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

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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 March 31, 2019

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

(State or other jurisdiction of
incorporation or organization)

84-1463284

(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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

YES NO

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Indicate by 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
Non-accelerated filer

Accelerated filer
Smaller reporting company
Emerging growth company

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

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

There were 28,613,465 shares of the registrant's common stock, par value \$0.001 per share, issued and outstanding as of May 15, 2019.

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, \$0.001 par value.	CUI	Nasdaq Capital Market

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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 amounts)	March 31, 2019 (Unaudited)	December 31, 2018 (See Note 1)
Assets:		
Current Assets:		
Cash and cash equivalents	\$ 793	\$ 3,979
Trade accounts receivable, net of allowance of \$273 and \$167, respectively	13,270	14,416
Inventories, net of allowance of \$2,652 and \$2,495, respectively	11,342	13,042
Contract assets	2,618	1,744
Note receivable, current portion	309	318
Prepaid expenses and other current assets	1,867	1,982
Total current assets	30,199	35,481
Property and equipment, less accumulated depreciation of \$4,130 and \$4,234, respectively	5,201	5,973
Right of use assets - operating leases	7,422	—
Goodwill	13,089	13,089
Other intangible assets, less accumulated amortization of \$13,789 and \$13,190, respectively	13,476	13,861
Restricted cash	523	523
Convertible notes receivable	—	655
Investment - equity method	5,278	—
Deposits and other assets	573	585
Total assets	\$ 75,761	\$ 70,167
Liabilities and Stockholders' Equity:		
Current Liabilities:		
Accounts payable	\$ 6,192	\$ 6,480
Short-term overdraft facility	—	1,344
Line of credit	—	979
Operating lease obligations, current portion	975	—
Accrued expenses	5,590	4,851
Contract liabilities	2,453	2,226
Refund liabilities	2,594	2,417
Deferred gain on leaseback, current portion	—	289
Total current liabilities	17,804	18,586
Overdraft facility	965	—
Line of credit	1,460	—
Long term note payable, related party	5,304	5,304
Operating lease obligations, less current portion	6,589	—
Deferred tax liabilities	1,922	1,922
Deferred gain on leaseback, less current portion	—	2,599
Other long-term liabilities	162	218
Total liabilities	34,206	28,629
Commitments and contingencies		
Stockholders' Equity:		
Preferred stock, par value \$0.001; 10,000,000 shares authorized; no shares issued at March 31, 2019 or December 31, 2018	—	—
Common stock, par value \$0.001; 325,000,000 shares authorized; 28,581,953 shares issued and outstanding at March 31, 2019 and 28,552,886 shares issued and outstanding at December 31, 2018	29	29
Additional paid-in capital	169,938	169,898
Accumulated deficit	(124,108)	(123,993)
Accumulated other comprehensive loss	(4,304)	(4,396)
Total stockholders' equity	41,555	41,538
Total liabilities and stockholders' equity	\$ 75,761	\$ 70,167

See accompanying notes to condensed consolidated financial statements

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

(in thousands, except share and per share amounts)	For the Three Months Ended March 31,	
	2019	2018
Total revenues	\$ 23,009	\$ 21,966
Cost of revenues	15,282	15,389
Gross profit	7,727	6,577
Operating expenses:		
Selling, general and administrative	9,587	9,201
Depreciation and amortization	522	529
Research and development	604	620
Provision for bad debt	106	6
Other operating income	(2)	—
Total operating expenses	10,817	10,356
Loss from operations	(3,090)	(3,779)
Other income (expense), net	219	330
Interest expense	(85)	(114)
Loss before taxes	(2,956)	(3,563)
Income tax expense (benefit)	47	(302)
Net loss	<u>\$ (3,003)</u>	<u>\$ (3,261)</u>
Basic and diluted weighted average common shares outstanding	<u>28,583,600</u>	<u>28,488,032</u>
Basic and diluted loss per common share	<u>\$ (0.11)</u>	<u>\$ (0.11)</u>

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 March 31,	
	2019	2018
Net loss	\$ (3,003)	\$ (3,261)
Other comprehensive income		
Foreign currency translation adjustment	92	439
Comprehensive loss	<u>\$ (2,911)</u>	<u>\$ (2,822)</u>

See accompanying notes to condensed consolidated financial statements

CUI Global, Inc.
Condensed Consolidated Statements of Changes in Stockholders' Equity
For the Three Months Ended March 31, 2019 and 2018
(Unaudited)

(In thousands, except share amounts)	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Amount				
Balance, December 31, 2018	28,552,886	\$ 29	\$ 169,898	\$ (123,993)	\$ (4,396)	\$ 41,538
Cumulative effect of accounting change (1)	—	—	—	2,888	—	2,888
Balance at January 1, 2019, adjusted	28,552,886	29	169,898	(121,105)	(4,396)	44,426
Common stock issued for compensation, services, and royalty payments	29,067	—	40	—	—	40
Net loss for the period ended March 31, 2019	—	—	—	(3,003)	—	(3,003)
Other comprehensive income	—	—	—	—	92	92
Balance, March 31, 2019	<u>28,581,953</u>	<u>\$ 29</u>	<u>\$ 169,938</u>	<u>\$ (124,108)</u>	<u>\$ (4,304)</u>	<u>\$ 41,555</u>

(1) Represents adjustment to accumulated deficit upon the adoption of Accounting Standards Codification Topic 842.

(In thousands, except share amounts)	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Amount				
Balance, December 31, 2017	28,406,856	\$ 28	\$ 169,527	\$ (108,559)	\$ (3,510)	\$ 57,486
Cumulative effect of accounting change (2)	—	—	—	1,891	—	1,891
Balance at January 1, 2018, adjusted	28,406,856	28	169,527	(106,668)	(3,510)	59,377
Common stock issued for compensation, services, and royalty payments	79,042	—	220	—	—	220
Net loss for the period ended Net loss for the period ended March 31, 2018	—	—	—	(3,261)	—	(3,261)
Other comprehensive income	—	—	—	—	439	439
Balance, March 31, 2018	<u>28,485,898</u>	<u>\$ 28</u>	<u>\$ 169,747</u>	<u>\$ (109,929)</u>	<u>\$ (3,071)</u>	<u>\$ 56,775</u>

(2) Represents adjustment to accumulated deficit upon the adoption of Accounting Standards Codification Topic 606.

See accompanying notes to condensed consolidated financial statements

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

(in thousands)	For the Three Months Ended March 31,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (3,003)	\$ (3,261)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	277	264
Amortization of intangibles	468	466
Stock issued and stock to be issued for compensation, royalties and services	51	66
Unrealized gain on derivative liability	—	(84)
Provision for bad debt expense and returns allowances	106	6
Deferred income taxes	—	(250)
Inventory reserve	113	58
Non-cash unrealized foreign currency gains	(218)	(295)
Gain on disposal of assets	(2)	—
(Increase) decrease in operating assets:		
Trade accounts receivable	1,130	(1,040)
Inventories	82	910
Contract assets	(841)	625
Prepaid expenses, deposits and other assets	122	(137)
Right of use assets - operating leases	283	—
Increase (decrease) in operating liabilities:		
Accounts payable	(279)	(694)
Operating lease obligations	(264)	—
Accrued expenses	(1,143)	(308)
Refund liabilities	177	386
Contract liabilities	220	385
NET CASH USED IN OPERATING ACTIVITIES	(2,721)	(2,903)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(69)	(154)
Proceeds from sale of property and equipment	2	—
Investments in other intangible assets	(148)	(239)
Investment in investment - equity method	(345)	—
NET CASH USED IN INVESTING ACTIVITIES	(560)	(393)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from overdraft facility	5,272	4,982
Payments on overdraft facility	(5,681)	(4,155)
Proceeds from line of credit	7,916	1,166
Payments on line of credit	(7,436)	(1,166)
Payments on financing lease obligations	(1)	(1)
Payments on mortgage note payable	—	(24)
Payments on contingent consideration	—	(45)
NET CASH PROVIDED BY FINANCING ACTIVITIES	70	757
Effect of exchange rate changes on cash	25	53
Net decrease in cash, cash equivalents and restricted cash	(3,186)	(2,486)
Cash, cash equivalents and restricted cash at beginning of period	4,502	12,646
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT END OF PERIOD	\$ 1,316	\$ 10,160

See accompanying notes to condensed consolidated financial statements

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

(in thousands)	For the Three Months Ended March 31,	
	2019	2018
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Income taxes paid	\$ 65	\$ 23
Interest paid, net of capitalized interest	\$ 85	\$ 114
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Non-cash item for January 1, 2019 adoption of ASC 842 - establishment of right-of-use assets and offsetting lease obligations	\$ 7,703	\$ —
Non-cash investment in investment - equity method including convertible notes receivable, certain property and equipment, other intangible assets, inventories, prepaid assets, open purchases orders, and future research and development expenditures	\$ 4,933	\$ —
Common stock issued and to be issued for royalties payable pursuant to product agreements, related party	\$ 3	\$ 7
Common stock issued and to be issued for consulting services and compensation in common stock	\$ 37	\$ 213
Partial settlement of note receivable via offset against royalty payable netted with (increase) to note receivable from accrued interest	\$ 9	\$ (2)
Accrued property and equipment purchases at March 31	\$ 18	\$ 54
Accrued investment in other intangible assets at March 31	\$ 7	\$ 31

See accompanying notes to condensed consolidated financial statements

CUI Global, Inc.
Notes to the Condensed Consolidated Financial Statements
(Unaudited)

1. NATURE OF OPERATIONS, BASIS OF PRESENTATION AND COMPANY CONDITIONS

Nature of Operations

CUI Global Inc. (CUI Global or "the Company") 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 operating subsidiaries are providers of power and electromechanical components for Original Equipment Manufacturers (OEMs).

The Power and Electromechanical segment aggregates its product offerings into two categories: **power solutions** - including external and embedded ac-dc power supplies, dc-dc converters and basic digital point of load modules, and offering a technology architecture that addresses power and related accessories; and **components** - including connectors, speakers, buzzers, and industrial control solutions including encoders and sensors. These offerings provide a technology architecture that addresses power and related accessories to industries as broadly ranging as telecommunications, 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." Orbital has developed a portfolio of products, services and resources to offer a diverse range of personalized gas engineering solutions to the gas utilities, power generation, emissions, manufacturing and automotive industries. Its proprietary VE® Technology enhances the capability and speed of the Company's GasPT® Technology. VE Technology provides a superior method of penetrating the gas flow without the associated vortex vibration, thereby making it a "stand-alone" product for thermal sensing (thermowells) and trace-element sampling.

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 on Form 10-K for the year ended December 31, 2018. The condensed consolidated balance sheet as of December 31, 2018 has been derived from the audited financial statements as of that date included in the Company's Annual Report on Form 10-K for the year ended December 31, 2018.

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 remaining quarters or year ending December 31, 2019.

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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, revenue recognition on cost-to-cost-method type contracts, inventory valuation, trading securities, warranty reserves, refund liabilities/returns allowances, 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.

Company Conditions

The continued delays in shipment of GasPTs on a significant project due to governmental delays and the related slower than expected acceptance of this new disruptive technology has caused a delay in the Company's expected profitability.

The Company had losses of \$3.0 million and cash used in operating activities of \$2.7 million during the three months ended March 31, 2019. As of March 31, 2019, the Company's accumulated deficit is \$124.1 million.

Management believes the Company's present cash flows will not enable it to meet its obligations for twelve months from the date these financial statements are available to be issued. However, management has developed a plan to address this issue. The plan included obtaining a new long-term financing in the form of a new line of credit and utilizing the cash received from the Company's recent sale/leaseback of the Company's Tualatin headquarters. As part of this plan the Company has obtained a new line of credit from Bank of America for a \$10.0 million credit facility, which closed on April 18, 2019. For more information on the Company's new line of credit, see Note 20 Subsequent Events. Including the Company's cash balance, the Company further has \$12.4 million of positive working capital primarily related to trade accounts receivable and the Company's inventory less current liabilities that the Company will manage in the next twelve months. Considering the above factors and the new line of credit, management believes it is probable that management's plans will be achieved and will enable the Company to meet its obligations for the twelve-month period from the date the financial statements are available to be issued.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - UPDATE

Our significant accounting policies are detailed in "Note 2 Summary of Significant Accounting Policies" within Item 8 of the Company's Annual Report on Form 10-K for the year ended December 31, 2018 filed with the SEC on March 18, 2019. Significant changes to the Company's accounting policies as a result of adopting Topic 842 are discussed below:

Adoption of new accounting standards

On January 1, 2019, the Company adopted ASU No. 2016-02, “Leases” (“the new lease standard” or “ASC 842”) using the transition method of adoption. Under the transition method of adoption, comparative information has not been restated and continues to be reported under the standards in effect for those periods. In addition, the Company elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed The Company to carry forward the historical lease classification. The impact of adopting the new standard primarily relates to the recognition of a lease right-of-use (“ROU”) asset and current and non-current lease obligations on the condensed consolidated balance sheet. ROU assets represent the Company's right to use an underlying asset for the lease term and lease obligations represent the Company's obligation to make lease payments arising from the lease. Lease ROU assets and obligations are recognized at commencement date based on the present value of lease payments over the lease term. As the Company cannot readily determine the rate implicit in the lease, the Company uses the Company's incremental borrowing rate determined by country of lease origin based on the anticipated lease term as determined at commencement date in determining the present value of lease payments. The ROU asset also excludes any accrued lease payments and unamortized lease incentives.

