over ten years with a balloon payment due at maturity. It was secured by a deed of trust on the purchased property which was executed by CUI Properties, LLC and guaranteed by CUI Global, Inc. During the nine months ended September 30, 2017, the Company made principal payments of $66 thousand against the mortgage promissory note payable. At September 30, 2017, the balance owed on the mortgage promissory note payable was $3.4 million, of which $93 thousand and $3.3 million were in current and long-term liabilities, respectively. See Note 14, Working Capital Line of Credit and Overdraft Facility, for more information on the Company's debt covenants.

(2) The note payable to International Electronic Devices, Inc. (formerly CUI, Inc.) is associated with the acquisition of CUI, Inc. The promissory note is due May 15, 2020 and includes a 5% interest rate per annum, with interest payable monthly and the principal due as a balloon payment at maturity. The note contains a contingent conversion feature, such that in the event of default on the note the holder of the note can, at the holder's option, convert the note principal into common stock at $0.001 per share. As of September 30, 2017, the Company is in compliance with all terms of this promissory note and the conversion feature is not effective.

18. CONCENTRATIONS

For the three months ended September 30, 2017, 27% of revenues were derived from one customer: Digi-Key Electronics in the Power and Electromechanical segment. For the three months ended September 30, 2016, 19% of revenues were derived from one customer: Digi-Key Electronics in the Power and Electromechanical segment. For the nine months ended September 30, 2017, 26% of revenues were derived from one customer: Digi-Key Electronics. For the nine months ended September 30, 2016, 19% of revenues were derived from one customer: Digi-Key Electronics.

The Company's major product lines during the first nine months of 2017 and 2016 were power and electromechanical products and natural gas infrastructure and high-tech solutions.

At September 30, 2017, of the gross trade accounts receivable of $11.5 million, 16% was due from one customer: National Grid in the Energy segment. At December 31, 2016, of the gross trade accounts receivable totaling $9.5 million, 30% was due from three customers: Scotia Gas Networks plc, Socrate spa, and National Grid, each at 10% in the Energy segment.

CUI had one supplier concentration of approximately 11% and 12% for the three and nine months ended September 30, 2017, respectively, related to inventory product received. During the three and nine months ended September 30, 2016, CUI had one supplier concentration of 8%, related to inventory product received.

The Company had revenue concentration in the United Kingdom for the three months ended September 30, 2017, and 2016 of 17% and 20%, respectively.

The Company had revenue concentration in the United Kingdom for the nine months ended September 30, 2017 and 2016 of 17% and 21%, respectively.

At September 30, 2017 and December 31, 2016, the Company had trade accounts receivable concentrations in the United Kingdom of 33% and 27%, respectively. At September 30, 2017, the Company had a trade accounts receivable concentration in Canada of 11%.

19. OTHER EQUITY TRANSACTIONS

The following shares issued during 2017 were recorded in expense or prepaid asset using the grant-date fair value of the stock:

Date of issuance	Type of issuance	Expense/ Prepaid/ Cash	Stock issuance recipient	Reason for issuance	Total no. of shares	Grant date fair value recorded at issuance (in thousands)
January, April and August 2017	Vested restricted common stock	Expense	Four board members	Director compensation	33,956	$ 150
January, February and June 2017	Common stock	Expense	Three Employees	Approved bonus	28,634	182[1]
January 2017	Common stock	Expense	Related party	Q4 Royalty Fee	1,233	8[1]
January and February 2017	Common stock	Expense	Two Employees	Cashless stock option exercises	245	—[2]
May 2017	Common stock	Prepaid exp/ expense	Third-party consultant	Strategic investor marketing services	15,000	57[3]
					79,068	$ 397[4]

[1] Bonuses and royalty of $176 thousand were accrued and expensed in 2016.

[2] The Company received $— for the issuance in the cashless option exercises.

[3] Amount includes $38 thousand that was included in prepaid expense at September 30, 2017.

[4] Does not include stock expense of $130 thousand included in accrued liabilities at September 30, 2017 for unissued stock.

20. SUBSEQUENT EVENT

On October 23, 2017, the Company closed on an underwritten public offering of 7,392,856 shares at a public offering price of $2.80 per share, including 964,285 shares sold at the public offering price pursuant to the underwriter's exercise in full of its option to purchase additional shares to cover over-allotments. The net proceeds to CUI Global (after deducting underwriting discount and other estimated expenses payable by the Company) were approximately $19.2 million. The Company intends to use the net proceeds from the offering primarily for general corporate purposes, which may include operating expenses, working capital to improve and promote its commercially available products, advance product candidates, future acquisitions or share repurchases, expand international presence and commercialization, general capital expenditures and satisfaction of debt obligations. In October 2017, the Company used some of the proceeds of the public offering to pay off its line of credit, which had a balance of $1.9 million at September 30, 2017.

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

Important Note about Forward-Looking Statements

The following discussion and analysis should be read in conjunction with the Company's unaudited condensed consolidated financial statements as of September 30, 2017 and notes thereto included in this document and the audited consolidated financial statements in the Company's 10-K filing for the period ended December 31, 2016 and the notes thereto. In addition to historical information, the following discussion and other parts of this Form 10-Q contain forward-looking information that involves risks and uncertainties. The Company's actual results could differ materially from those anticipated by such forward-looking information due to factors discussed elsewhere in this Form 10-Q.

The statements that are not historical constitute "forward-looking statements." Said forward-looking statements involve risks and uncertainties that may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements, express or implied by such forward-looking statements. These forward-looking statements are identified by their use of such terms and phrases as "expects," "intends," "goals," "estimates," "projects," "plans," "anticipates," "should," "future," "believes," and "scheduled."

The variables which may cause differences include, but are not limited to, the following: general economic and business conditions; competition; success of operating initiatives; operating costs; advertising and promotional efforts; the existence or absence of adverse publicity; changes in business strategy or development plans; the ability to retain management; availability, terms and deployment of capital; business abilities and judgment of personnel; availability of qualified personnel; labor and employment benefit costs; availability and costs of raw materials and supplies; and changes in, or failure to comply with various government regulations. Although the Company believes that the assumptions underlying the forward-looking statements contained herein are reasonable, any of the assumptions could be inaccurate; therefore, there can be no assurance that the forward-looking statements included in this Form 10-Q will prove to be accurate. In light of the significant uncertainties inherent in the forward-looking statements included herein, the inclusion of such information should not be regarded as a representation by the Company or any person that the objectives and expectations of the Company will be achieved.

Overview

CUI Global is a platform company dedicated to maximizing shareholder value through the acquisition, development and commercialization of new, innovative technologies. Through its subsidiaries, CUI Global has built a diversified portfolio of industry leading technologies that touch many markets.

For the three and nine months ended September 30, 2017, CUI Global had a consolidated loss from operations of $2.0 million and $7.7 million, respectively, compared to consolidated loss from operations in the three and nine months ended September 30, 2016 of $0.6 million and $3.9 million, respectively. During the three and nine months ended September 30, 2017, CUI Global had a consolidated net loss of $1.9 million and $7.3 million, respectively, compared to a consolidated net loss in the three and nine months ended September 30, 2016 of $0.5 million and $4.7 million, respectively. The consolidated net loss for the three and nine months ended September 30, 2017, was primarily the result of lower revenue in the Energy segment related to lower sales of gas related metering, monitoring and control systems, including GasPT and the negative impact of hurricane related work stoppages and customer delays/issues in the Houston market, lower gross profit margins in the Energy segment, and the ongoing amortization of intangible assets related to the Orbital Gas Systems Limited and CUI-Canada acquisitions. In addition, the Power and Electromechanical segment had slightly lower gross profit on slightly higher revenues in the three months ended September 30, 2017 compared to the three months ended September 30, 2016. Overall lower results for the nine months ended September 30, 2017 were partially offset by increased revenues and gross profit in the Power and Electromechanical segment for the nine month period. In 2017, a lower value of the British pound Sterling due to the June 2016 Brexit vote resulted in lower translated revenue at our U.K. operations, but did not have a significant effect on operating or net income.

Results of Operations

The following tables set forth, for the period indicated, certain financial information regarding revenue and costs by segment.