As of March 31, 2019, \$7.4 million was included with non-current assets, \$1.0 million with current liabilities and \$6.6 million with non-current liabilities, on the condensed consolidated balance sheets as a result of the new lease standard. The change in right of use assets and lease obligations is reflected in the change in operating assets and liabilities in the Cash Flows from Operating Activities section of the Condensed Consolidated Statements of Cash Flows. Principal portion of financing lease payments are included in the Financing section of the cash flow. There was no impact on the Company's Condensed Consolidated Statements of Operations or Condensed Consolidated Statements of Comprehensive Income and Loss. Additionally, as part of the January 1, 2019 adjustment to transition to the new standard, the Company recorded a \$2.9 million adjustment to accumulated deficit to recognize the deferred gain that was originally recorded as part of the December 2018 sale/leaseback of the Tualatin headquarters.

In August 2018, the Securities and Exchange Commission, or SEC, published Release No. 33-10532, *Disclosure Update and Simplification*, or DUSTR, which adopted amendments to certain disclosure requirements that have become redundant, duplicative, overlapping, outdated or superseded, in light of other SEC disclosure requirements, GAAP, or changes in the information environment. While most of the DUSTR amendments eliminate outdated or duplicative disclosure requirements, the final rule amends the interim financial statement requirements to include a reconciliation of changes in stockholders' equity (deficit) in the notes or as a separate statement for each period for which a statement of comprehensive income (loss) is required to be filed. The new interim reconciliation of changes in stockholders' equity (deficit) is included herein as a separate statement.

In June 2018, the FASB issued ASU No. 2018-07, *Compensation-Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting* (“ASU 2018-07”). These amendments expand the scope of Topic 718, Compensation—Stock Compensation (which currently only includes share-based payments to employees) to include share-based payments issued to nonemployees for goods or services. Consequently, the accounting for share-based payments to nonemployees and employees will be substantially aligned. The guidance will be effective for the fiscal year beginning after December 15, 2018, including interim periods within that year. The Company implemented the standard as of January 1, 2019. There was no effect of this change in the Company's condensed consolidated financial statements for the period ended March 31, 2019.

3. REVENUE FROM CONTRACTS WITH CUSTOMERS

Power and Electromechanical segment

The Power and Electromechanical segment generates its revenue from two categories of products: **power solutions** - including external and embedded ac-dc power supplies, dc-dc converters and basic digital point of load modules, and offering a technology architecture that addresses power and related accessories; and **components** - including connectors, speakers, buzzers, and industrial control solutions including encoders and sensors. These offerings provide a technology architecture that addresses power and related accessories to industries as broadly ranging as telecommunications, consumer electronics, medical and defense. The production and delivery of these products are considered single performance obligations. Revenue is recognized when the Company satisfies a performance obligation and this occurs upon shipment and ownership transfer of the Company's products to the Company's customers at a point in time.

Energy segment

The Energy segment subsidiaries, collectively referred to as Orbital, generate their revenue from a portfolio of products, services and resources that offer a diverse range of personalized gas engineering solutions to the gas utilities, power generation, emissions, manufacturing and automotive industries.

Orbital accounts for a majority of its contract revenue proportionately over time. For the Company's performance obligations satisfied over time, the Company recognizes revenue by measuring the progress toward complete satisfaction of that performance obligation. The selection of the method to measure progress towards completion can be either an input method or an output method and requires judgment based on the nature of the goods or services to be provided.

For the Company's construction contracts, revenue is generally recognized over time as the Company's performance creates or enhances an asset that the customer controls. The Company's fixed price construction projects generally use a cost-to-cost input method to measure the Company's progress towards complete satisfaction of the performance obligation as the Company believes it best depicts the transfer of control to the customer. Under the cost-to-cost measure of progress, the extent of progress towards completion is measured based on the ratio of costs incurred to date to the total estimated costs at completion of the performance obligation.

The timing of revenue recognition for Energy products also depends on the payment terms of the contract, as the Company's performance does not create an asset with an alternative use to us. For those contracts which the Company has a right to payment for performance completed to date at all times throughout the Company's performance, inclusive of a cancellation, the Company recognizes revenue over time. As discussed above, these performance obligations use a cost-to-cost input method to measure the Company's progress towards complete satisfaction of the performance obligation as the Company believes it best depicts the transfer of control to the customer. However, for those contracts for which the Company does not have a right, at all times, to payment for performance completed to date, the Company recognizes revenue at the point in time when control is transferred to the customer.

For the Company's service contracts, revenue is also generally recognized over time as the customer simultaneously receives and consumes the benefits of the Company's performance as the Company performs the service. For the Company's fixed price service contracts with specified service periods, revenue is generally recognized on a straight-line basis over such service period when the Company's inputs are expended evenly, and the customer receives and consumes the benefits of the Company's performance throughout the contract term.

For certain of the Company's revenue streams, such as call-out repair and service work, and outage services, that are performed under time and materials contracts, the Company's progress towards complete satisfaction of such performance obligations is measured using an output method as the customer receives and consumes the benefits of the Company's performance completed to date.

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Due to uncertainties inherent in the estimation process, it is possible that estimates of costs to complete a performance obligation will be revised in the near-term. For those performance obligations for which revenue is recognized using a cost-to-cost input method, changes in total estimated costs, and related progress towards complete satisfaction of the performance obligation, are recognized on a cumulative catch-up basis in the period in which the revisions to the estimates are made. When the current estimate of total costs for a performance obligation indicate a loss, a provision for the entire estimated loss on the unsatisfied performance obligation is made in the period in which the loss becomes evident.

Product-type contracts (for example, sale of GasPt units) for which revenue does not qualify to be recognized over time are recognized at a point in time. Revenues from warranty and maintenance activities are recognized ratably over the term of the warranty and maintenance period.

Accounts Receivable, Contract Assets and Contract Liabilities

Accounts receivable are recognized in the period when the Company's right to consideration is unconditional. Accounts receivable are recognized net of an allowance for doubtful accounts. A considerable amount of judgment is required in assessing the likelihood of realization of receivables.

The timing of revenue recognition may differ from the timing of invoicing to customers. Contract assets include unbilled amounts from the Company's construction projects when revenue recognized under the cost-to-cost measure of progress exceed the amounts invoiced to the Company's customers, as the amounts cannot be billed under the terms of the Company's contracts. Such amounts are recoverable from the Company's customers based upon various measures of performance, including achievement of certain milestones, completion of specified units or completion of a contract. Also included in contract assets are amounts the Company seeks or will seek to collect from customers or others for errors or changes in contract specifications or design, contract change orders or modifications in dispute or unapproved as to both scope and/or price or other customer-related causes of unanticipated additional contract costs (claims and unapproved change orders). The Company's contract assets do not include capitalized costs to obtain and fulfill a contract. Contract assets are generally classified as current within the Condensed Consolidated Balance Sheets.

Contract liabilities from the Company's construction contracts occur when amounts invoiced to the Company's customers exceed revenues recognized under the cost-to-cost measure of progress. Contract liabilities additionally include advanced payments from the Company's customers on certain contracts. Contract liabilities decrease as the Company recognizes revenue from the satisfaction of the related performance obligation and are recorded as either current or long-term, depending upon when the Company expects to recognize such revenue.

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Activity in the current contract liabilities for the three months ended March 31, 2019 and 2018 was as follows:

(in thousands)	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
Current contract liabilities - January 1	\$ 2,226	\$ 4,661
Long-term contract liabilities - January 1 ⁽¹⁾	129	84
Total contract liabilities - January 1	<u>\$ 2,355</u>	<u>\$ 4,745</u>
Total contract liabilities - January 1	\$ 2,355	\$ 4,745
Contract additions, net	1,033	1,279
Revenue recognized	(813)	(908)
Translation	35	146
Total contract liabilities - March 31	<u>\$ 2,610</u>	<u>\$ 5,262</u>
Current contract liabilities - March 31	\$ 2,453	\$ 5,168
Long-term contract liabilities - March 31 ⁽¹⁾	157	94
Total contract liabilities - March 31	<u>\$ 2,610</u>	<u>\$ 5,262</u>

⁽¹⁾ Long-term contract liabilities are included in Other long-term liabilities on the Condensed Consolidated Balance Sheets.

Refund Liabilities and Corresponding Inventory Adjustment

Refund liabilities primarily represent estimated future new product introduction returns and estimated future scrap returns. Future new product returns are based on a percent of current inventory of newly introduced products held by the Company's distributor customers. The liability for estimated returns of newly introduced product is reversed to revenue as the inventory is sold. Future scrap returns are based on a percentage of total revenues. In addition to the refund liabilities recorded for future returns, the Company also records an adjustment to inventory and corresponding adjustment to cost of revenue for the Company's right to recover products from customers upon settling the refund liability.

Performance Obligations*Remaining Performance Obligations*

Remaining performance obligations represents the transaction price of firm orders for which work has not been performed and excludes unexercised contract options and potential orders under ordering-type contracts. As of March 31, 2019, the Company's remaining performance obligations are generally expected to be filled within the next 12 months.

Any quarterly adjustments to net revenues, cost of revenues, and the related impact to operating income are recognized as necessary in the period they become known. These adjustments may result from positive program performance, and may result in an increase in operating income during the performance of individual performance obligations, if the Company determines the Company will be successful in mitigating risks surrounding the technical, schedule and cost aspects of those performance obligations. Likewise, these adjustments may result in a decrease in operating income if the Company determines the Company will not be successful in mitigating these risks. Changes in estimates of net revenues, cost of revenues and the related impact to operating income are recognized quarterly on a cumulative catch-up basis, which recognizes in the current period the cumulative effect of the changes on current and prior periods based on a performance obligation's percentage of completion. A significant change in one or more of these estimates could affect the profitability of one or more of the Company's performance obligations. For separately priced extended warranty or product maintenance performance obligations, when estimates of total costs to be incurred on the performance obligation exceed total estimates of revenue to be earned, a provision for the entire loss on the performance obligation is recognized in the period the loss is determined.

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Performance Obligations Satisfied Over Time

To determine the proper revenue recognition method for contracts for the Company's Energy segment, the Company evaluates whether a single contract should be accounted for as more than one performance obligation. This evaluation requires significant judgment and the decision to separate the single contract into multiple performance obligations could change the amount of revenue and profit recorded in a given period.

For most of the Company's contracts, the customer contracts with the Company to provide a significant service of integrating a complex set of tasks and components into a single project or capability (even if that single project results in the delivery of multiple units). Hence, the entire contract is accounted for as one performance obligation. Less commonly, however, the Company may promise to provide distinct goods or services within a contract in which case the Company separates the contract into more than one performance obligation. If a contract is separated into more than one performance obligation, the Company allocates the total transaction price to each performance obligation in an amount based on the estimated relative standalone selling prices of the promised goods or services underlying each performance obligation. The Company infrequently sells standard products with observable standalone sales. In cases where the Company does, the observable standalone sales are used to determine the standalone selling price. More frequently, the Company sells a customized customer specific solution, and in these cases the Company typically uses the expected cost plus a margin approach to estimate the standalone selling price of each performance obligation.

Performance Obligations Satisfied at a Point in Time

Revenue from goods and services transferred to customers at a single point in time accounted for 81% and 82% of revenues for the three-month period ended March 31, 2019 and 2018, respectively. The majority of the Company's revenue recognized at a point in time is in the Company's Power and Electromechanical segment. Revenue on these contracts is recognized when the product is shipped and the customer takes ownership of the product. Determination of ownership and control transfer is determined by shipping terms delineated on the customer purchase orders.