For the three months ended September 30, 2017:

(dollars in thousands)	Power and Electro - Mechanical $	Percent of Segment Revenues %	Energy $	Percent of Segment Revenues %	Other $	Percent of Segment Revenues %	Total $	Percent of Total Revenues %
Total revenues	$ 16,700	100.0%	$ 5,096	100.0%	$ —	—%	$ 21,796	100.0%
Cost of revenue	11,006	65.9%	3,350	65.7%	—	—%	14,356	65.9%
Gross profit	5,694	34.1%	1,746	34.3%	—	—%	7,440	34.1%
Operating expenses:								
Selling, general and administrative	3,975	23.8%	2,988	58.6%	1,249	—%	8,212	37.7%
Depreciation and amortization	179	1.1%	342	6.7%	—	—%	521	2.4%
Research and development	620	3.7%	76	1.5%	—	— %	696	3.2%
Provision (credit) for bad debt	30	0.2%	—	—%	—	—%	30	0.1%
Other operating expenses	—	—%	—	—%	—	— %	—	—%
Total operating expenses	4,804	28.8%	3,406	66.8%	1,249	—%	9,459	43.4%
Income (loss) from operations	$ 890	5.3%	$ (1,660)	(32.5)%	$ (1,249)	—%	$ (2,019)	(9.3)%

For the three months ended September 30, 2016:

(dollars in thousands)	Power and Electro - Mechanical $	Percent of Segment Revenues %	Energy $	Percent of Segment Revenues %	Other $	Percent of Segment Revenues %	Total $	Percent of Total Revenues %
Total Revenues	$ 16,157	100.0%	$ 7,100	100.0%	$ —	—%	$ 23,257	100.0%
Cost of revenue	10,424	64.5%	4,236	59.6%	—	— %	14,660	63.0%
Gross Profit	5,733	35.5%	2,864	40.4%	—	— %	8,597	37.0%
Operating expenses:								
Selling, general and administrative	4,208	26.1%	2,675	37.7%	1,197	— %	8,080	34.8%
Depreciation and amortization	246	1.5%	339	4.8%	—	—%	585	2.5%
Research and development	480	3.0%	32	0.4%	—	— %	512	2.2%
Provision (credit) for bad debt	(14)	(0.1)%	14	0.2%	—	— %	—	—%
Other operating expenses	—	—%	5	0.1%	—	— %	5	—%
Total operating expenses	4,920	30.5%	3,065	43.2%	1,197	— %	9,182	39.5%
Income (loss) from operations	$ 813	5.0%	$ (201)	(2.8)%	$ (1,197)	— %	$ (585)	(2.5)%

For the nine months ended September 30, 2017:

(dollars in thousands)	Power and Electro - Mechanical $	Percent of Segment Revenues %	Energy $	Percent of Segment Revenues %	Other $	Percent of Segment Revenues %	Total $	Percent of Total Revenues %
Total revenues	$ 48,542	100.0%	$ 13,599	100.0%	$ —	—%	$ 62,141	100.0%
Cost of revenue	31,900	65.7%	8,893	65.4%	—	— %	40,793	65.6%
Gross profit	16,642	34.3%	4,706	34.6%	—	— %	21,348	34.4%
Operating expenses:								
Selling, general and administrative	12,249	25.3%	9,492	69.8%	3,739	— %	25,480	41.0%
Depreciation and amortization	643	1.3%	993	7.3%	—	— %	1,636	2.6%
Research and development	1,766	3.6%	154	1.1%	—	— %	1,920	3.1%
Provision (credit) for bad debt	(3)	—%	(18)	(0.1)%	—	— %	(21)	—%
Other operating expenses	3	—%	9	0.1%	—	— %	12	—%
Total operating expenses	14,658	30.2%	10,630	78.2%	3,739	— %	29,027	46.7%
Income (loss) from operations	$ 1,984	4.1%	$ (5,924)	(43.6)%	$ (3,739)	— %	$ (7,679)	(12.3)%

For the nine months ended September 30, 2016:

(dollars in thousands)	Power and Electro - Mechanical $	Percent of Segment Revenues %	Energy $	Percent of Segment Revenues %	Other $	Percent of Segment Revenues %	Total $	Percent of Total Revenues %
Total Revenues	$ 44,607	100.0%	$ 22,451	100.0%	$ —	—%	$ 67,058	100.0%
Cost of revenue	28,693	64.3%	12,576	56.0%	—	— %	41,269	61.5%
Gross Profit	15,914	35.7%	9,875	44.0%	—	— %	25,789	38.5%
Operating expenses:								
Selling, general and administrative	12,733	28.6%	9,093	40.5%	4,502	— %	26,328	39.3%
Depreciation and amortization	725	1.6%	1,083	4.8%	1	— %	1,809	2.7%
Research and development	1,401	3.1%	143	0.7%	—	— %	1,544	2.3%
Provision (credit) for bad debt	17	0.1%	31	0.1%	—	— %	48	0.1%
Other operating expenses	—	—%	5	—%	—	— %	5	—%
Total operating expenses	14,876	33.4%	10,355	46.1%	4,503	— %	29,734	44.4%
Income (loss) from operations	$ 1,038	2.3%	$ (480)	(2.1)%	$ (4,503)	— %	$ (3,945)	(5.9)%

Revenue
(dollars in thousands)

Revenues by Segment or Category	For the Three Months Ended September 30, 2017	2016	$ Change	% Change
Power and Electromechanical	$ 16,700	$ 16,157	$ 543	3.4%
Energy	5,096	7,100	(2,004)	(28.2)%
Other	—	—	—	—%
Total revenues	$ 21,796	$ 23,257	$ (1,461)	(6.3)%

Revenues by Segment or Category	For the Nine Months Ended September 30, 2017	2016	$ Change	% Change
Power and Electromechanical	$ 48,542	$ 44,607	$ 3,935	8.8%
Energy	13,599	22,451	(8,852)	(39.4)%
Other	—	—	—	—%
Total revenues	$ 62,141	$ 67,058	$ (4,917)	(7.3)%

The revenues for the three and nine months ended September 30, 2017 were lower than the comparable period due to lower revenues in our Energy segment associated with the timing of customer project delivery schedules and the temporary halt of deliveries of gas related metering, monitoring and control systems, including GasPT units in Italy due to a tariff issue as well as lower translated revenue at our UK operations due to the lower value British pound Sterling following Brexit. The Italian contract is still in place and the Company announced in October 2017 that the tariff issue has been resolved and that the Company believes deliveries will resume in early 2018. Partially offsetting the decrease in the Energy segment, was an increase in revenue in the Power and Electromechanical segment in the three and nine months ended September 30, 2017 due to the timing of customer delivery schedules and sell through activity at distributors.

The customer orders related to the Power and Electromechanical segment are associated with the existing product offering, continued new product introductions, continued sales and marketing programs, new customer engagements, distribution channel sales, and the addition in March 2015 of the products from CUI-Canada. In October 2017, the Company announced its first order for its new power monitoring and switching system (ICE Switch) for data centers that is expected to be delivered in the first quarter of 2018.

The Power and Electromechanical segment and Energy segment held backlogs of customer orders of approximately $18.1 million and $13.7 million, respectively, as of September 30, 2017.

Cost of revenues
(dollars in thousands)

	For the Three Months Ended September 30,			
Cost of Revenues by Segment or Category	**2017**	**2016**	**$ Change**	**% Change**
Power and Electromechanical	$ 11,006	$ 10,424	$ 582	5.6%
Energy	3,350	4,236	(886)	(20.9)%
Other	—	—	—	—%
Total cost of revenues	$ 14,356	$ 14,660	$ (304)	(2.1)%

	For the Nine Months Ended September 30,			
Cost of Revenues by Segment or Category	**2017**	**2016**	**$ Change**	**% Change**
Power and Electromechanical	$ 31,900	$ 28,693	$ 3,207	11.2%
Energy	8,893	12,576	(3,683)	(29.3)%
Other	—	—	—	—%
Total cost of revenues	$ 40,793	$ 41,269	$ (476)	(1.2)%

For the three months ended September 30, 2017, the cost of revenues as a percentage of revenue increased to 66% from 63% during the prior-year comparative period. For the nine months ended September 30, 2017, the cost of revenues as a percent of revenue increased to 66% from 62% during the prior year comparative period. This percentage will vary based upon the power and electromechanical product mix sold, the mix of natural gas systems sold, contract labor necessary to complete gas related projects, the competitive markets in which the Company competes, and foreign exchange rates.

The cost of revenues as a percentage of revenue for the Power and Electromechanical segment for the three and nine month period ended September 30, 2017 was 66% for both periods compared to 65% and 64%, respectively, during the prior-year comparative periods. Cost of revenues increased in the Power and Electromechanical segment primarily as a result of higher sales volume. The cost of revenues as a percentage of revenue for the Energy segment for the three and nine months ended September 30, 2017 was 66% and 65%, respectively, compared to 60% and 56%, respectively in the three and nine months ended September 30, 2016. The higher cost percentage in the Energy segment was due to a less favorable product mix during the three and nine months ended September 30, 2017 compared to the three and nine months ended September 30, 2016. As previously noted, the Energy segment was affected by a temporary halt in shipments of higher margin GasPT units to an Italian customer until a tariff issue affecting the customer's project was resolved. The Company expects gross margins to improve in 2018 as a result of the resolution of the tariff issue and the resumption of deliveries on the Italian contract.

Selling, General and Administrative Expenses
(dollars in thousands)

Selling, General, and Administrative Expense by Segment or Category	For the Three Months Ended September 30, 2017	2016	$ Change	% Change
Power and Electromechanical	$ 3,975	$ 4,208	$ (233)	(5.5)%
Energy	2,988	2,675	313	11.7%
Other	1,249	1,197	52	4.3%
Total SG&A	$ 8,212	$ 8,080	$ 132	1.6%

Selling, General, and Administrative Expense by Segment or Category	For the Nine Months Ended September 30, 2017	2016	$ Change	% Change
Power and Electromechanical	$ 12,249	$ 12,733	$ (484)	(3.8)%
Energy	9,492	9,093	399	4.4%
Other	3,739	4,502	(763)	(16.9)%
Total SG&A	$ 25,480	$ 26,328	$ (848)	(3.2)%

Selling, General and Administrative (SG&A) expenses include such items as wages, commissions, consulting, general office expenses, business promotion expenses and costs of being a public company, including legal and accounting fees, insurance and investor relations. SG&A expenses are generally associated with the ongoing activities to reach new customers, promote new product lines including Novum, ICE, GasPT, IRIS and VE, and new product introductions.

During the three and nine months ended September 30, 2017, SG&A increased $0.1 million, and decreased $0.8 million, respectively, compared to the prior-year comparative periods. The increase in SG&A in the third quarter of 2017 was due to increased costs in the Energy segment, primarily due to severance cost of approximately $0.1 million in the U.K. and increased advertising costs of approximately $86 thousand for the segment. The decreases in the nine months ended September 30, 2017 are largely due to $0.8 million in severance costs incurred in the first nine months of 2016 in the Power and Electromechanical segment for the transition of the R&D team to CUI-Canada and for various positions within the Energy segment. In addition, the Company began implementing various cost saving measures in Q2 2017, which provided some benefits in Q2 and Q3 and are expected to further improve SG&A going forward. These benefits were partially offset by a $0.2 million increase in advertising costs in the Energy segment in the nine months ended September 30, 2017. SG&A as a percent of revenue slightly increased to 38% from 35% of total revenue during the three-month period ended September 30, 2017, primarily due to lower revenues and slightly increased to 41% from 39% for the nine-month period ended primarily due to lower revenues offset by SG&A expense reductions.

Depreciation and Amortization

(dollars in thousands)

Depreciation and Amortization by Segment or Category	For the Three Months Ended September 30, 2017	2016	$ Change	% Change
Power and Electromechanical	$ 363	$ 371	$ (8)	(2.2)%
Energy	342	339	3	0.9%
Other	—	—	—	—%
Total depreciation and amortization	$ 705	$ 710	$ (5)	(0.7)%

Depreciation and Amortization by Segment or Category	For the Nine Months Ended September 30, 2017	2016	$ Change	% Change
Power and Electromechanical	$ 1,139	$ 1,063	$ 76	7.1%
Energy	993	1,083	(90)	(8.3)%
Other	—	1	(1)	(100.0)%
Total depreciation and amortization	$ 2,132	$ 2,147	$ (15)	(0.7)%

The depreciation and amortization expenses are associated with depreciation on buildings, furniture, equipment, vehicles, and intangible assets over the estimated useful lives of the related assets.

The total depreciation and amortization expense for the three months ended September 30, 2017 and 2016 included $184 thousand and $125 thousand, respectively, which was included in cost of revenues. The total depreciation and amortization expense for the nine months ended September 30, 2017 and 2016 included $496 thousand and $338 thousand, respectively, which was included in cost of revenues. The increase in depreciation and amortization included in cost of sales was due to increased allocation of depreciation and amortization to cost of revenues at CUI Inc. and CUI-Canada.

Depreciation and amortization expense in the three and nine months ended September 30, 2017 was down slightly compared to the three and nine months ended September 30, 2016 as a result of lower translated depreciation and amortization at our U.K. operation due to lower pound Sterling translation rates during the periods resulting from the Brexit vote in June 2016. Partially offsetting this decrease were depreciation and amortization increases due to new additions to property and equipment and intangibles during the last three months of 2016 and first nine months of 2017.

Research and Development

(dollars in thousands)

Research and Development by Segment or Category	For the Three Months Ended September 30, 2017	2016	$ Change	% Change
Power and Electromechanical	$ 620	$ 480	$ 140	29.2%
Energy	76	32	44	137.5%
Other	—	—	—	—%
Total research and development	$ 696	$ 512	$ 184	35.9%

Research and Development by Segment or Category	For the Nine Months Ended September 30, 2017	2016	$ Change	% Change
Power and Electromechanical	$ 1,766	$ 1,401	$ 365	26.1%
Energy	154	143	11	7.7%
Other	—	—	—	—%
Total research and development	$ 1,920	$ 1,544	$ 376	24.4%

Research and development costs are associated with the continued research and development of new and existing technologies including the Novum advanced power technologies, ICE, GasPT, VE Technology and other products. The increase in research and development for the three months and nine months ended September 30, 2017 was due to increased activities on the ICE technology in Power and Electromechanical Segment and GasPT and VE technologies in the Energy segment.

Provision (Credit) for Bad Debt

(dollars in thousands)

Provision (Credit) for Bad Debt by Segment or Category	For the Three Months Ended September 30, 2017	2016	$ Change	% Change
Power and Electromechanical	$ 30	$ (14)	$ 44	(314.3)%
Energy	—	14	(14)	(100.0)%
Other	—	—	—	—%
Total provision (credit) for bad debt	$ 30	$ —	$ 30	—%

Provision (Credit) for Bad Debt by Segment or Category	For the Nine Months Ended September 30, 2017	2016	$ Change	% Change
Power and Electromechanical	$ (3)	$ 17	$ (20)	(117.6)%
Energy	(18)	31	(49)	(158.1)%
Other	—	—	—	—%
Total provision (credit) for bad debt	$ (21)	$ 48	$ (69)	(143.8)%

The changes in bad debt are due to normal fluctuations in bad debt reserves based on the age of receivables. Collections are strong across all businesses in the three and nine months ended September 30, 2017.

Other Income (Expense)

Other income (expense) consisted of the following items:

(dollars in thousands)

Other Income (Expense)	For the Three Months Ended September 30, 2017	2016	$ Change	% Change
Foreign exchange gain (loss)	$ 43	$ (74)	$ 117	(158.1)%
Interest income	4	7	(3)	(42.9)%
Unrealized gain (loss) on derivative	20	48	(28)	(58.3)%
Other, net	10	25	(15)	(60.0)%
Total Other income (expense)	$ 77	$ 6	$ 71	1,183.3%

Other Income (Expense)	For the Nine Months Ended September 30, 2017	2016	$ Change	% Change
Foreign exchange gain (loss)	$ 76	$ (229)	$ 305	(133.2)%
Interest income	14	24	(10)	(41.7)%
Unrealized gain (loss) on derivative	55	(98)	153	(156.1)%
Other, net	24	38	(14)	(36.8)%
Total Other income (expense)	$ 169	$ (265)	$ 434	(163.8)%

Other income (expense) changes were due primarily to interest rate and exchange rate fluctuations in the three and nine months ended September 30, 2017.

Interest Expense

For both the three months ended September 30, 2017 and 2016, the Company incurred interest expense, net of amounts capitalized, of $0.1 million.

For both the nine months ended September 30, 2017 and 2016, the Company incurred interest expense, net of amounts capitalized, of $0.4 million.

Interest expense in 2017 and 2016 is associated with interest on the line of credit, bank overdraft facility, bank and secured promissory notes.

Income Tax Expense (Benefit)

The Company is subject to taxation in the U.S., various state and foreign jurisdictions. We continue to record a full valuation allowance against the Company's U.S. net deferred tax assets as it is not more likely than not that the Company will realize a benefit from these assets in a future period. In future periods, tax benefits and related deferred tax assets will be recognized when management concludes realization of such amounts is more likely than not.

For additional analysis, see Note 13, "Income Taxes," of the condensed consolidated financial statements in Part I - Item I, "Financial Statements."

Liquidity and Capital Resources

General

As of September 30, 2017, the Company held Cash and cash equivalents of $0.8 million. Operations, investments, patents and equipment have been funded through cash on hand and debt.

Cash Used In Operations

Cash used in operations of $5.8 million was a $6.9 million increase in cash used compared to the comparable period in 2016. The nine months ended September 30, 2017 were significantly affected by lower revenue and the related gross profits in the Energy segment. In the first nine months of 2017, cash used in operations by the Energy segment was approximately $5.4 million, and cash used in operations by the Other category was approximately $4.0 million. These uses of cash were partially offset by cash provided by operating activities in the Power and Electromechanical segment of approximately $3.6 million. We believe cash from operations will improve in the Energy segment in the first half of 2018 due to the recently announced resolution of the tariff issue that caused a temporary halt in deliveries on our Italy contract. The Power and Electromechanical segment is expected to continue to provide cash from operations and we believe the cash usage rate in the other category to be less in the fourth quarter of the year due to cost cutting initiatives put in place during the first nine months of the year.