Variable Consideration

The nature of the Company's contracts gives rise to several types of variable consideration, including new product returns and scrap returns allowances primarily in the Company's Power and Electromechanical segment. In rare instances in the Company's Energy segment, the Company includes in the Company's contract estimates additional revenue for submitted contract modifications or claims against the customer when the Company believes the Company has an enforceable right to the modification or claim, and the amount can be estimated reliably and its realization is probable. In evaluating these criteria, the Company considers the contractual/legal basis for the claim, the cause of any additional costs incurred, the reasonableness of those costs and the objective evidence available to support the claim. The Company includes new product introduction and scrap return estimates in the Company's calculation of net revenue when there is a basis to reasonably estimate the amount of the returns. These estimates are based on historical return experience, anticipated returns and the Company's best judgment at the time. These amounts are included in the Company's calculation of net revenue recorded for the Company's contracts and the associated remaining performance obligations.

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The following table presents the Company's revenues disaggregated by revenue source for the three months ended March 31, 2019:

(in thousands)	Power and Electromechanical	Energy	Total
Distributor sales	\$ 9,430	\$ —	\$ 9,430
Direct sales	8,121	5,458	13,579
Total revenues	<u>\$ 17,551</u>	<u>\$ 5,458</u>	<u>\$ 23,009</u>

The following table presents the Company's revenues disaggregated by revenue source for the three months ended March 31, 2018:

(in thousands)	Power and Electromechanical	Energy	Total
Distributor sales	\$ 9,617	\$ —	\$ 9,617
Direct sales	7,403	4,946	12,349
Total revenues	<u>\$ 17,020</u>	<u>\$ 4,946</u>	<u>\$ 21,966</u>

The following table presents the Company's revenues disaggregated by timing of revenue recognition for the three months ended March 31, 2019:

(in thousands)	Power and Electromechanical	Energy	Total
Revenues recognized at point in time	\$ 17,551	\$ 1,152	\$ 18,703
Revenues recognized over time	—	4,306	4,306
Total revenues	<u>\$ 17,551</u>	<u>\$ 5,458</u>	<u>\$ 23,009</u>

The following table presents the Company's revenues disaggregated by timing of revenue recognition for the three months ended March 31, 2018:

(in thousands)	Power and Electromechanical	Energy	Total
Revenues recognized at point in time	\$ 17,020	\$ 1,047	\$ 18,067
Revenues recognized over time	—	3,899	3,899
Total revenues	<u>\$ 17,020</u>	<u>\$ 4,946</u>	<u>\$ 21,966</u>

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The following table presents the Company's revenues disaggregated by region for the three months ended March 31, 2019:

(in thousands)	Power and Electromechanical	Energy	Total
North America	\$ 13,641	\$ 1,824	\$ 15,465
Europe	889	3,563	4,452
Asia	3,020	19	3,039
Other	1	52	53
Total revenues	<u>\$ 17,551</u>	<u>\$ 5,458</u>	<u>\$ 23,009</u>

The following table presents the Company's revenues disaggregated by region for the three months ended March 31, 2018:

(in thousands)	Power and Electromechanical	Energy	Total
North America	\$ 13,032	\$ 1,365	\$ 14,397
Europe	1,094	3,524	4,618
Asia	2,819	29	2,848
Other	75	28	103
Total revenues	<u>\$ 17,020</u>	<u>\$ 4,946</u>	<u>\$ 21,966</u>

4. 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 March 31, 2019 and December 31, 2018, accrued liabilities included \$1.2 million and \$1.7 million of accrued inventory payable, respectively. At March 31, 2019 and December 31, 2018, inventory by category is valued net of reserves and consists of:

(in thousands)	March 31, 2019	December 31, 2018
Finished goods	\$ 9,367	\$ 10,143
Raw materials	3,309	4,200
Work-in-process	1,318	1,194
Inventory reserves	(2,652)	(2,495)
Total inventories	<u>\$ 11,342</u>	<u>\$ 13,042</u>

5. GOODWILL AND INDEFINITE-LIVED INTANGIBLES

The Company tests for impairment of Indefinite-lived intangibles and 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. The Company's qualitative assessment of impairment for indefinite-lived assets at May 31, 2018, followed the guidance in ASC 350-30-35-18A and 18B and determined there was no impairment of indefinite-lived intangibles at that time.

Under current accounting guidance, CUI Global is not required to calculate the fair value of a reporting unit unless the entity determines, based on a qualitative assessment, that it is more likely than not that its fair value is less than its carrying amount. The guidance includes a number of factors to consider in conducting the qualitative assessment. The Company tests for Goodwill impairment in the second quarter of each year and whenever events or changes in circumstances indicate that the carrying amount of the asset 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, 2018, management completed 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. 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.

During the Company's review of Goodwill as of May 31, 2018, the Company determined that there were indicators present to suggest that it was more likely than not that the fair value of the Orbital-UK reporting unit was less than its carrying amount.

The significant changes for the Orbital-UK reporting unit subsequent to the most recent impairment test performed as of December 31, 2017 included a decline in the 2018 actual revenue, operating income and cash flows compared to prior forecasts for the same period and a negative change in the 2018 forecasted revenue, operating income and cash flows for the remainder of the year due in part to the longer than expected temporary halt in shipping of its GasPT product to a major customer in Italy and market uncertainty due to the continuing effects of Brexit.

To test the Orbital-UK reporting unit for impairment as of May 31, 2018, the Company used a quantitative test. The Company estimated the fair value of the Orbital-UK reporting unit using a blend of a market approach and an income approach, which was deemed to be the most indicative of fair value in an orderly transaction between market participants. Under the income approach, the Company determined fair value based on estimated future cash flows of the Orbital-UK reporting unit discounted by an estimated weighted-average cost of capital, reflecting the overall level of inherent risk of the Orbital-UK reporting unit and the rate of return an outside investor would expect to earn. The Company based its cash flow projections for the Orbital-UK reporting unit using a forecast of cash flows and a terminal value developed by capitalizing an assumed stabilized cash flow figure. The forecast and related assumptions were derived from an updated financial forecast prepared during the second quarter of 2018. At this time, a key assumption related to the recoverability of the Orbital-UK reporting unit Goodwill is the resumption of delivery of GasPT product to one of the Company's major customers and continued strengthening of the Company's integration revenues. Under the market approach, appropriate valuation multiples were derived from the historical operating data of selected guideline companies. The valuation multiples were evaluated and adjusted based on the strengths and weaknesses of the Company relative to the selected guideline companies and the multiple was then applied to the appropriate operating data of the Company to arrive at an indication of fair market value. As a result of the analysis, the Company concluded that the carrying value of the Orbital-UK reporting unit exceeded its estimated fair value. The quantitative test for the Orbital-UK reporting unit resulted in an impairment for the Orbital-UK reporting unit, and the Company recorded a Goodwill impairment charge of \$1.3 million during the second quarter of 2018.

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During the fourth quarter of 2018, the Company determined there were indicators present to suggest that it was more likely than not that the fair value of the Orbital-UK reporting unit was less than its carrying amount. The significant changes for the Orbital-UK reporting unit subsequent to the annual Goodwill impairment test performed as of May 31, 2018 were driven by a slower recovery in the Energy segment than originally forecasted. Actual GasPT revenue continued to lag behind forecasted revenue as acceptance of the technology continued to be slower than anticipated and delays associated with existing customer contracts that have not yet resumed. This slower than expected recovery, led to lower 2018 Energy segment revenue, operating income and cash flows than originally forecasted.

To test the Orbital-UK reporting unit for impairment, the Company used a quantitative test similar to the one used at May 31, 2018 with updated financial forecasts and assumptions based on the information available at December 31, 2018. As a result of the analysis, the Company concluded that the carrying value of the Orbital-UK reporting unit exceeded its estimated fair value. The quantitative test for the Orbital-UK reporting unit resulted in an impairment for the Orbital-UK reporting unit, and the Company recorded a Goodwill impairment charge of \$3.1 million during the fourth quarter of 2018, which was a write-off of the remaining Energy segment Goodwill. In addition, the reporting units in the Power and Electromechanical segment were also tested for impairment due to the overall decrease in market capitalization experienced in 2018.

As of March 31, 2019 and December 31, 2018, there was Goodwill remaining for CUI Inc., CUI-Canada and CUI-Japan reporting units, which are included in the Power and Electromechanical segment.

The carrying value of Goodwill and the activity for the three months ended March 31, 2019 are as follows:

(in thousands)	Power and Electro - Mechanical	Energy	Other	Total
Balance, December 31, 2018	\$ 13,089	\$ —	\$ —	\$ 13,089
Balance, March 31, 2019	\$ 13,089	\$ —	\$ —	\$ 13,089

6. INVESTMENTS

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 (\$0.3 million balance at March 31, 2019 and December 31, 2018), which was the carrying value of the investment, earning interest at 5% per annum, due June 30, 2019. The Company recorded \$4 thousand of interest income in both the three months ended March 31, 2019 and 2018. 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. CUI Global reviewed the note receivable for non-collectability as of March 31, 2019 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 18, 2019.

During 2018, CUI Global made investments of \$0.7 million in convertible notes receivable with Virtual Power Systems ("VPS") to support the two companies' continued collaboration and development of industry transforming Software Defined Power technologies. The notes accrued interest at 2% per annum and the interest was to compound annually. Unless converted into shares earlier, principal and accrued interest was to convert automatically on the maturity date (October 27, 2019) into shares of VPS common stock at the then current fair market value.

On March 30, 2019, the Company converted its notes receivable into common stock of VPS. In addition, the Company contributed \$0.3 million of cash and \$2.5 million of other assets, as well as \$1.8 million of liabilities assumed. In return, the Company acquired a 21.4% ownership share of VPS. Based on current accounting guidance, the Company will record its share of VPS's income or loss under the equity method of accounting. Under the equity method of accounting, results will not be consolidated, but the Company will record 21.4% of the profit or loss of VPS as an addition to or a subtraction from the VPS investment asset. The VPS investment basis at March 31, 2019 was \$5.3 million as reflected on the condensed consolidated balance sheets.

7. 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 sheets and measures those instruments at fair value. Changes in the fair value of derivatives are recognized in earnings. The Company has limited involvement with derivative instruments and does not trade them. In the first quarter of 2018, the Company had an interest rate swap, which had a maturity date of ten years from the date of inception, and was used to minimize the interest rate risk on the variable rate mortgage. During the three months ended March 31, 2018, the Company had \$84 thousand of unrealized gain related to the interest rate swap. The Company closed out this derivative in December 2018 as part of the Company's sale/leaseback transaction and the Company does not own any derivative instruments at March 31, 2019.

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.

8. LEASES

Effective January 1, 2019, the Company implemented the new accounting guidance on leases found in ASC 842, Leases. As part of its transition, the Company elected to utilize the effective date method of implementation. Under the effective date method, the Company includes the new required disclosures for the current period and provides the disclosures required by the previous guidance found in ASC 840 for the prior year comparative periods. In addition, the Company elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed the Company to carry forward the historical lease classifications and allowed the Company to exclude leases with an initial term of 12 months or less from being recorded on the Company's condensed consolidated balance sheet; the Company recognizes lease expense for these short-term leases on a straight-line basis over the lease term. The Company also reviewed outstanding service contracts to determine if any of the Company's service contracts contained an embedded lease. The Company did not identify any new leases through this process. The new lease accounting guidance also changes the name of leases formerly referred to as Capital leases under ASC 840 to Financing leases under ASC 842.

In December 2018, the Company entered into a sale-lease back transaction to sell and lease back the CUI, Inc. Tualatin facility. The Company sold the Tualatin headquarters and warehouse for \$8.1 million at a deferred gain of \$2.9 million and has leased back the facility for approximately \$53 thousand per month until December 2022. The lease includes two options to renew the term for periods of five years each at the then prevailing market rate per rentable square foot for the premises. As a result of the implementation and transition to the accounting guidance in ASC 842, the deferred gain was recognized on January 1, 2019 as a credit to retained earnings.

Orbital-UK has a number of operating leases on vehicles, equipment, and accommodations for visiting personnel. During the three months ended March 31, 2019, the total monthly rent on these leases was approximately \$31 thousand.

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The Company rents office and warehouse space in Houston, Texas through December 2022. During the three months ended March 31, 2019, rent expense on this lease was approximately \$30 thousand per month. The lease includes two options to renew the term for periods of five years each at the then prevailing market rate per rentable square foot for the premises.

In March 2015, as part of the Tectrol acquisition, the Company leased the Toronto facility through March 2020. During the three months ended March 31, 2019, the monthly rent of this facility was approximately \$33 thousand per month. CUI has the option to extend the term of the lease for a further period of five years (renewal term is March 2020 to February 2025). The Company has already taken the position that the renewal is probable to be exercised so the renewal period is already included in the lease liability balance using the current monthly payment (since the new amount remains unknown).