The change in cash used in operating activities is primarily the result of a larger net loss for the nine months ended September 30, 2017 compared to the nine months ended September 30, 2016 and negative cash flows due to the increase in trade accounts receivable of $1.7 million, increases in inventory of $0.9 million, increases in prepaid expenses and other current assets of $0.6 million, increases in Deposits and other assets of $0.5 million, decreases in accrued expenses of $0.5 million, and payments of accounts payable of $0.3 million partially offset by cash provided by changes in unearned revenue of $2.2 million, costs in excess of billings of $1.4 million and changes in billings in excess of costs of $0.7 million.

During the first nine months of 2017 and 2016, the Company used stock as a form of payment to certain employees, vendors and consultants. For the nine months ended September 30, 2017 and 2016, the Company recorded a total of $0.3 million and $1.0 million, respectively for share-based compensation related to equity given, or to be given and for options vesting, to employees and consultants for services provided and as payment for royalties earned. The decrease in expense was due to lower accrued share-based bonuses and that all employee options were fully vested in 2016.

S-3 registration

The Company filed an S-3 registration statement on March 14, 2017 containing a prospectus that was effective March 29, 2017. With this filing, CUI Global may from time to time issue various types of securities, including common stock, preferred stock, debt securities and/or warrants, up to an aggregate amount of $100 million.

On October 23, 2017, the Company closed on an underwritten public offering of 7,392,856 shares at a public offering price of $2.80 per share, including 964,285 shares sold at the public offering price pursuant to the underwriter's exercise in full of its option to purchase additional shares to cover over-allotments. The net proceeds to CUI Global (after deducting underwriting discount and other estimated expenses payable by the Company) were approximately $19.2 million. The Company intends to use the net proceeds from the offering primarily for general corporate purposes, which may include operating expenses, working capital to improve and promote its commercially available products, advance product candidates, future acquisitions or share repurchases, expand international presence and commercialization, general capital expenditures and satisfaction of debt obligations. In October 2017, the Company used some of the proceeds of the public offering to pay off its line of credit, which had a balance of $1.9 million at September 30, 2017.

As the Company focuses on strategic acquisitions, technology development, product line additions, developing CUI-Canada operations, and developing Orbital Gas Systems, North America, Inc. during the remainder of 2017 and beyond, it will fund strategic acquisitions, research and development together with related sales and marketing efforts for its various product offerings with cash on hand, available debt and proceeds from the October 2017 issuances through the S-3 registration statement.

Capital Expenditures and Investments

During the first nine months of 2017 and 2016, CUI Global invested $0.6 million and $0.5 million, respectively, in property and equipment. These investments typically include additions to equipment, tooling for manufacturing, furniture, computer equipment, buildings and leasehold improvements and other fixed assets as needed for operations. The Company anticipates further investment in property and equipment in the remaining quarter of 2017 in support of its on-going business and continued development of product lines and technologies, and setup of its new facility for Orbital Gas Systems North America Inc..

During the nine months ended September 30, 2017 and 2016, CUI Global invested $0.4 million and $0.7 million, respectively, in other intangible assets. These investments typically include product certifications, capitalized website development, software for engineering and research and development and software upgrades for office personnel.

<u>Financing Activities</u>
For the nine months ended September 30, 2017 and 2016, the Company recorded net proceeds of $1.9 million and $0, respectively, from line of credit and recorded net proceeds of $1.0 million and $0 from the overdraft facility in the U.K. and made payments of $27 thousand and $38 thousand, respectively, toward capital lease obligations; $66 thousand and $64 thousand, respectively, toward the mortgage note payable; and $61 thousand and $59 thousand, respectively, toward the contingent liability related to the Tectrol, Inc. acquisition.

As a result of the Company’s cash management system at CUI, checks issued but not presented to the bank for payment may create a negative book cash balance. Such a negative balance would be included in the Company's two-year revolving line of credit (LOC). There was not a negative book cash balance as of September 30, 2017. At September 30, 2017, the Company had a $1.9 million balance on its $6.0 million LOC. There was $4.1 million available on the Company's working capital line of credit at September 30, 2017.

CUI Global may raise additional capital needed to fund the further development and marketing of its products as well as payment of its debt obligations.

<u>Financing activities – related party activity</u>
For the nine months ended September 30, 2017 and 2016, $0.2 million of interest payments were made in relation to the promissory note issued to related party, IED, Inc.

<u>Recap of Liquidity and Capital Resources</u>
The Wells Fargo mortgage promissory note has a balance at September 30, 2017 of $3.4 million, of which $93 thousand is the current portion. Additionally, at September 30, 2017, the Company had a $1.9 million balance on its $6.0 million LOC with Wells Fargo Bank. The LOC contains certain financial covenants. In the second quarter of 2017, the Company renegotiated the terms of the LOC and its related covenants. The Company is currently in compliance with its covenants. CUI Global, Inc., the parent company, is a payment guarantor of the LOC.

On October 5, 2016, Orbital Gas Systems Ltd. signed a five-year agreement with the London branch of Wells Fargo Bank N.A. for a multi-currency variable rate overdraft facility with a facility limit of 1.5 million pounds sterling ($2.0 million at September 30, 2017) that expires on October 5, 2021. The balance at September 30, 2017 was $1.0 million.

At September 30, 2017, the Company had cash and cash equivalents balances of $0.8 million. At September 30, 2017, the Company had $0.6 million of cash and cash equivalents balances at domestic financial institutions, which were covered under the FDIC insured deposits programs and $32 thousand at foreign financial institutions covered under the United Kingdom Financial Services Compensation (FSC) and the Canada Deposit Insurance Corporation (CDIC). The money market balance of $16 thousand is covered under the SIPC insured program for investments up to a maximum of $500,000. At September 30, 2017, the Company had cash and cash equivalents of $0.1 million in Japanese bank accounts, $14 thousand in European bank accounts and $18 thousand in Canadian bank accounts.

At September 30, 2017, the Company has capital lease obligations of $13 thousand, of which $3 thousand are current obligations.

As described in Item 1A - Risk factors included in the Company's 2016 10-K, the United Kingdom's proposed withdrawal from the European Union could have an adverse effect on our business and financial results but the extent of the effect, if any, is not yet determinable. See Item 1A - Risk factors in our 2016 10-K, for more information on the potential risks that are associated with the United Kingdom's pending withdrawal from the European Union.

The Company believes its operations and existing financing structure, including cash and cash equivalents at September 30, 2017 in conjunction with the proceeds from the October 2017 equity raise, its S-3 registration statement and the availability under line of credit and overdraft facilities, will provide sufficient cash to meet its short-term working capital requirements for the next twelve months. The Company believes the operating requirements necessary to further support Orbital Gas Systems, North America, Inc. and CUI-Canada in the remaining three months of 2017 will be comparable to the same period of 2016.

Critical Accounting Policies

Our financial statements and related public financial information are based on the application of accounting principles generally accepted in the United States ("GAAP"). GAAP requires the use of estimates; assumptions, judgments and subjective interpretations of accounting principles that have an impact on the assets, liabilities, revenue, and expense amounts reported. Significant estimates include estimates used to review the Company's goodwill, impairment and estimations of long-lived assets, impairment of prepaid royalties, revenue recognition on percentage of completion type contracts, allowances for uncollectible accounts, inventory valuation, warranty reserves, valuation of non-cash capital stock issuances and the valuation allowance on deferred tax assets. These estimates can also affect supplemental information contained in the Company's external disclosures including information regarding contingencies, risk and financial condition. We believe the Company's use of estimates and underlying accounting assumptions adhere to GAAP and are consistently and conservatively applied. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable in 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 materially from these estimates under different assumptions or conditions. We continue to monitor significant estimates made during the preparation of the Company's financial statements.

While all of the Company's significant accounting policies impact the Company's financial condition and results of operations, we view the following policies as critical:

- Asset impairments
- Identifiable intangibles and goodwill
- Percentage of completion
- Revenue recognition
- Stock based compensation
- Valuation of noncash capital stock issuances
- Income taxes

Policies determined to be critical are those policies that have the most significant impact on the Company's financial statements and require management to use a greater degree of judgment and estimates. Actual results may differ from those estimates. The Company's management believes that given current facts and circumstances, it is unlikely that applying any other reasonable judgments or estimate methodologies would cause a material effect on the Company's results of operations, financial position or liquidity for the periods presented in this report. A description of our critical accounting policies and related judgments and estimates that affect the preparation of our condensed consolidated financial statements is set forth in our 2016 Form 10-K.