Additionally, CUI Japan leases office space. During the three months ended March 31, 2019, the monthly base rent for this facility was approximately \$3 thousand. There is not a specific renewal option in the lease. Renewal will be negotiated at market rates at the end of the term.

Consolidated rental expense was \$0.4 million for the three months ended March 31, 2019 and is included in selling, general and administrative on the condensed consolidated statement of operations.

The following is an analysis of the right-of-use assets under operating and financing leases:

(In thousands)	Balance Sheet Classification	March 31, 2019
Operating lease assets	Right of use assets - operating leases	\$ 7,422
Finance lease assets	Property and equipment, net of accumulated depreciation	7
Total right of use assets		<u>\$ 7,429</u>

The following summarizes the current and long-term portion of operating lease obligations:

(In thousands)	March 31, 2019
Operating lease obligations - current portion	\$ 975
Operating lease obligations - less current portion	<u>6,589</u>
Total operating lease obligations	<u>\$ 7,564</u>

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Future minimum operating lease obligations at March 31, 2019 are as follows:

(In thousands)		
2019	\$	1,107
2020		1,375
2021		1,325
2022		1,315
2023		901
Thereafter		3,652
Interest portion		(2,111)
Total operating lease obligations	\$	<u>7,564</u>

Financing leases of \$8 thousand of lease obligations and \$7 thousand of right of use assets were deemed immaterial for further detail disclosures.

Total lease cost and other lease information is as follows:

		Three Months Ended March 31, 2019
(in thousands)		
Operating lease cost	\$	360
Short-term lease cost		38
Variable lease cost		58
Sublease income		(8)
Total lease cost	\$	<u>448</u>
Other information		
Cash paid for amounts included in the measurement of lease obligations:		
Operating cash flows from operating leases	\$	(429)
Right-of-use assets obtained in exchange for new operating lease obligations	\$	7,703
Weighted-average remaining lease term - operating leases (in years)		7.6
Weighted-average discount rate - operating leases		6.0%

Variable lease costs primarily include common area maintenance costs, real estate taxes and insurance costs passed through to the Company from lessors. The following lease disclosures as of December 31, 2018 were required under previous accounting guidance under ASC 840 and under the transition guidance of ASC 842:

There was \$16 thousand of rent expense associated with this lease in 2018, and monthly rent expense in 2019 will be approximately \$51 thousand per month.

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Orbital-UK has a number of leases, on vehicles, equipment, and on accommodations for visiting personnel. During the year ended December 31, 2018, the total monthly rent on these leases was approximately \$32 thousand.

In January 2015, the Company rented office and warehouse space in Houston, TX for its Orbital North America operations. During the year ended December 31, 2017, the monthly rent of this lease, which terminated in January 2018, was approximately \$10 thousand. In November 2017, the Company relocated to another rented office and warehouse space in Houston, TX. Rent expense on this lease is approximately \$30 thousand per month.

In March 2015, as part of the Tectrol acquisition, the Company leased the Toronto facility. During the year ended December 31, 2018, the monthly rent of this lease was approximately \$34 thousand dollars per month.

Additionally, CUI Japan leases office space. During the year ended December 31, 2018, the monthly base rent of this lease was approximately \$3 thousand.

Rental expense was \$1.2 million in 2018 and is included in selling, general and administrative on the statement of operations.

Future minimum operating lease obligations as of December 31, 2018 are as follows:

(In thousands)	
2019	\$ 1,482
2020	1,129
2021	1,031
2022	1,013
2023	605
Thereafter	3,307
Total	<u>\$ 8,567</u>

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

The Company records its stock-based compensation expense on options issued in the past under its stock option plans and the Company also issues stock for services and royalties. The Company's stock option plans expired in 2018 and there are no immediate plans to issue stock options. 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, 2018 and filed with the SEC on March 18, 2019. For the three months ended March 31, 2019 and 2018 the Company recorded stock-based expense of \$51 thousand and \$66 thousand, respectively.

10. 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 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 March 31, 2019, the Company's total revenues consisted of 76% from the Power and Electromechanical segment and 24% from the Energy segment. During the three months ended March 31, 2018, the Company's total revenues consisted of 77% from the Power and Electromechanical segment and 23% from the Energy segment.

The following information represents segment activity for the three months ended March 31, 2019 and selected balance sheet items as of March 31, 2019:

(in thousands)	Power and Electro- Mechanical	Energy	Other	Total
Revenues from external customers	\$ 17,551	\$ 5,458	\$ —	\$ 23,009
Depreciation and amortization ⁽¹⁾	345	400	—	745
Interest expense	10	9	66	85
Profit (loss) from operations	1,076	(2,585)	(1,581)	(3,090)
Segment assets	53,659	20,565	1,537	75,761
Other intangible assets, net	8,337	5,139	—	13,476
Goodwill	13,089	—	—	13,089
Expenditures for long-lived assets ⁽²⁾	161	57	—	218

(1) For the Power and Electromechanical segment, for the three months ended March 31, 2019, depreciation and amortization includes \$223 thousand 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.

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The following information represents segment activity for the three months ended March 31, 2018 and selected balance sheet items as of March 31, 2018:

(in thousands)	Power and Electro-			Total
	Mechanical	Energy	Other	
Revenues from external customers	\$ 17,020	\$ 4,946	\$ —	\$ 21,966
Depreciation and amortization ⁽¹⁾	364	366	—	730
Interest expense	53	2	59	114
Profit (loss) from operations	9	(2,524)	(1,264)	(3,779)
Segment assets	45,401	29,645	8,879	83,925
Other intangibles assets, net	8,906	6,702	—	15,608
Goodwill	13,097	4,723	—	17,820
Expenditures for segment assets ⁽²⁾	320	73	—	393

(1) For the Power and Electromechanical segment, depreciation and amortization totals for the three months ended March 31, 2018, include \$201 thousand 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 March 31,			
	2019		2018	
	Amount	%	Amount	%
USA	\$ 14,328	62%	\$ 13,807	63%
United Kingdom	3,458	15%	3,360	15%
All Others	5,223	23%	4,799	22%
Total	\$ 23,009	100%	\$ 21,966	100%

11. RECENT ACCOUNTING PRONOUNCEMENTS

In August 2018, the FASB issued Accounting Standards Update ("ASU") No. 2018-15, *Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract* ("ASU 2018-15"). The amendments in ASU 2018-15 align the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal use software license). The guidance will be effective for the fiscal year beginning after December 15, 2019, including interim periods within that year. The Company is currently assessing the impact of this ASU on its consolidated financial statements and will adopt the standard in 2020.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement* ("ASU 2018-13"). The amendments in this update modify the disclosure requirements on fair value measurements in Topic 820, Fair Value Measurement, including requiring the disclosure of the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements. The guidance will be effective for the fiscal year beginning after December 15, 2019, including interim periods within that year. The Company is currently assessing the impact of this ASU on its consolidated financial statements and will adopt the standard in 2020.

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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 and will adopt the standard in 2020.

12. FAIR VALUE MEASUREMENTS

The Company’s fair value hierarchy for its cash equivalents and marketable securities as of March 31, 2019 and December 31, 2018, respectively, was as follows:

(in thousands)		Level 1	Level 2	Level 3	Total
March 31, 2019					
Money market securities		\$ 16	\$ —	\$ —	\$ 16
Certificates of deposit - restricted cash		523	—	—	523
Certificate of deposit - restricted investment (1)		400	—	—	400
Total assets		<u>\$ 939</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 939</u>
December 31, 2018					
Money market securities		\$ 16	\$ —	\$ —	\$ 16
Certificates of deposit - restricted cash		523	—	—	523
Certificate of deposit - restricted investment (1)		400	—	—	400
Convertible notes receivable		—	—	655	655
Total assets		<u>\$ 939</u>	<u>\$ —</u>	<u>\$ 655</u>	<u>\$ 1,594</u>

Changes in Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

(in thousands)	Convertible Note
Balance at December 31, 2018	\$ 655
Conversion to common stock of VPS	(655)
Balance at March 31, 2019	<u>\$ —</u>

(1) Investment is a 12-month certificate of deposit classified as available for sale and included in Deposits and other assets on the balance sheet.

There were no transfers between Level 3 and Level 2 in 2019 as determined at the end of the reporting period. The inputs used to measure the convertible note are classified as Level 3 within the valuation hierarchy. The valuation is not supported by market criteria and reflects the Company’s internal analysis. 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 recent similar transactions with the seller of the convertible notes. The convertible note receivable was converted to VPS stock in the first quarter of 2019 (see Note 6). The future value of the investment will be measured using the equity method of accounting.

13. LOSS PER COMMON SHARE

In accordance with FASB Accounting Standards Codification Topic 260 (“FASB ASC 260”), “Earnings per Share,” basic net loss per share is computed by dividing the net loss available to common stockholders for the period by the weighted average number of common shares outstanding during the period. Diluted net loss per share is computed by dividing net 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 months ended March 31, 2019 and March 31, 2018, 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 months ended March 31, 2019 and 2018. Accordingly, diluted net loss per share is the same as basic net loss per share for the three months ended March 31, 2019 and 2018.

(in thousands, except share and per share amounts)	For the Three Months Ended March 31,	
	2019	2018
Net loss	\$ (3,003)	\$ (3,261)
Basic and diluted weighted average number of shares outstanding	28,583,600	28,488,032
Basic and diluted loss per common share	\$ (0.11)	\$ (0.11)

14. 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. and foreign U.K. 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 income tax expense of \$47 thousand was recorded to the income tax provision for the three months ended March 31, 2019, resulting in an effective tax rate of (1.6%). The income tax expense for the three months ended March 31, 2019 includes taxes on profitable foreign operations and domestic state minimum taxes. The Company has provided a full valuation on existing deferred tax assets in the United States and United Kingdom.

The Company’s total income tax benefit and effective tax rate for the three months ended March 31, 2018 was \$302 thousand resulting in an effective tax rate of 8.5%. The income tax benefit for the three months ended March 31, 2018 related to realizable benefits on losses in certain foreign jurisdictions offset by taxes on profitable foreign operations and domestic state minimum taxes. All of the Company’s United States deferred tax assets were reduced by a full valuation allowance.

15. OVERDRAFT FACILITY AND WORKING CAPITAL LINE OF CREDIT

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 the following terms:

(in thousands)

Credit Limit	March 31, 2019 Balance	Expiration Date	Interest rate
£1,500 pounds sterling (\$1,953 at March 31, 2019)	\$ 965	October 5, 2021	Base rate plus a 2.25% margin (2.5% as of March 31, 2019).

The London branch of Wells Fargo Bank N.A. can demand repayment of amounts on overdraft at any time. 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.

CUI, Inc. and CUI-Canada have a line of credit (LOC) whose terms with Wells Fargo Bank are as follows:

(in thousands)

Credit Limit	March 31, 2019 Balance	Expiration Date	Interest rate
\$ 5,000 ⁽¹⁾	\$ 1,460 ⁽²⁾	June 1, 2019	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) \$2 million of the line of credit is reserved to guarantee the obligation of Orbital Gas Systems Ltd. under its Overdraft Facility.

(2) 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 March 31, 2019.

The line of credit is secured by the following collateral via a security agreement with CUI Inc. and CUI-Canada at March 31, 2019:

(in thousands)

CUI Inc. and CUI-Canada General intangibles, net	\$ 8,337
CUI Inc. and CUI-Canada Accounts receivable, net	\$ 8,773
CUI Inc. and CUI-Canada Inventory, net	\$ 9,791
CUI Inc. and CUI-Canada Equipment, net	\$ 654

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.

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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. The LOC contains certain financial covenants. Under the terms of CUI Inc./CUI-Canada's credit agreement with Wells Fargo Bank, the Company incurred a specified default limited to the breach of the EBITDA financial covenant of CUI Global as the guarantor for the fiscal quarter ended December 31, 2018. CUI Inc./CUI-Canada received a forbearance of this event of default through April 30, 2019, subject to certain terms and conditions. Under the terms of the forbearance, CUI Inc./CUI-Canada agreed to terminate the Orbital Gas Systems Ltd. overdraft facility with Wells Fargo Bank's London branch by April 30, 2019. In April 2019, CUI Inc./CUI-Canada replaced the existing line of credit and overdraft facilities with a new two-year line of credit facility of up to \$10.0 million with Bank of America Merrill Lynch. Due to the replacement of the LOC with a long-term facility, the balance of the LOC and overdraft facility were classified as long-term at March 31, 2019. Covenant compliance on the Wells Fargo LOC was not calculated as of March 31, 2019 due to the payoff of the Wells Fargo LOC.