Recent Accounting Pronouncements

See Note 9 of the condensed consolidated financial statements in Part I—Item I, “Financial Statements” for a description of recent accounting pronouncements, including the dates of adoption and estimated effects on financial position, results of operations and cash flows.

Off-Balance Sheet Arrangements

As of September 30, 2017, the Company had no off-balance sheet arrangements.

Item 3. Quantitative and Qualitative Disclosure about Market Risk

The Company is exposed to market risk in the ordinary course of business. Market risk represents the risk of loss that may impact the Company’s financial position due to adverse changes in financial market prices and rates. This market risk exposure is primarily a result of fluctuations in foreign currency exchange rates and interest rates. The Company neither holds nor issues financial instruments for trading purposes.

The following sections provide quantitative information on the Company’s exposure to foreign currency exchange rate risk. The Company makes use of sensitivity analyses that are inherently limited in estimating actual losses in fair value that can occur from changes in market conditions.

Foreign Currency Exchange Rates

The Company conducts operations in four principal currencies: the U.S. dollar, the British pound sterling, the Canadian dollar and the Japanese yen. These currencies operate primarily as the functional currency for the Company’s U.S., U.K., Canadian and Japanese operations, respectively. Cash is managed centrally within each of the four regions.

Because of fluctuations in currency exchange rates, the Company is subject to currency translation exposure on the results of its operations. Foreign currency translation risk is the risk that exchange rate gains or losses arise from translating foreign entities’ statements of earnings and balance sheets from functional currency to the Company’s reporting currency, the U.S. dollar, for consolidation purposes. As currency exchange rates fluctuate, translation of the Company’s statements of operations into U.S. dollars affects the comparability of revenues and operating expenses between years.

Revenues and operating expenses are primarily denominated in the currencies of the countries in which the Company’s operations are located, the U.S., U.K., Canada and Japan. The Company’s consolidated results of operations and cash flows are, therefore, subject to fluctuations due to changes in foreign currency exchange rates and may be adversely affected in the future due to changes in foreign exchange rates.

The table below details the percentage of revenues and expenses by the four principal currencies for the three and nine months ended September 30, 2017 and 2016:

	U.S. Dollar	British Pound Sterling	Canadian Dollar	Japanese Yen
For the Three Months Ended September 30, 2017				
Revenues	81%	18%	—%	1%
Operating expenses	66%	24%	9%	1%
For the Three Months Ended September 30, 2016				
Revenues	75%	24%	—%	1%
Operating expenses	68%	24%	7%	1%

	U.S. Dollar	British Pound Sterling	Canadian Dollar	Japanese Yen
For the Nine months ended September 30, 2017				
Revenues	81%	18%	—%	1%
Operating expenses	66%	25%	8%	1%
For the Nine months ended September 30, 2016				
Revenues	70%	29%	—%	1%
Operating expenses	68%	24%	7%	1%

To date, the Company has not entered into any hedging arrangements with respect to foreign currency risk and have limited activity with forward foreign currency contracts or other similar derivative instruments. We believe that during the three and nine months ended September 30, 2017, the effect of a hypothetical 100 basis point shift in foreign currency exchange rates applicable to the Company's business would not have had a material impact on the Company's consolidated financial statements.

Investment Risk

The Company has an Investment Policy that, among other things, provides an internal control structure that takes into consideration safety (credit risk and interest rate risk), liquidity and yield. The Company's investment officers, CEO and CFO, oversee the investment portfolio and compile a quarterly analysis of the investment portfolio, if any investments exist during the period.

Investments made by the Company are subject to an investment policy, which limits the Company's risk of loss exposure by setting appropriate credit quality requirements for investments held, limiting maturities to be 1 year or less, and also setting appropriate concentration levels to prevent concentrations. This includes a requirement that no more than 3% of the portfolio, or $0.5 million, whichever is greater, may be invested in one particular issue.

Cash and cash equivalents are diversified and maintained with several financial institutions. Deposits held with banks may exceed the amount of insurance provided on such deposits. Generally, these deposits may be redeemed upon demand and are maintained with financial institutions of reputable credit, therefore, bear minimal credit risk.

The Company has trade receivable and revenues concentrations with large customers. Additionally, the Company has a large concentration of cash, trade receivables and revenues in foreign countries including the United Kingdom, Canada and Japan.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company's management, with the participation of the Company's Chief Executive Officer (CEO) and its Chief Financial Officer (CFO), evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this quarterly report. In designing and evaluating the Company’s disclosure controls and procedures, the Company’s management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and the Company’s management is required to apply their judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based upon that evaluation, the Company's management, including the CEO and the CFO, concluded that, as of September 30, 2017, the Company’s disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the reports that the Company files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the applicable rules and forms, and that it is accumulated and communicated to management, including the CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There were no significant changes in the Company’s internal control over financial reporting during the three months ended September 30, 2017, that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings.

CUI Global, Inc. and its subsidiaries are not a party in any legal proceedings where they are a defendant. No director, officer or affiliate of CUI Global, Inc., any owner of record or beneficially of more than five percent of any class of voting securities of CUI Global, Inc. or any associate of any such director, officer, affiliate of CUI Global, Inc. or security holder is a party adverse to CUI Global, Inc. or any of its subsidiaries or has a material interest adverse to CUI Global, Inc. or any of its subsidiaries.

Item 1A. Risk Factors.

There are no material changes from Risk Factors as previously disclosed in the Company’s Form 10-K filed with the Commission on March 14, 2017.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds. Common Stock Issued.

During the three months ended September 30, 2017, the Company issued the following shares of common stock, which were not registered under the Securities Act. The Company relied on Section 4(2) of the Securities Act of 1933 as the basis for an exemption from registration for the following issuances.

Date of issuance	Type of issuance	Expense/ Prepaid/ Cash	Stock issuance recipient	Reason for issuance	Total no. of shares	Grant date fair value recorded at issuance (in thousands)
August 2017	Vested restricted common stock	Expensed	Four board members	Director compensation	15,196	$ 50
					15,196	$ 50(1)

(1) Does not include stock expense of $45 thousand recorded in the quarter that was included in accrued liabilities at September 30, 2017.

Item 5. Other Information.

On September 20, 2017, the Company amended its line of credit agreement with Wells Fargo Bank, NA to increase the borrowings limit to $6 million through December 31, 2017 at which time the limit will return to $4 million under the original terms of the line of credit agreement. The associated agreement is included as an exhibit to this filing.

Item 6. Exhibits

The following exhibits are included as part of this Form 10-Q.

Exhibit No.	Description
10.91 [1]	Documents relating to the temporary increase in the line of credit of our subsidiary, CUI, Inc., with Wells Fargo Bank, NA dated September 20, 2017
31.1 [1]	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934
31.2 [1]	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934
32.1 [1]	Certification of Chief Executive Officer Pursuant to Rule 13a-14(b)/15d-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350
32.2 [1]	Certification of Chief Financial Officer Pursuant to Rule 13a-14(b)/15d-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350
101.INS [1]	XBRL Instance Document
101.SCH [1]	XBRL Taxonomy Extension Schema Document
101.CAL [1]	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF [1]	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB [1]	XBRL Taxonomy Extension Label Linkbase Document
101.PRE [1]	XBRL Taxonomy Extension Presentation Linkbase Document

Footnotes to Exhibits:
[1]Filed herewith.

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.

Signed and submitted this 9th day of November, 2017.

CUI Global, Inc.

By: /s/ William J. Clough
William J. Clough,
Chief Executive Officer/President
(Principle Executive Officer)

By: /s/ Daniel N. Ford
Daniel N. Ford,
Chief Financial Officer
(Principle Financial Officer)

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Section 2: EX-10.91 (EXHIBIT 10.91)

Exhibit 10.91

SUPPLEMENTAL CERTIFICATE: BORROWER

TO: WELLS FARGO BANK, NATIONAL ASSOCIATION ("Bank")

FROM: CUI-CANADA, INC. (the "Borrower")

The undersigned hereby certifies, in his or her capacity as an officer of the Borrower, and not in his or her individual capacity, to the Bank the following:

1. that he or she is the Chief Financial Officer of CUI-CANADA, INC., a Nova Scotia corporation, and as such has knowledge of the matters herein set out;

2. now shown to me and produced and attached to this certificate as Exhibit "I" is a true and complete copy of those certain corporate resolutions of the Borrower passed and adopted at a regular meeting of its board of directors (the "Board") held on July 21, 2017 (the "Borrower Resolutions"), whereby, among other matters, the said directors did authorize and approve the Borrower entering into a credit agreement with Bank for the establishment of a line of credit in the authorized principal amount of USD. $4,000,000.00 (as amended, restated, amended and restated, supplemented or otherwise modified from time to time through the date hereof, the "Credit Agreement");

3. now shown to me and produced and attached to this certificate as Exhibit "II" is a true and complete copy of the Credit Agreement;

4. the Borrower Resolutions do not impose any limitation on or restrict in any way the maximum amount of indebtedness that may be incurred by the Borrower to the Bank in order for the Credit Agreement to be and remain effective;

5. the Board intended as of the date of the Borrower Resolutions, and intends as of the date hereof, that the Credit Agreement be effective, enforceable, and for the Borrower to perform all of its obligations thereunder, to the fullest extent of its terms and conditions, including with respect to that certain First Amendment to Credit Agreement to be dated on or about the date hereof (the "Amendment"; the Credit Agreement as amended by the Amendment, the "Amended Agreement"), which Amendment shall, in addition to other changes, increase in the authorized principal amount of the revolving line of credit facility (from USD $4,000,000.00 to USD $6,000,000.00) established by the Bank in favor of the Borrower under the provisions of the Amended Agreement;

6. the Borrower Resolutions remain in full force and effect, and constitute good and sufficient authority for the temporary increase in the borrowed obligations as contemplated by the Amendment;

7. no further or additional authorization, confirmation, ratification or other action by, for or on the part of the Borrower, its board of directors or any other person is required in order for the Amended Agreement to be fully effective upon its terms as a payment obligation of the Borrower of any and all indebtedness incurred by the Borrower under the Amended Agreement (or otherwise incurred to the Bank), including, without limitation, on account of the increase in the authorized principal indebtedness under the Amended Agreement as aforesaid;

8. no Event of Default or Default (nor any event or circumstance that would constitute an Event of Default or Default with the giving of notice, lapse of time or subject to any other nominal condition) by or with respect to the Borrower (not waived by the Bank) has occurred or is continuing under the Credit Agreement or the Amended Agreement, any promissory note issued by Borrower in favor of the Bank or any other loan or credit document executed by any person in connection with the Credit Agreement or otherwise relating thereto, including, without limitation, any document or instrument evidencing, giving rise to or otherwise relating to any collateral security granted by any person pursuant to the Credit Agreement or the Amended Agreement; and

9. the Borrower understands and acknowledges that the Bank will extend the increased credit and permit the same to be outstanding under the Amended Agreement in reliance on and subject to the accuracy and completeness of the statements made in this certificate, and the Borrower understands also that no further investigation or verification of these statements or matters ancillary thereto will be undertaken by or on behalf of the Bank.

10. Terms with initial capitals used and not otherwise defined herein shall have the respective meanings ascribed to them in the Credit Agreement.

DATED at ______________, _______________ this 20th day of September, 2017.

/s/ Daniel N. Ford
DANIEL N. FORD, DIRECTOR
and CHIEF FINANCIAL OFFICER

EXHIBIT I

REVOLVING REDUCING NOTE

$6,000,000.00

Portland, Oregon
September 20, 2017

FOR VALUE RECEIVED, the undersigned CUI, INC. and CUI-CANADA, INC. ("Borrower") promises to pay to the order of WELLS FARGO BANK, NATIONAL ASSOCIATION ("Bank") at its office at MAC: P6101-250, 1300 Southwest 5th Avenue, 25th Floor, Portland, Oregon 97201, or at such other place as the holder hereof may designate, in lawful money of the United States of America and in immediately available funds, the principal sum of Six Million Dollars ($6,000,000.00), or so much thereof as may be advanced and be outstanding pursuant to the terms of the Credit Agreement, as defined herein, with interest thereon, to be computed on each advance from the date of its disbursement as set forth herein.

DEFINITIONS:

As used herein, the following terms shall have the meanings set forth after each, and any other term defined in this Note shall have the meaning set forth at the place defined:

(a) "Daily One Month LIBOR" means, for any day, the rate of interest equal to LIBOR then in effect for delivery for a one (1) month period.

(b) "LIBOR" means (i) for the purpose of calculating effective rates of interest for loans making reference to LIBOR Periods, the rate of interest per annum determined by Bank based on the rate for United States dollar deposits for delivery on the first day of each LIBOR Period for a period approximately equal to such LIBOR Period as published by the ICE Benchmark Administration Limited, a United Kingdom company, at approximately 11:00 a.m., London time, two London Business Days prior to the first day of such LIBOR Period (or if not so published, then as determined by Bank from another recognized source or interbank quotation), or (ii) for the purpose of calculating effective rates of interest for loans making reference to Daily One Month LIBOR, the rate of interest per annum determined by Bank based on the rate for United States dollar deposits for delivery of funds for one (1) month as published by the ICE Benchmark Administration Limited, a United Kingdom company, at approximately 11:00 a.m., London time, or, for any day not a London Business Day, the immediately preceding London Business Day (or if not so published, then as determined by Bank from another recognized source or interbank quotation); provided, however, that if LIBOR determined as provided above would be less than zero percent (0.0%), then LIBOR shall be deemed to be zero percent (0.0%).

(c) "LIBOR Period" means a period commencing on a New York Business Day and continuing for one (1) or three (3) months, as designated by Borrower, during which all or a portion of the outstanding principal balance of this Note bears interest determined in relation to LIBOR; provided however, that (i) no LIBOR Period may be selected for a principal amount less than One Hundred Thousand Dollars ($100,000.00), (ii) if the day after the end of any LIBOR Period is not a New York Business Day (so that a new LIBOR Period could not be selected by Borrower to start on such day), then such LIBOR Period shall continue up to, but shall not include, the next New York Business Day after the end of such LIBOR Period, unless the result of such extension would be to cause any immediately following LIBOR Period to begin in the next calendar month in which event the LIBOR Period shall continue up to, but shall not include, the New York Business Day immediately preceding the last day of such LIBOR Period, and (iii) no LIBOR Period shall extend beyond the scheduled maturity date hereof.

(d) "London Business Day" means any day that is a day for trading by and between banks in dollar deposits in the London interbank market.

(e) "New York Business Day" means any day except a Saturday, Sunday or any other day on which commercial banks in New York are authorized or required by law to close.

(f) "State Business Day" means any day except a Saturday, Sunday or any other day on which commercial banks in the jurisdiction described in “Governing Law” herein are authorized or required by law to close.

INTEREST:

(a) Interest. The outstanding principal balance of this Note shall bear interest (computed on the basis of a 360-day year, actual days elapsed) either (i) at a fluctuating rate per annum determined by Bank to be two and one quarter percent (2.25%) above Daily One Month LIBOR in effect from time to time, or (ii) at a fixed rate per annum determined by Bank to be two and one quarter percent (2.25%) above LIBOR in effect on the first day of the applicable LIBOR Period. Bank is hereby authorized to note the date, principal amount and interest rate applicable thereto and any payments made thereon on Bank's books and records (either manually or by electronic entry) and/or on any schedule attached to this Note, which notations shall be prima facie evidence of the accuracy of the information noted.

(b) Selection of Interest Rate Options. Subject to the provisions herein regarding LIBOR Periods and the prior notice required for the selection of a LIBOR interest rate, (i) at any time any portion of this Note bears interest determined in relation to LIBOR for a LIBOR Period, it may be continued by Borrower at the end of the LIBOR Period applicable thereto so that all or a portion thereof bears interest determined in relation to Daily One Month LIBOR or to LIBOR for a new LIBOR Period designated by Borrower, (ii) at any time any portion of this Note bears interest determined in relation to Daily One Month LIBOR, Borrower may convert all or a portion thereof so that it bears interest determined in relation to LIBOR for a LIBOR Period designated by Borrower, and (iii) at the time an advance is made hereunder, Borrower may choose to have all or a portion thereof bear interest determined in relation to Daily One Month LIBOR or to LIBOR for a LIBOR Period designated by Borrower.

To select an interest rate option hereunder determined in relation to LIBOR for a LIBOR Period, Borrower shall give Bank notice thereof that is received by Bank prior to 11:00 a.m. in the jurisdiction described in “Governing Law” herein on a State Business Day at least two State Business Days prior to the first day of the LIBOR Period, or at a later time during such State Business Day if Bank, at its sole discretion, accepts Borrower’s notice and quotes a fixed rate to Borrower. Such notice shall specify: (A) the interest rate option selected by Borrower, (B) the principal amount subject thereto, and (C) for each LIBOR selection, the length of the applicable LIBOR Period. If Bank has not received such notice in accordance with the foregoing before an advance is made hereunder or before the end of any LIBOR Period, Borrower shall be deemed to have made a Daily One Month LIBOR interest selection for such advance or the principal amount to which such LIBOR Period applied. Any such notice may be given by telephone (or such other electronic method as Bank may permit) so long as it is given in accordance with the foregoing and, with respect to each LIBOR selection, if requested by Bank, Borrower provides to Bank written confirmation thereof not later than three State Business Days after such notice is given. Borrower shall reimburse Bank immediately upon demand for any loss or expense (including any loss or expense incurred by reason of the liquidation or redeployment of funds obtained to fund or maintain a LIBOR borrowing) incurred by Bank as a result of the failure of Borrower to accept or complete a LIBOR borrowing hereunder after making a request therefor. Any reasonable determination of such amounts by Bank shall be conclusive and binding upon Borrower. Should more than one person or entity sign this Note as a Borrower, any notice required above may be given by any one Borrower acting alone, which notice shall be binding on all other Borrowers.