16. ACCUMULATED OTHER COMPREHENSIVE LOSS

The components of accumulated other comprehensive loss are as follows:

(in thousands)	As of March 31, 2019	As of December 31, 2018
Foreign currency translation adjustment	\$ (4,304)	\$ (4,396)
Accumulated other comprehensive loss	\$ (4,304)	\$ (4,396)

17. NOTES PAYABLE

Notes payable is summarized as follows:

(in thousands)	As of March 31, 2019	As of December 31, 2018
Acquisition Note Payable - related party ⁽¹⁾	\$ 5,304	\$ 5,304

- (1) 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 March 31, 2019, the Company is in compliance with all terms of this promissory note and the conversion feature is not effective.

18. CONCENTRATIONS

The Company's major product lines are natural gas infrastructure and high-tech solutions in the Energy segment and power and electromechanical products in the Power and Electromechanical segment. The Company had the following revenue concentrations by customer greater than 10% of consolidated revenue:

For the Three Months Ended March 31, 2019:

<u>Customer</u>	<u>Segment</u>	<u>Percent</u>
Digi-Key Corporation	Power and Electromechanical	18%
Future Electronics	Power and Electromechanical	10%
Total concentrations		<u>28%</u>

For the Three Months Ended March 31, 2018:

<u>Customer</u>	<u>Segment</u>	<u>Percent</u>
Digi-Key Corporation	Power and Electromechanical	25%
Future Electronics	Power and Electromechanical	12%
Total concentrations		<u>37%</u>

The Company had the following geographic revenue concentrations outside the U.S.A. greater than 10% of consolidated revenue:

For the Three Months Ended March 31, 2019:

<u>Country</u>	<u>Percent</u>
United Kingdom	15%
Total concentrations	<u>15%</u>

For the Three Months Ended March 31, 2018:

<u>Country</u>	<u>Percent</u>
United Kingdom	15%
Total concentrations	<u>15%</u>

The Company did not have any gross trade accounts receivable concentrations by customer greater than 10% of gross trade accounts receivable at March 31, 2019 or December 31, 2018.

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The Company had the following geographic concentrations of gross trade accounts receivable outside of the U.S.A. greater than 10% of gross trade accounts receivable:

As of March 31, 2019:

Country	Percent
United Kingdom	22%
Total concentrations	22%

As of December 31, 2018:

Country	Percent
United Kingdom	29%
Total concentrations	29%

There were no supplier concentrations greater than 10% during the three months ended March 31, 2019 and March 31, 2018.

19. OTHER EQUITY TRANSACTIONS

The following shares issued during the three months ended March 31, 2019 were recorded in expense 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 2019	Vested restricted common stock	Expense	Three board members	Director compensation	29,067	\$ 37
Total other equity transactions					29,067	\$ 37

20. SUBSEQUENT EVENT

In April 2019, the Company closed on a previously announced two-year revolving line of credit facility of up to \$10.0 million with Bank of America Merrill Lynch. The new facility replaces the Company's existing \$5.0 million U.S.-based revolver and UK-based overdraft facilities with more favorable terms (see Note 15).

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 March 31, 2019 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, 2018 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; changes in regulatory environment; 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 and development of innovative companies, products and technologies. Through its subsidiaries, CUI Global has built a diversified portfolio of industry leading technologies that touch many markets.

For the three months ended March 31, 2019, CUI Global had consolidated loss from operations of \$3.1 million compared to consolidated loss from operations in the three months ended March 31, 2018 of \$3.8 million. During the three months ended March 31, 2019, CUI Global had a consolidated net loss of \$3.0 million compared to a consolidated net loss in the three months ended March 31, 2018 of \$3.3 million. The lower consolidated losses for the three months ended March 31, 2019, was the result of higher gross profit in the Power and Electromechanical segment and slightly higher gross profit in the Energy segment for the three month period. On the strength of the Power and Electromechanical and Energy segment direct sales, consolidated revenues increased for the three month period.

In March 2019, the Company acquired a 21.4% share of Virtual Power Systems, which is recorded as an equity method investment.

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 March 31, 2019:

(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	\$ 17,551	100.0%	\$ 5,458	100.0 %	\$ —	—%	\$ 23,009	100.0 %
Cost of revenue	11,011	62.7%	4,271	78.3 %	—	—%	15,282	66.4 %
Gross profit	6,540	37.3%	1,187	21.7 %	—	—%	7,727	33.6 %
Operating expenses:								
Selling, general and administrative	4,752	27.1%	3,254	59.6 %	1,581	—%	9,587	41.7 %
Depreciation and amortization	122	0.7%	400	7.3 %	—	—%	522	2.3 %
Research and development	552	3.1%	52	1.0 %	—	—%	604	2.6 %
Provision for bad debt	39	0.2%	67	1.2 %	—	—%	106	0.4 %
Other operating Expenses	—	—%	(2)	— %	—	—%	(2)	— %
Total operating expenses	5,465	31.1%	3,771	69.1 %	1,581	—%	10,817	47.0 %
Income (loss) from operations	\$ 1,075	6.2%	\$ (2,584)	(47.4)%	\$ (1,581)	—%	\$ (3,090)	(13.4)%

For the three months ended March 31, 2018:

(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	\$ 17,020	100.0%	\$ 4,946	100.0 %	\$ —	—%	\$ 21,966	100.0 %
Cost of revenue	11,791	69.3%	3,598	72.7 %	—	—%	15,389	70.1 %
Gross Profit	5,229	30.7%	1,348	27.3 %	—	—%	6,577	29.9 %
Operating expenses:								
Selling, general and administrative	4,462	26.2%	3,475	70.3 %	1,264	—%	9,201	41.9 %
Depreciation and amortization	164	1.0%	365	7.4 %	—	—%	529	2.4 %
Research and development	589	3.5%	31	0.6 %	—	—%	620	2.8 %
Provision for bad debt	5	—%	1	— %	—	—%	6	— %
Other operating expenses	—	—%	—	— %	—	—%	—	— %
Total operating expenses	5,220	30.7%	3,872	78.3 %	1,264	—%	10,356	47.1 %
Income (loss) from operations	\$ 9	—%	\$ (2,524)	(51.0)%	\$ (1,264)	—%	\$ (3,779)	(17.2)%

[Table of Contents](#)Revenue

(dollars in thousands)

Revenues by Segment or Category	For the Three Months Ended March 31,		\$ Change	% Change
	2019	2018		
Power and Electromechanical	\$ 17,551	\$ 17,020	\$ 531	3.1%
Energy	5,458	4,946	512	10.4%
Total revenues	\$ 23,009	\$ 21,966	\$ 1,043	4.7%

The revenues for the three months ended March 31, 2019 were higher than the comparable periods due to higher revenues in both the Company's Power and Electromechanical segment and Energy segment. Higher revenues in the Power and Electromechanical segment are due to higher direct sales while sales through the Company's distribution customers were down slightly in the three month period. Higher revenues in the Energy segment in the three-month period are associated with the timing of customer project delivery schedules. Higher revenue from the Company's Houston facility was partially offset by lower revenue from the Company's UK facility.

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. In the first quarter of 2018, the Company received the Company's first order for an ICE Block data center power utilization solution.

The Power and Electromechanical segment and Energy segment held backlogs of customer orders of approximately \$19.6 million and \$13.4 million, respectively, as of March 31, 2019. These are both down from December 31, 2018 backlogs of \$21.8 million and \$15.7 million for the Power and Electromechanical and Energy segments, respectively.

Cost of revenues

(dollars in thousands)

Cost of revenues by Segment or Category	For the Three Months Ended March 31,		\$ Change	% Change
	2019	2018		
Power and Electromechanical	\$ 11,011	\$ 11,791	\$ (780)	(6.6)%
Energy	4,271	3,598	673	18.7 %
Total cost of revenues	\$ 15,282	\$ 15,389	\$ (107)	(0.7)%

For the three months ended March 31, 2019, the cost of revenues as a percentage of revenue decreased to 66% from 70% 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 month period ended March 31, 2019 was 63% compared to 69% during the prior-year comparative period. Cost of revenues as a percentage of revenue was down in the Power and Electromechanical segment due to the 2018 comparable period including a significant royalty expense incurred related to the revenues of the ICE switch. The royalty rate was higher on the first \$1.4 million of ICE product revenues. The cost of revenues as a percentage of revenue for the Energy segment for the three months ended March 31, 2019 was 78% compared to 73% in the three months ended March 31, 2018. The higher cost percentage in the Energy segment was due to a less favorable product mix during the three months ended March 31, 2019 compared to the three months ended March 31, 2018. As previously noted, the Energy segment was affected by a halt in shipments of higher margin GasPT units to an Italian customer. The Company's gross profit will improve when GasPT deliveries increase and with continued increases in revenues from integration related solutions.

[Table of Contents](#)**Selling, General and Administrative Expenses**

(dollars in thousands)

Selling, general, and administrative expense by Segment or Category	For the Three Months Ended March 31,		\$ Change	% Change
	2019	2018		
Power and Electromechanical	\$ 4,752	\$ 4,462	\$ 290	6.5 %
Energy	3,254	3,475	(221)	(6.4)%
Other	1,581	1,264	317	25.1 %
Total selling, general and administrative expense	\$ 9,587	\$ 9,201	\$ 386	4.2 %

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 ICE, GasPT, IRIS, VE, and new product introductions.

During the three months ended March 31, 2019, SG&A increased \$0.4 million compared to the prior-year comparative period. This increase in SG&A was due to increased costs in the Power and Electromechanical segment and the Other category, primarily due to higher selling expenses on the higher sales in the Power and Electromechanical segment and higher professional fees in the Other category in the three months ended March 31, 2019 compared to the three month period ended March 31, 2018.

Depreciation and Amortization

(dollars in thousands)

Depreciation and amortization by Segment or Category	For the Three Months Ended March 31,		\$ Change	% Change
	2019	2018		
Power and Electromechanical	\$ 345	\$ 365	\$ (20)	(5.5)%
Energy	400	365	35	9.6 %
Total depreciation and amortization	\$ 745	\$ 730	\$ 15	2.1 %

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 March 31, 2019 and 2018 included \$223 thousand and \$201 thousand, respectively, which was included in cost of revenues.

Depreciation and amortization expense in the three months ended March 31, 2019 were up slightly compared to the three months ended March 31, 2018 as a result of amortization of an ERP system implemented in the U.K in 2018.

[Table of Contents](#)**Research and Development**

(dollars in thousands)

Research and development by Segment or Category	For the Three Months Ended March 31,		\$ Change	% Change
	2019	2018		
Power and Electromechanical	\$ 552	\$ 589	\$ (37)	(6.3)%
Energy	52	31	21	67.7 %
Total research and development	\$ 604	\$ 620	\$ (16)	(2.6)%

Research and development costs ("R&D") are associated with the continued research and development of new and existing technologies including advanced power technologies, ICE, GasPT, VE Technology and other products. R&D costs were down slightly overall. Overall R&D costs were driven by the Power Segment while R&D remained at a low level in the Energy segment compared to the Power and Electromechanical segment for the three months ended March 31, 2019 compared to the three months ended March 31, 2018. R&D activities were primarily focused on the ICE technology in the Power and Electromechanical Segment and GasPT and VE technologies in the Energy segment.

Provision for Bad Debt

(dollars in thousands)

Provision for bad debt by Segment or Category	For the Three Months Ended March 31,		\$ Change	% Change
	2019	2018		
Power and Electromechanical	\$ 39	\$ 5	\$ 34	680.0%
Energy	67	1	66	6,600.0%
Total provision for bad debt	\$ 106	\$ 6	\$ 100	1,666.7%

The changes in bad debt are due to fluctuations in bad debt reserves based on the age of receivables, primarily in the Energy segment in the U.K. and the Power Segment in the U.S. Collections are generally strong across all businesses in the three months ended March 31, 2019.

Other Income (Expense), net

(dollars in thousands)

Other Income (Expense), net	For the Three Months Ended March 31,		\$ Change	% Change
	2019	2018		
Foreign exchange gain	\$ 196	\$ 230	\$ (34)	(14.8)%
Interest income	14	5	9	180.0 %
Unrealized gain on derivative	—	84	(84)	(100.0)%
Other, net	9	11	(2)	(18.2)%
Total Other income (expense), net	\$ 219	\$ 330	\$ (111)	(33.6)%

Other income (expense) changes were due primarily to the interest rate swap derivative being paid off in December 2018 and thus there was zero gain or loss in the three months ended March 31, 2019 related to the derivative.

Interest Expense

For the three months ended March 31, 2019 and 2018, the Company incurred interest expense, net of amounts capitalized, of \$85 thousand and \$114 thousand. Interest was lower in the three months ended March 31, 2019 compared to the three month period ended March 31, 2018 due to the payoff of the mortgage in December 2018 as part of the Company's sale/leaseback transaction.

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Interest expense in 2019 is associated with interest on the line of credit, bank overdraft facility, and a secured promissory note, while 2018 also included interest on the mortgage note that was paid off in December 2018.

Income Tax Expense (Benefit)

The Company is subject to taxation in the U.S., various state and foreign jurisdictions. The Company continues to record a full valuation allowance against the Company's U.S. and U.K. 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 2018, the Company recorded a valuation allowance of \$0.6 million against the Company's foreign UK 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 14, "Income Taxes," of the condensed consolidated financial statements in Part I - Item I, "Financial Statements."

Liquidity and Capital Resources

General

As of March 31, 2019, the Company held Cash and cash equivalents of \$1.3 million including \$0.5 million of restricted cash. Operations, investments, patents and equipment have been funded through cash on hand and debt. Trade accounts receivable and Inventories have decreased since December 31, 2018 as we've improved working capital management and as backlogs have decreased. Also contributing to the decrease in Inventories was the non-cash investment - equity method that included a contribution of certain inventories (see Note 6).

Cash Used In Operations

Cash used in operations of \$2.7 million was a \$0.2 million decrease in cash used compared to the three month period in 2018. The three months ended March 31, 2019 were benefited from higher revenue and the related gross profits in the Power and Electromechanical segment. In the first three months of 2019, cash used in operations by the Energy segment was approximately \$2.3 million, and cash used in operations by the Other category was approximately \$0.9 million. These uses of cash were partially offset by cash provided by operating activities in the Power and Electromechanical segment of approximately \$0.5 million. The Company believes cash used in operations will improve in the Energy segment in the remaining three quarters of 2019 due to the expected increases in revenue from other integration-related products including biomethane to grid solutions. The Power and Electromechanical segment is expected to continue to provide cash from operations and the Company believes the cash usage rate in the other category to be flat due to cost cutting initiatives put in place over the last year.

The change in cash used in operating activities, exclusive of net loss, is primarily the result of decreased trade receivables of \$1.1 million, an increase to contract liabilities of \$0.2 million and the \$0.2 million cash effect from an increase in refund liabilities offset by decreased payables and accrued expenses of \$0.3 million and \$1.1 million, respectively, and the \$0.8 million cash effect of an increase in contract assets, for the three months ended March 31, 2019.

During the first three months of 2019 and 2018, the Company used stock as a form of payment to certain directors, employees, vendors and consultants. For the three months ended March 31, 2019 and 2018, the Company recorded a total of \$51 thousand and \$66 thousand, respectively, for share-based compensation related to equity given, or to be given to directors, employees and consultants for services provided and as payment for royalties earned. The decrease in expense was primarily due to one less director receiving share-based compensation in the first three months of 2019 compared to the first three months of 2018.

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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.

The Company utilized this registration in October 2017, when the Company issued an additional 7,392,856 shares at a public offering price of \$2.80 per share.

As the Company focuses on strategic acquisitions, technology development, product line additions, and increasing Orbital Gas Systems market presence, it will fund these activities together with related sales and marketing efforts for its various product offerings with cash on hand, including proceeds from future issuances of equity through the S-3 registration statement, and available debt.

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.

See the section entitled Recent Sales of Unregistered Securities for a complete listing of all unregistered securities transactions.

Capital Expenditures and Investments

During the first three months of 2019 and 2018, CUI Global invested \$69 thousand and \$154 thousand, 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 during the remainder of 2019 in support of its ongoing business and continued development of product lines and technologies.

During the three months ended March 31, 2019 and 2018, CUI Global invested \$0.1 million and \$0.2 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.

During the first quarter of 2019, CUI Global made a cash investment of \$0.3 million and elected to convert its \$0.7 million of convertible notes receivable to VPS stock. In addition to the cash investment, the Company contributed certain property and equipment, other intangible assets, inventories, prepaid assets, open purchases orders, future research and development expenditures and the convertible note receivable for total non-cash investments of \$4.9 million for a 21.4% equity investment in Virtual Power Systems ("VPS"). Through this investment the Company is continuing its support of the two companies' continued collaboration and development of industry transforming Software Defined Power technologies (see Note 6).

Financing Activities

For the three months ended March 31, 2019 and 2018, the Company recorded net (payments) proceeds of \$(0.4) million, and \$0.8 million, respectively, from the overdraft facility in the U.K., and recorded net proceeds of \$0.5 million and \$0, respectively, from the line of credit. In 2018, the Company paid \$24 thousand toward the mortgage note payable and \$45 thousand, toward the contingent liability related to the Tectrol, Inc. acquisition. The line of credit and overdraft facility were replaced by a new \$10 million line of credit from Bank of America Merrill Lynch in April 2019 (see Notes 15 and 20).

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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 March 31, 2019. At March 31, 2019, the Company had a \$1.5 million balance on its \$5.0 million LOC with \$1.5 million available. There was a \$1.0 million balance on the Company's Overdraft facility at Orbital UK at March 31, 2019 and \$1.0 million available on the facility.

Financing activities – related party activity

For the three months ended March 31, 2019 and 2018, \$66 thousand of interest payments were made in relation to the promissory note issued to related party, IED, Inc.

Recap of Liquidity and Capital Resources

The Company had a balance on its \$5.0 million LOC with Wells Fargo Bank of \$1.5 million on March 31, 2019. The LOC contains certain financial covenants. Under the terms of CUI Inc./CUI-Canada's credit agreement with Wells Fargo Bank, the Company incurred a specified default limited to the breach of the EBITDA financial covenant of CUI Global as the guarantor for the fiscal quarter ended December 31, 2018. CUI Inc./CUI-Canada received a forbearance of this event of default through April 30, 2019, subject to certain terms and conditions. Under the terms of the forbearance, CUI Inc./CUI-Canada agreed to terminate the Orbital Gas Systems Ltd. overdraft facility with Wells Fargo Bank's London branch by April 30, 2019. In April 2019, CUI Inc./CUI-Canada replaced the existing line of credit and overdraft facilities with a new two-year line of credit facility of up to \$10.0 million with Bank of America Merrill Lynch. CUI Global, Inc., the parent company, is a payment guarantor of the LOC. Covenant compliance on the Wells Fargo LOC was not calculated as of March 31, 2019 due to the payoff of the Wells Fargo LOC.

Orbital Gas Systems Ltd. had 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 March 31, 2019) that was to expire on October 5, 2021. The balance at March 31, 2019 was \$1.0 million.

In April 2019, the LOC and overdraft facility were replaced by a \$10.0 million line of credit from Bank of America Merrill Lynch.

At March 31, 2019, the Company had unrestricted cash and cash equivalents balances of \$0.8 million. In addition, the Company had \$0.5 million of restricted cash related to a contract guarantee. At March 31, 2019, the Company had \$0.3 million of cash and cash equivalents balances at domestic financial institutions that were covered under the FDIC insured deposits programs and \$75 thousand, at foreign financial institutions covered under 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 March 31, 2019, the Company had cash and cash equivalents of \$0.2 million in Japanese bank accounts, less than \$1,000 in European bank accounts and \$86 thousand in Canadian bank accounts.

As of March 31, 2019, the Company had an accumulated deficit of \$124.1 million.

The Company expects the revenues from its Power and Electromechanical and Energy Segments, cash on hand, and cash available from debt facilities, including the credit facility with Bank of America discussed above, to cover operating and other expenses for the next twelve months of operations. However, in the short-term, the Company expects its Orbital operations in Houston and the U.K. to continue to need cash support as the businesses increase their market positions and revenue. In the first 3 months of 2019, the Company supported the Energy segment businesses with \$2.5 million in supplemental cash. Management expects the cash support for the Energy segment businesses to decline significantly from the second quarter onward. The CUI-Canada operation in the Power and Electromechanical segment will also continue to be near break even in the short-term. If revenues and other funds are not sufficient to cover all operating and other expenses, additional funding may be required. There is no assurance the Company will be able to raise such additional capital. The failure to raise capital or generate product sales in the expected time frame would have a material adverse effect on the Company. See Note 2 Summary of Significant Accounting Policies - Company Conditions, for additional discussion of the Company's financial condition and current liquidity.

Critical Accounting Policies

The Company has adopted various accounting policies to prepare the consolidated financial statements in accordance with GAAP. Certain of the Company's accounting policies require the application of significant judgment by management in selecting the appropriate assumptions for calculating financial estimates. In the Company's 2018 Annual Report on Form 10-K filed on March 18, 2019, the Company identified the critical accounting policies that affect the Company's more significant estimates and assumptions used in preparing the Company's consolidated financial statements.

On January 1, 2019, the Company adopted ASU No. 2016-02, "Leases" ("the new lease standard" or "ASC 842") using the transition method of adoption. Under the transition method of adoption, comparative information has not been restated and continues to be reported under the standards in effect for those periods. In addition, the Company elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed the Company to carry forward the historical lease classification. The impact of adopting the new standard primarily relates to the recognition of a lease right-of-use ("ROU") asset and current and non-current lease obligation on the condensed consolidated balance sheet. ROU assets represent the Company's right to use an underlying asset for the lease term and lease obligations represent the Company's obligation to make lease payments arising from the lease. Lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As the Company cannot readily determine the rate implicit in the lease, the Company uses the Company's incremental borrowing rate determined by country of lease origin based on the anticipated lease term as determined at commencement date in determining the present value of lease payments. The ROU asset also excludes any accrued lease payments and unamortized lease incentives.

As of March 31, 2019, \$7.4 million was included with non-current assets, \$1.0 million with current liabilities and \$6.6 million with non-current liabilities, on the condensed consolidated balance sheets as a result of the new lease standard. The change in right of use assets and lease obligations is reflected in the change in operating assets and liabilities in the Cash from Operating Activities section of the Condensed Consolidated Statements of Cash Flows. Principal portion of financing lease payments are included in the Financing section of the cash flow. There was no impact on the Company's Condensed Consolidated Statements of Operations or Condensed Consolidated Statements of Comprehensive Income and Loss. Additionally, as a result of the implementation and transition to the accounting guidance in ASC 842, the Company recorded a \$2.9 million adjustment to accumulated deficit to recognize the deferred gain that was originally recorded as part of the December 2018 sale/leaseback of the Tualatin headquarters.

Recent Accounting Pronouncements

See Note 11 Recent Accounting Pronouncements 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 March 31, 2019, 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 months ended March 31, 2019 and 2018:

	U.S. Dollar	British Pound Sterling	Canadian Dollar	Japanese Yen
For the Three Months Ended March 31, 2019				
Revenues	82%	16%	—%	2%
Operating expenses	68%	24%	7%	1%
For the Three Months Ended March 31, 2018				
Revenues	81%	16%	—%	3%
Operating expenses	66%	25%	8%	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. The Company believes that during the three months ended March 31, 2019, 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 condensed consolidated financial statements.

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Brexit Risk

On June 23, 2016, a referendum was held in the United Kingdom to determine whether the country should remain a member of the European Union ("EU"), with voters approving to withdraw from the EU (commonly referred to as Brexit). The UK was scheduled to depart on March 29, 2019, but the UK Prime Minister requested a delay until June 30, 2019, which is still pending approval. Following the referendum, the UK government began discussions with the EU on the terms and conditions of the withdrawal from the EU and on terms of a transition period to December 31, 2020 proposed by the EU but not yet agreed upon. Current uncertainty over the final outcome of the negotiations between the UK and EU, could have an adverse effect on our business and financial results. The long-term effects of Brexit will depend on the terms negotiated between the UK and the EU, which may take years to complete. Our Orbital-UK operations could be impacted by the global economic uncertainty caused by Brexit.

The announcement of Brexit caused significant volatility in global stock markets and currency exchange rate fluctuations that resulted in the strengthening of the U.S. dollar against foreign currencies in which we conduct business. Volatility in exchange rates is expected to continue in the short term and a strong U.S. dollar relative to the British pound and other currencies may adversely affect our results of operations. During periods of a strengthening dollar, the local currency results of our international operations may translate into fewer U.S. dollars. Uncertainty over Brexit and currency fluctuations could also impact our customers, who may curtail or postpone near-term capital investments or take other actions that adversely affect the growth of our volume and revenue streams from these customers.

In addition, Brexit could lead to legal uncertainty and potentially divergent national laws and regulations as the UK determines which EU laws to replace or replicate. Our UK operations may incur additional costs and expenses as we adapt to potentially divergent regulatory frameworks from the rest of the EU.

The UK may need to adopt specific legislation and apply for regulatory authorization and permission in separate EU member states. This may impact our overall business opportunities to operate in the EU and UK seamlessly. These added challenges may impact our customers' overall business, which may impact our volume and revenue.