(c) Taxes and Regulatory Costs. Borrower shall pay to Bank immediately upon demand, in addition to any other amounts due or to become due hereunder, any and all (i) withholdings, interest equalization taxes, stamp taxes or other taxes (except income and franchise taxes) imposed by any domestic or foreign governmental authority and related in any manner to LIBOR, and (ii) costs, expenses and liabilities arising from or in connection with reserve percentages prescribed by the Board of Governors of the Federal Reserve System (or any successor) for "Eurocurrency Liabilities" (as defined in Regulation D of the Federal Reserve Board, as amended), assessment rates imposed by the Federal Deposit Insurance Corporation, or similar requirements or costs imposed by any domestic or foreign governmental authority or resulting from compliance by Bank with any request or directive (whether or not having the force of law) from any central bank or other governmental authority and related in any manner to LIBOR. In determining which of the foregoing are attributable to any LIBOR option available to Borrower hereunder, any reasonable allocation made by Bank among its operations shall be conclusive and binding upon Borrower.

(d) Default Interest. From and after the maturity date of this Note, or such earlier date as all principal owing hereunder becomes due and payable by acceleration or otherwise, or upon the occurrence and during the continuance of an Event of Default, then at the option of Bank, in its sole and absolute discretion, the outstanding principal balance of this Note shall bear interest at an increased rate per annum (computed on the basis of a 360-day year, actual days elapsed) equal to four percent (4%) above the rate of interest from time to time applicable to this Note.

BORROWING AND REPAYMENT:

(a) Borrowing and Repayment of Principal. Borrower may from time to time during the term of this Note borrow, partially or wholly repay its outstanding borrowings, and reborrow, subject to all of the limitations, terms and conditions of this Note and of any document executed in connection with or governing this Note; provided however, that the total outstanding borrowings under this Note shall not at any time exceed the principal amount set forth above or such lesser amount as shall at any time be available hereunder. The unpaid principal balance of this obligation at any time shall be the total amounts advanced hereunder by the holder hereof less the amount of principal payments made hereon by or for Borrower, which balance may be endorsed hereon from time to time by the holder. The outstanding principal balance of this Note shall be due and payable in full on June 1, 2019.

(b) Payment of Interest. Interest accrued on this Note shall be payable on the first day of each month, commencing October 1, 2017, and on the maturity date set forth above.

(c) Reductions in Availability. Notwithstanding the principal amount set forth above, the maximum principal amount available under this Note shall be reduced automatically and without further notice on January 1, 2018 by the amount of Two Million Dollars ($2,000,000.00). If the outstanding principal balance of this Note on any such date is greater than the new maximum principal amount then available hereunder, Borrower shall make a principal reduction on this Note on such date in an amount sufficient to reduce the then outstanding principal balance hereof to an amount not greater than said new maximum principal amount.

(d) Advances. Advances hereunder, to the total amount of the principal sum stated above, may be made by the holder at the oral or written request of (i) DANIEL FORD, WILLIAM CLOUGH, MATTHEW MCKENZIE or DEBORAH MOEN, any one acting alone, who are authorized to request advances and direct the disposition of any advances until written notice of the revocation of such authority is received by the holder at the office designated above, or (ii) any person, with respect to advances deposited to the credit of any deposit account of Borrower, which advances, when so deposited, shall be conclusively presumed to have been made to or for the benefit of Borrower regardless of the fact that persons other than those authorized to request advances may have authority to draw against such account. The holder shall have no obligation to determine whether any person requesting an advance is or has been authorized by Borrower.

(e) Application of Payments. Each payment made on this Note shall be credited first, to any interest then due and second, to the outstanding principal balance hereof. All payments credited to principal shall be applied first, to the outstanding principal balance of this Note which bears interest determined in relation to Daily One Month LIBOR, if any, and second, to the outstanding principal balance of this Note which bears interest determined in relation to LIBOR, with such payments applied to the oldest LIBOR Period first.

PREPAYMENT:

(a) Daily One Month LIBOR. Borrower may prepay principal on any portion of this Note which bears interest determined in relation to the Daily One Month LIBOR rate at any time, in any amount and without penalty.

(b) LIBOR. Borrower may prepay principal on any portion of this Note which bears interest determined in relation to LIBOR at any time and in the minimum amount of One Hundred Thousand Dollars ($100,000.00); provided however, that if the outstanding principal balance of such portion of this Note is less than said amount, the minimum prepayment amount shall be the entire outstanding principal balance thereof. In consideration of Bank providing this prepayment option to Borrower, or if any such portion of this Note shall become due and payable at any time prior to the last day of the LIBOR Period applicable thereto by acceleration or otherwise, Borrower shall pay to Bank immediately upon demand a fee which is the sum of the discounted monthly differences for each month from the month of prepayment through the month in which such LIBOR Period matures, calculated as follows for each such month:

(i) Determine the amount of interest which would have accrued each month on the amount prepaid at the interest rate applicable to such amount had it remained outstanding until the last day of the LIBOR Period applicable thereto.

(ii) Subtract from the amount determined in (i) above the amount of interest which would have accrued for the same month on the amount prepaid for the remaining term of such LIBOR Period at LIBOR in effect on the date of prepayment for new loans made for such term and in a principal amount equal to the amount prepaid.

(iii) If the result obtained in (ii) for any month is greater than zero, discount that difference by LIBOR used in (ii) above.

Borrower acknowledges that prepayment of such amount may result in Bank incurring additional costs, expenses and/or liabilities, and that it is difficult to ascertain the full extent of such costs, expenses and/or liabilities. Borrower, therefore, agrees to pay the above-described prepayment fee and agrees that said amount represents a reasonable estimate of the prepayment costs, expenses and/or liabilities of Bank. If Borrower fails to pay any prepayment fee when due, the amount of such prepayment fee shall thereafter bear interest until paid at a rate per annum two percent (2%) above the Daily One Month LIBOR rate in effect from time to time (computed on the basis of a 360-day year, actual days elapsed).

(c) Application of Prepayments. If principal under this Note is payable in more than one installment, then any prepayments of principal shall be applied to the most remote principal installment or installments then unpaid.

EVENTS OF DEFAULT:

This Note is made pursuant to and is subject to the terms and conditions of that certain Credit Agreement between Borrower and Bank dated as of June 30, 2017, as amended from time to time (the "Credit Agreement"). Any default in the payment or performance of any obligation under this Note, or any defined event of default under the Credit Agreement, shall constitute an "Event of Default" under this Note.

MISCELLANEOUS:

(a) Remedies. Upon the sale, transfer, hypothecation, assignment or other encumbrance, whether voluntary, involuntary or by operation of law, of all or any interest in any real property securing this Note, if any, or upon the occurrence of any Event of Default, the holder of this Note, at the holder's option, may declare all sums of principal and interest outstanding hereunder to be immediately due and payable without presentment, demand, notice of nonperformance, notice of protest, protest or notice of dishonor, all of which are expressly waived by Borrower, and the obligation, if any, of the holder to extend any further credit hereunder shall immediately cease and terminate. Borrower shall pay to the holder immediately upon demand the full amount of all payments, advances, charges, costs and expenses, including reasonable attorneys' fees (to include outside counsel fees and all allocated costs of the holder's in-house counsel), expended or incurred by the holder in connection with the enforcement of the holder's rights and/or the collection of any amounts which become due to the holder under this Note whether or not suit is brought, and the prosecution or defense of any action in any way related to this Note, including without limitation, any action for declaratory relief, whether incurred at the trial or appellate level, in an arbitration proceeding or otherwise, and including any of the foregoing incurred in connection with any bankruptcy proceeding (including without limitation, any adversary proceeding, contested matter or motion brought by Bank or any other person) relating to Borrower or any other person or entity.

(b) Obligations Joint and Several. Should more than one person or entity sign this Note as a Borrower, the obligations of each such Borrower shall be joint and several.

(c) Governing Law. This Note shall be governed by and construed in accordance with the laws of Oregon, but giving effect to federal laws applicable to national banks, without reference to the conflicts of law or choice of law principles thereof.