Any of these effects of Brexit, among others, could adversely affect our business and financial results.

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. In 2019, since the investment in the Investment - equity method is considered a strategic investment, the board and management reviewed and approved the investment above the board set limit for individual issuers.

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 March 31, 2019, 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

As part of the implementation of ASC 842 on leases, the Company added additional controls around contracts to identify potential new leases and to identify the ongoing calculation of the monthly run-off of right-of-use assets and lease obligations as journal entry and account reconciliation controls. Additionally, the Company has added controls around the review of leases to determine if reassessments are triggered.

Other than the changes made to accommodate ASC 842 on leases, there were no significant changes in the Company's internal control over financial reporting during the three months ended March 31, 2019, 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 18, 2019.

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

During the three months ended March 31, 2019, 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)
January 2019	Vested restricted common stock	Expense	Three board members	Director compensation	29,067	\$ 37
					29,067	\$ 37

Item 5. Other Information.

On May 14, 2019, we entered into Executive Employment Agreements with William J. Clough, our Chief Executive Officer, President and General Counsel and Daniel N. Ford, our Chief Financial Officer and Chief Operating Officer-Energy Division (collectively, the “Executives”). The Employment Agreements are substantially similar in form and are included as exhibits to this filing, to which reference is made. Set forth below is a summary of some of the material terms and provisions of each of our Executive’s Employment Agreements:

	WILLIAM J. CLOUGH	DANIEL N. FORD
<u>Term</u>	<u>3 Years</u>	<u>3 Years</u>
Base Salary	Yr. 1 - \$750,000 Yr. 2 - \$800,000 Ys. 3 - \$850,000	Yr. 1 - \$500,000 Yr. 2 - \$550,000 Yr. 3 - \$600,000
Future Bonuses	<ul style="list-style-type: none"> ● 75% of Base Salary for targets and milestones agreed to by Compensation Committee and Executive. ● 25% of Base Salary discretionary bonus determined by Compensation Committee. 	<ul style="list-style-type: none"> ● 75% of Base Salary for targets And milestones agreed to by Compensation Committee and Executive. ● 25% of Base Salary discretionary bonus determined by Compensation Committee.
Stock Options	1,600,000 at an exercise price of \$1.14. The options vest equally over 36 months. Issuance of options subject to shareholder approval in accordance with NASDAQ Rule 5635(c).	960,000 at an exercise price of \$1.14. The options vest equally over 36 months. Issuance of options subject to shareholder approval in accordance with NASDAQ Rule 5635(c).
Severance Compensation if terminated without Cause by Company or Good Reason by Executive	<ul style="list-style-type: none"> ● 2.5 times Base Salary plus Target Bonus; ● Any deferred or unpaid past bonuses; ● Acceleration of any unvested options or other equity incentive rights; ● Company may not terminate Executive without Cause within one (1) year of a Change in Control event. Company agrees to indemnify Executive for breach of this undertaking. 	<ul style="list-style-type: none"> ● 2.0 times Base Salary plus Target Bonus; ● Any deferred or unpaid past bonuses; ● Acceleration of any unvested options or other equity incentive rights; ● Company may not terminate Executive without Cause within one (1) year of a Change in Control event. Company agrees to indemnify Executive for breach of this undertaking.
Termination for Cause	No severance benefits. Forfeit unvested options or other equity compensation rights.	No severance benefits. Forfeit unvested options or other equity compensation rights.
Termination due to Disability	75% of Base Salary for six (6) months plus COBRA reimbursement.	75% of Base Salary for six (6) months plus COBRA reimbursement.
COBRA Reimbursement	18 Months.	18 Months.
Restrictive Covenant Term	24 Months.	24 Months.
Payment of Life Insurance for Executives Beneficiary	Up to \$9,999 per Year.	-0-
Relocation Reimbursement	None.	If Executive is required to relocate greater than 50 miles from current place of employment, then Executive shall be reimbursed for certain relocation expenses or may resign for Good Reason.

Item 6. Exhibits.

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

Exhibit No.	Description
10.95 ¹	Employment agreement with William J. Clough effective May 14, 2019
10.96 ¹	Employment agreement with Daniel N. Ford effective May 14, 2019

- 31.1¹ [Certification of Chief Executive Officer Pursuant to Rule 13a-14\(a\)/15d-14\(a\) of the Securities Exchange Act of 1934](#)
- 31.2¹ [Certification of Chief Financial Officer Pursuant to Rule 13a-14\(a\)/15d-14\(a\) of the Securities Exchange Act of 1934](#)
- 32.1¹ [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](#)
- 32.2¹ [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.INS¹ XBRL Instance Document
- 101.SCH¹ XBRL Taxonomy Extension Schema Document
- 101.CAL¹ XBRL Taxonomy Extension Calculation Linkbase Document
- 101.DEF¹ XBRL Taxonomy Extension Definition Linkbase Document
- 101.LAB¹ XBRL Taxonomy Extension Label Linkbase Document
- 101.PRE¹ XBRL Taxonomy Extension Presentation Linkbase Document

Footnotes to Exhibits:

¹Filed 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 15th day of May, 2019.

By: CUI Global, Inc.
/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-10.95 (EXHIBIT 10.95)

Exhibit 10.95

EXECUTIVE EMPLOYMENT AGREEMENT

This EXECUTIVE EMPLOYMENT AGREEMENT (this "Agreement"), effective as of May 14, 2019, (the "Effective Date"), is made and entered into by and between CUI GLOBAL, INC., a Colorado corporation (the "Company"), and WILLIAM J. CLOUGH, Chief Executive Officer, President and General Counsel (the "Executive").

WITNESSETH:

WHEREAS, the Executive is currently and shall continue to be employed as the Company's Chief Executive Officer, President and General Counsel as well as the Chief Executive Officer of the Company's wholly owned subsidiaries, CUI Global Holdings, Inc. and Orbital Systems, Ltd. and has made, and is expected to continue to make, major contributions to the Company and its subsidiaries strategic short and long-term goals, growth, and financial strength of the Company; and

WHEREAS, the Company has determined that appropriate arrangements should be taken to encourage the continued attention and dedication of the Executive to his assigned duties without distraction; and

WHEREAS, in consideration of the Executive's past and continued employment with the Company, the Company desires to provide the Executive with certain compensation and benefits as set forth in this Agreement; and

WHEREAS, the Executive is agreeable to the Restrictive Covenants, which is in the best interests of the Company and its shareholders as part of this Agreement; and

WHEREAS, the Compensation Committee has determined that entering into this Agreement is in the best interests of the Company and its shareholders.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and agreements hereinafter set forth and intending to be legally bound hereby, the Company and the Executive agree as follows:

1. Duties of Executive; Employment Rights; Terms.

(a) Duties of Executive. The duties of Executive shall be those that are commensurate with the position of Chief Executive Officer, President and General Counsel of a corporation, and such duties shall be rendered at the Company's office and at such other place or places as the Company shall in good faith require or as the interest, needs, business, or opportunity of the Company shall require. Executive agrees that Executive will at all times faithfully, industriously, and to the best of Executive's ability, experience, and talents, perform all of the services and duties that may be required of and from Executive pursuant to the terms hereof. Executive, shall during the term of his employment hereunder, subject to control of the board of directors, have the executive powers of the chief executive officer and exercise active management and supervision over the business and affairs of the Company and its subsidiaries and its several officers, and shall perform such executive and/or administrative duties consistent with the offices of Chief Executive Officer, President and General Counsel.

(b) Employment Rights. Nothing expressed or implied in this Agreement shall create any right or duty on the part of the Company or the Executive to have the Executive remain in the employment of the Company or any subsidiary prior to or following any Change in Control.

2. Executive Compensation.

(a) Annual Base Compensation. Executive's Annual Base Salary shall equal the following amounts per annum:

<u>Period</u>	<u>Amount</u>
Year 1 (May 15, 2019 – May 14, 2020)	\$750,000
Year 2 (May 15, 2020 – May 14, 2021)	\$800,000
Year 3 (May 15, 2021 – May 14, 2022)	\$850,000

The Annual Base Salary payable in periodic installments in accordance with the Company's customary payroll practices, but no less frequently than monthly. The Executive's Annual Base Salary shall be reviewed at least annually by the Compensation Committee, and the Compensation Committee may, but shall not be required to, increase the Executive's Annual Base Salary. The Executive's Annual Base Salary shall not be reduced without the written consent of the Executive.

(b) Future Bonuses. Executive shall be entitled to receive a minimum annual bonus payment targeted at seventy-five percent (75%) of his Annual Base Salary ("Target Bonus"). Said bonus shall be based on performance objectives, goals, and milestones agreed to by the Executive and the Compensation Committee. Said bonus shall also be based on the reasonable judgment of the Compensation Committee. In addition, Executive shall be entitled to a discretionary bonus targeted at twenty-five percent (25%) of his Annual Base Salary. In the event Executive exceeds the stated goals and objectives, Executive shall have the ability to earn a larger bonus based on the performance criteria set forth above and the reasonable judgment and discretion of the Compensation Committee. The parties acknowledge that the Company's previous Equity Incentive Plan that was approved by the Company's shareholders, has expired. The Company intends to submit a new Equity Incentive Plan for approval by its shareholders. Until an Equity Incentive Plan is approved by the Company's shareholders, any bonus compensation payable to the Executive shall be in the form of cash. If and when a new Equity Incentive Plan is approved by the Company's shareholders, the Executive shall have the right to have any bonuses paid in the form of restricted stock units or other equity incentive arrangements provided for under the proposed new Equity Incentive Plan. Any issuance of equity based compensation to the Executive shall be consistent with the provisions of NASDAQ Listing Rule 5635(c).

(c) Stock Options. Executive shall be granted, subject to the restrictions and understandings described below, options to acquire up to 1,600,000 shares of the Company's common stock at an exercise price equal to the closing price of the Company's common stock for the trading day immediately prior to the Effective Date as reported on NASDAQ.COM. Such stock options shall vest in equal monthly installments over thirty six (36) months commencing on May 15, 2019. The options granted to Executive shall have a ten (10) year term from the Effective Date. Said options shall have a cashless exercise provision and shall be subject to full acceleration in the event of an involuntary termination of the Executive by the Company for any reason other than Cause, death or disability or termination of this Agreement by Executive for Good Reason. Notwithstanding the foregoing, the Executive and the Company understand that the issuance of these options is subject to shareholder approval of an equity incentive plan of which the Executive is entitled to participate. If shareholders do not approve an equity incentive plan which includes the options issued to the Executive hereunder within one (1) year of the date of this Agreement, then the Executive agrees that he shall forfeit all right, title and interest in and to these options. No options may be exercised by Executive prior to the latter of (i) six months from the Effective date or (ii) shareholder approval of an equity incentive plan, which includes these options issued to Executive. The issuance of these options shall be subject to NASDAQ Listing Rule 5635(c). The options shall be further evidenced by a stock option agreement, substantially in the form attached hereto as Annex A, and shall be subject to the provisions as contemplated by the future equity incentive plan. A form of the Option to Purchase Common Stock is set forth as Annex A.

(d) PTO (Paid Time Off). Executive may take up to four (4) weeks of paid PTO in each calendar year at in accordance with the terms and conditions of such PTO policies generally applicable to Company's executive employees.

(e) Reimbursement of Expenses. During the term hereof, Executive shall be entitled to reimbursement for all normal and reasonable expenses necessarily incurred by Executive in the performance of his obligations hereunder, subject to such substantiation requirements as may be imposed by the Company.

(f) Other Benefits. Executive shall be entitled to participate in any other group hospitalization, health, dental care or sick-leave plan, life or other insurance or death benefit plan, travel or accident insurance, or executive contingent compensation plan, including, without limitation, stock option plan, retirement, income or pension plans, or other present or future group employee benefit plans, programs or arrangements of the Company for which executives are or shall become eligible, and Executive shall be eligible to receive during the term of this Agreement all benefits for which executives are eligible under every such plan, program or arrangement to the extent permissible under the general terms and provisions of such plans, programs or arrangements and in accordance with the provisions thereof.

(g) Life Insurance. The Company shall pay up to a \$9,999 per year annual premium for a life insurance policy with a face amount equal to one (1) year's salary plus the Target Bonus, which names the Executive's wife as the sole beneficiary. Any premiums above \$9,999 are the responsibility of the Executive.

(h) Past Bonuses. If Executive's employment with the Company terminates for any reason other than Cause, any bonus amounts previously approved by the Compensation Committee but not yet paid to Executive shall be payable to the Executive within sixty (60) days of the Termination Date and require no further actions or approvals.