UNDER OREGON LAW, MOST AGREEMENTS, PROMISES AND COMMITMENTS MADE BY BANK CONCERNING LOANS AND OTHER CREDIT EXTENSIONS WHICH ARE NOT FOR PERSONAL, FAMILY OR HOUSEHOLD PURPOSES OR SECURED SOLELY BY THE BORROWER'S RESIDENCE MUST BE IN WRITING, EXPRESS CONSIDERATION AND BE SIGNED BY BANK TO BE ENFORCEABLE.

IN WITNESS WHEREOF, the undersigned has executed this Note as of the date first written above.

CUI, INC.

By: /s/ Daniel N. Ford
DANIEL FORD, CFO

CUI-CANADA, INC.

By: /s/ Daniel N. Ford
DANIEL N. FORD, DIRECTOR
and CHIEF FINANCIAL OFFICER

EXHIBIT II

FIRST AMENDMENT TO CREDIT AGREEMENT

THIS AMENDMENT TO CREDIT AGREEMENT (this "Amendment") is entered into as of September 20, 2017, by and between CUI, INC., an Oregon corporation and CUI-CANADA, INC., a Nova Scotia corporation (each individually, a “Borrower”), and WELLS FARGO BANK, NATIONAL ASSOCIATION ("Bank"). Each reference herein to “Borrower” shall mean each and every party, collectively and individually, defined above as a Borrower.

RECITALS

WHEREAS, Borrower is currently indebted to Bank pursuant to the terms and conditions of that certain Credit Agreement between Borrower and Bank dated as of June 30, 2017, as amended from time to time ("Credit Agreement").

WHEREAS, Bank and Borrower have agreed to certain changes in the terms and conditions set forth in the Credit Agreement and have agreed to amend the Credit Agreement to reflect said changes.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree that the Credit Agreement shall be amended as follows:

1. Section 1.1. is hereby deleted in its entirety, and the following substituted therefor:

“SECTION1.1. LINE OF CREDIT.

(a) Line of Credit. Subject to the terms and conditions of this Agreement, Bank hereby agrees to make advances to Borrower from time to time up to and including June 1, 2019, not to exceed at any time the aggregate principal amount of Six Million Dollars ($6,000,000.00) or such lesser amount as shall from time to time be available (“Line of Credit”), the proceeds of which shall be used to finance Borrower’s working capital requirements. Borrower's obligation to repay advances under the Line of Credit shall be evidenced by a promissory note dated as of September 20, 2017, as modified from time to time (“Line of Credit Note”), all terms of which are incorporated herein by this reference.

(b) Borrowing and Repayment. Borrower may from time to time during the term of the Line of Credit borrow, partially or wholly repay its outstanding borrowings, and reborrow, subject to all of the limitations, terms and conditions contained herein or in the Line of Credit Note; provided however, that the total outstanding borrowings under the Line of Credit shall not at any time exceed the maximum principal amount available thereunder, as set forth herein and as reduced from time to time in accordance with the terms of the Line of Credit Note.”

2. Section 1.3. is hereby deleted in its entirety, and the following substituted therefor:

"SECTION 1.3. COLLECTION OF PAYMENTS.

Borrower authorizes Bank to collect all principal, interest and fees due under each credit subject hereto by debiting Borrower's deposit account number with Bank, or any other deposit account maintained by Borrower with Bank, for the full amount thereof. Should there be insufficient funds in any such deposit account to pay all such sums when due, the full amount of such deficiency shall be immediately due and payable by Borrower. Borrower further authorizes Bank to collect all principal outstanding (whether or not then due) under each credit subject hereto by debiting Borrower's deposit account number with Bank, or any other deposit account maintained by Borrower with Bank and designated by Borrower in writing as a sweep account, for the full amount thereof."

3. The following is hereby added to the Credit Agreement as Section 4.13:

"SECTION 4.13. LEASE PAYMENTS.

Make all payments under each of Borrower's leases when due, and provide written notice to Bank of such payments (whether or not actually paid)."

4. Section 6.1. (d) is hereby deleted in its entirety, and the following substituted therefor:

"(d) Any default in the payment or performance of any obligation (including, for the avoidance of doubt, any lease obligation), or any defined event of default, under the terms of any contract, instrument or document (other than any of the Loan Documents) pursuant to which Borrower, any guarantor hereunder or any general partner or joint venturer in Borrower if a partnership or joint venture (with each such guarantor, general partner and/or joint venturer referred to herein as a "Third Party Obligor") or CUI PROPERTIES, LLC has incurred any debt or other liability to any person or entity, including Bank."

5. In consideration of the changes set forth herein and as a condition to the effectiveness hereof, immediately upon signing this Amendment Borrower shall pay to Bank a non-refundable fee of $2,500.00.

6. Except as specifically provided herein, all terms and conditions of the Credit Agreement remain in full force and effect, without waiver or modification. All terms defined in the Credit Agreement shall have the same meaning when used in this Amendment. This Amendment and the Credit Agreement shall be read together, as one document.

7. Borrower hereby remakes all representations and warranties contained in the Credit Agreement and reaffirms all covenants set forth therein. Borrower further certifies that as of the date of this Amendment there exists no Event of Default as defined in the Credit Agreement, nor any condition, act or event which with the giving of notice or the passage of time or both would constitute any such Event of Default.

UNDER OREGON LAW, MOST AGREEMENTS, PROMISES AND COMMITMENTS MADE BY BANK CONCERNING LOANS AND OTHER CREDIT EXTENSIONS WHICH ARE NOT FOR PERSONAL, FAMILY OR HOUSEHOLD PURPOSES OR SECURED SOLELY BY THE BORROWER'S RESIDENCE MUST BE IN WRITING, EXPRESS CONSIDERATION AND BE SIGNED BY BANK TO BE ENFORCEABLE.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed as of the day and year first written above.

CUI, INC.

By: /s/ Daniel N. Ford
DANIEL FORD, CFO

CUI-CANADA, INC.

By: /s/ Daniel N. Ford
DANIEL N. FORD, DIRECTOR
and CHIEF FINANCIAL OFFICER

WELLS FARGO BANK,
NATIONAL ASSOCIATION

By: /s/ Audrey L. Rettke
AUDREY L. RETTKE,
RELATIONSHIP MANAGER

GUARANTOR'S CONSENT AND REAFFIRMATION

The undersigned guarantor of all indebtedness of CUI, INC. and CUI-CANADA, INC. to WELLS FARGO BANK, NATIONAL ASSOCIATION hereby: (i) consents to the foregoing Amendment; (ii) reaffirms its obligations under its Continuing Guaranty; (iii) reaffirms its waivers of each and every one of the defenses to such obligations as set forth in its Continuing Guaranty; and (iv) reaffirms that its obligations under its Continuing Guaranty are separate and distinct from the obligations of any other party under said Amendment and the other Loan Documents described therein.

GUARANTOR:

CUI GLOBAL, INC.

By: /s/ Daniel N. Ford
DANIEL FORD, CFO

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Section 3: EX-31.1 (EXHIBIT 31.1)

Exhibit 31.1

Certification of Chief Executive Officer Pursuant to Rule 13a-14 or 15d-14(a) of the Securities Exchange Act of 1934, as Amended, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, William J. Clough, certify that:

1. I have reviewed this quarterly report on Form 10-Q of CUI Global, 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 control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under 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 registrant's board of directors (or persons performing the equivalent function):

   (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.

By: /s/ William J. Clough
William J. Clough,
Chief Executive Officer/President

Dated: November 9, 2017

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Section 4: EX-31.2 (EXHIBIT 31.2)

Exhibit 31.2

Certification of Chief Financial Officer Pursuant to Rule 13a-14 or 15d-14(a) of the Securities Exchange Act of 1934, as Amended, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Daniel N. Ford, certify that:

1. I have reviewed this quarterly report on Form 10-Q of CUI Global, 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 control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under 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 registrant's board of directors (or persons performing the equivalent function):

   (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.

By: /s/ Daniel N. Ford
Daniel N. Ford
Chief Financial Officer

Dated: November 9, 2017

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Section 5: EX-32.1 (EXHIBIT 32.1)

Exhibit 32.1

Certification of Chief Executive Officer 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 quarterly report of CUI Global, Inc. (the "Company"), on Form 10-Q of the quarter ended September 30, 2017, I hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

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

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

By: /s/ William J. Clough
William J. Clough,
Chief Executive Officer/President

Dated: November 9, 2017

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Section 6: EX-32.2 (EXHIBIT 32.2)

Exhibit 32.2

Certification of Chief Financial Officer 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 quarterly report of CUI Global, Inc. (the "Company"), on Form 10-Q of the quarter ended September 30, 2017, I hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

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

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

By: /s/ Daniel N. Ford
Daniel N. Ford
Chief Financial Officer

Dated: November 9, 2017

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