3. Involuntary Termination or Resignation for Good Reason.

(a) Payments/Benefits. In no event will the Company involuntarily terminate the Executive's employment for any reason other than death, disability or Cause for a period of one (1) year after the occurrence of a Change in Control event. In the event of: (i) an involuntary termination of Executive's employment by the Company for any reason other than Cause, death, or Disability, or (ii) Executive's resignation for Good Reason, Executive shall be entitled to the following benefits:

(i) 2.5 times the sum of Annual Base Salary and Target Bonus, paid in a single lump sum cash payment on or before the sixtieth (60th) day following Executive's Termination Date. Annual Base Salary shall mean: Executive's Annual Base Salary immediately prior to Executive's Termination Date. Target Bonus shall mean Executive's Target Bonus immediately prior to Executive's Termination Date.

(ii) For a period of up to eighteen (18) months following Executive's Termination Date, Executive and, where applicable, Executive's spouse and eligible dependents, will continue to be eligible to receive medical coverage under the Company's medical plans in accordance with the terms of the applicable plan documents; provided, however, that in order to receive such continued coverage at such rates, Executive will be required to pay the applicable premiums directly to the plan provider, and the Company will reimburse the Executive, within thirty (30) days following the date such monthly premium payment is due, an amount equal to the monthly COBRA premium payment, less applicable tax withholdings. Notwithstanding the foregoing, if Executive obtains full-time employment during the aforementioned eighteen (18) month period which employment entitles him and his spouse and eligible dependents to comprehensive medical coverage, Executive must immediately notify the Company in writing and no further reimbursements will be paid by the Company to the Executive pursuant to this subsection. In addition, if Executive does not pay the applicable monthly COBRA premium for a particular month at any time during the eighteen (18) month period and coverage is lost as a result, no further reimbursements will be paid by the Company to the Executive. Notwithstanding the foregoing, if the Company determines, in its sole discretion, that it cannot provide the foregoing COBRA benefits without potentially violating applicable law (including, without limitation, Section 2716 of the Public Health Service Act), the Company shall in lieu thereof provide to Executive a taxable lump sum payment in an amount equal to the monthly (or then remaining) COBRA premium that Executive would be required to pay to continue his group health coverage in effect on the Termination Date (which amount shall be based on the premium for the first month of COBRA coverage). The payment of any tax relating to such lump-sum payment shall be the sole responsibility of Executive.

(iii) Executive shall receive any amounts earned, accrued or owing but not yet paid to Executive as of his Termination Date, payable in a lump sum, and any benefits accrued or earned in accordance with the terms of any applicable benefit plans and programs of the Company on or before the sixtieth (60th) day following Executive's Termination Date.

(iv) All unvested stock options, issued to Executive shall immediately vest in full, and shall be exercisable at any time prior to such instruments stated expiration date.

(v) Any deferred past bonuses that have been earned but not paid shall be payable in a lump sum on or before the sixtieth (60th) day following Executive's Termination Date.

4. Termination of Employment on Account of Disability, Death, Cause or Voluntarily Without Good Reason.

(a) Termination on Account of Disability. Notwithstanding anything in this Agreement to the contrary, if Executive's employment terminates on account of Executive's Disability, Executive shall be entitled to receive (i) 75% of his then current Annual Base Salary for six (6) months payable over such six (6) month period, and (ii) disability benefits under any disability program maintained by the Company that covers Executive, and Executive shall not receive benefits pursuant to Section 3 hereof, except that, subject to the provisions of Section 6 hereof, the Executive shall be entitled to the following benefits provided that Executive executes and does not revoke the Release: For a period of up to eighteen (18) months following Executive's Termination Date, Executive and where applicable, Executive's spouse and eligible dependents, will continue to be eligible to receive medical coverage under the Company's medical plans in accordance with the terms of the applicable plan documents; provided, however, that in order to receive such continued coverage at such rates, Executive will be required to pay the applicable premiums directly to the plan provider, and the Company will reimburse the Executive, within thirty (30) days following the date such monthly premium payment is due, an amount equal to the monthly COBRA premium payment, less applicable tax withholdings. Notwithstanding the foregoing, if Executive obtains full-time employment during the aforementioned eighteen (18) month period that entitles him and his spouse and eligible dependents to comprehensive medical coverage, Executive must immediately notify the Company in writing and no further reimbursements will be paid by the Company to the Executive pursuant to this subsection (i) of Section 4(a). In addition, if Executive does not pay the applicable monthly COBRA premium for a particular month at any time during the eighteen (18) month period and coverage is lost as a result, no further reimbursements will be paid by the Company to the Executive pursuant to this subsection (i) of Section 4(a). Notwithstanding the above, if the Company determines in its sole discretion that it cannot provide the foregoing COBRA benefits without potentially violating applicable law (including, without limitation, Section 2716 of the Public Health Service Act), the Company shall in lieu thereof provide to Executive a taxable lump-sum payment in an amount equal to the monthly (or then remaining) COBRA premium that Executive would be required to pay to continue his group health coverage in effect on the Termination Date (which amount shall be based on the premium for the first month of COBRA coverage). The payment of any tax relating to such lump- sum payment shall be the sole responsibility of Executive.

(b) Termination on Account of Death. Notwithstanding anything in this Agreement to the contrary, if Executive's employment terminates on account of Executive's death, Executive shall be entitled to receive death benefits under any death benefit program maintained by the Company that covers Executive, and Executive not receive benefits pursuant to Sections 3 hereof.

(c) Termination on Account of Cause. Notwithstanding anything in this Agreement to the contrary, if Executive's employment terminates by the Company on account of Cause, Executive shall not receive benefits pursuant to Sections 3 hereof and all unvested options or other equity compensation interests shall be immediately forfeited.

(d) Termination on Account of Voluntary Resignation Without Good Reason. Notwithstanding anything in this Agreement to the contrary, if Executive's employment terminates on account of a resignation by Executive for no reason or any reason other than on account of Good Reason, Executive shall not receive benefits pursuant to Sections 3 hereof.

(e) Options and Other Equity Compensation Interests. Notwithstanding the foregoing, Executive, his estate or legal representation shall be entitled to all rights that are provided to Executive under any stock options, restricted stock or other equity compensation arrangements through the expiration date for such instruments in the event of death, disability or termination of employment without Cause by the Company.

5. [Reserved]

6. Release. Notwithstanding the foregoing, no payments or other benefits under this Agreement shall be made to Executive unless Executive executes, and does not revoke, the Company's standard written release, substantially in the form as attached hereto as Annex "B" (the "Release"), of any and all claims against the Company and all related parties with respect to all matters arising out of Executive's employment with the Company (other than entitlements under the terms of this Agreement or under any other plans or programs of the Company in which Executive participated and under which Executive has accrued or become entitled to a benefit) or a termination thereof, with such release being effective not later than sixty (60) days following Executive's Termination Date.

7. No Mitigation Obligation. Except as otherwise provided herein, Executive shall not be required to mitigate the amount of any payment or benefit provided for in this Agreement by seeking other employment or otherwise, nor shall the amount of any payment or benefit provided for herein be reduced by any compensation earned by other employment or otherwise.

8. Term of Agreement. This Agreement shall continue in full force and effect until the third (3rd) anniversary of the Effective Date (the "Initial Term"). This Agreement may be extended following the Initial Term (or any successor, extended, or renewal term, (a "Renewal Term")) by mutual written consent of the Company and Executive within ninety (90) days prior to the expiration of the Initial Term or any Renewal Term; provided, however, that within the ninety (90) day period prior to the expiration of the Initial Term or any Renewal Term, at its discretion, the Compensation Committee or the Board may propose for consideration by Executive, such amendments to the Agreement as it deems appropriate. If Executive's employment with the Company terminates during the Initial Term or a Renewal Term, this Agreement shall remain in effect until all of the obligations of the parties hereunder are satisfied or have expired.

9. Certain Defined Terms. In addition to terms defined elsewhere herein, the following terms have the following meanings when used in this Agreement with initial capital letters:

(a) "Annual Base Salary" means the Executive's annual base salary, exclusive of bonuses, commissions, and other incentive pay, as in effect immediately preceding Executive's Termination Date. For informational purposes, as of the Effective Date, Executive's Annual Base Salary is \$750,000.00.

(b) "Board" means the Board of Directors of the Company.

(c) "Change in Control" means:

(i) any persons or entities becoming the beneficial owners, directly or indirectly, of securities of the Company representing greater than fifty percent (50%) of the total voting power of all of the Company's then outstanding voting securities in one or a series of related transactions;

(ii) a merger or consolidation of the Company in which the Company's voting securities immediately prior to such merger or consolidation do not represent, or are not converted into securities that represent, a majority of the voting power of all voting securities of the surviving entity immediately following the merger or consolidation;

(iii) a sale of substantially all of the assets of the Company or a liquidation or dissolution of the Company; or

(iv) individuals who, as of the date of execution of this Agreement, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of such Board; provided, however, that any individual who becomes a director of the Company subsequent to the date of execution of this Agreement, whose election, or nomination for election by the Company's stockholders, was approved by the vote of at least a majority of the directors then in office shall be deemed a member of the Incumbent Board.

(d) "Cause" means:

(i) Executive's final conviction by a court of competent jurisdiction for fraud, misappropriation or embezzlement;

(ii) Executive's material breach of this Agreement or serious, willful gross misconduct or willful gross neglect of duties (other than any such neglect resulting from Executive's incapacity due to physical or mental illness or Disability or any such neglect after the issuance of a notice of termination by Executive for Good Reason), which breach or conduct is not cured or corrected by Executive within thirty (30) days of receiving written notice thereof from the Company; or

(iii) Executive's material breach of any written policy of the Company, including but not limited to the Code of Ethics for the Chief Executive Officer and Senior Financial Officers, which breach is not cured or corrected by Executive within thirty (30) days of receiving written notice thereof from the Company.

(e) "COBRA" means the Consolidated Omnibus Budget Reconciliation Act of 1986, as amended.

(f) "Compensation Committee" shall mean committee of the Board appointed in accordance with related listing requirements of NASDAQ, NYSE, AMEX or other exchange in which the Company's securities are listed.

(g) "Disability" means (i) the Executive's incapacity by bodily injury, illness, or disease so as to prevent Executive from engaging in the performance of the Executive's duties (provided, however, that the Company acknowledges its obligations to provide reasonable accommodation to the extent required by applicable law); (ii) such incapacity shall have continued for a period of six (6) consecutive months; and (iii) such incapacity will, in the opinion of a qualified physician to be selected by the Company, be permanent and continuous during the remainder of the Executive's life.

(h) "Good Reason" means

(i) a material diminution in the Executive's base compensation or target bonus below the amount as of the date of this Agreement, or as increased during the course of Executive's employment with the Company, excluding one or more reductions (totaling no more than twenty percent (20%) in the aggregate) generally applicable to all senior executives; or

(ii) any action or inaction that constitutes a material breach by the Company of this Agreement; provided, however, that for the Executive to be able to terminate his employment with the Company on account of Good Reason, Executive must provide notice of the occurrence of the event constituting Good Reason and his desire to terminate his employment with the Company on account of such within ninety (90) days following the initial existence of the condition constituting Good Reason. Thereafter, the Company shall have a period of thirty (30) days following receipt of such notice in which to cure the condition. If the Company does not cure the event constituting Good Reason within such thirty (30) day period, the Executive's Termination Date shall be the day immediately following the end of such thirty (30) day period, unless the Company provides for an earlier Termination Date.

(i) "Termination Date" means the last day of Executive's employment with the Company.

(j) "Termination of Employment" means the termination of Executive's employment relationship with the Company, for any reason.

10. Tax Matters.

(a) Withholding of Taxes. The Company may withhold from any amounts payable under this Agreement all federal, state, city or other taxes as the Company is required to withhold pursuant to any applicable law, regulation, or ruling.

(b) Indemnity. If the Company breaches its covenant not to terminate the Executive involuntarily for any reason other than death, disability or Cause within one (1) year of a Change in Control event, as set forth in Section 3(a), then the Company shall indemnify the Executive for any taxes, penalties, interests, fees and costs, including accounting and legal fees, grossed up for any additional taxable income resulting from such indemnification that the Executive incurs relating to any IRS determinations or proceedings that would subject the Executive to assessment of the Excise Tax imposed by Section 4999 of the Internal Revenue Code, or any comparable successor provision.

11. Section 409A of the Code.

(a) Interpretation. Notwithstanding the other provisions hereof, this Agreement is intended to comply with the requirements of Section 409A of the Code, to the extent applicable, and this Agreement shall be interpreted to avoid any penalty sanctions under Section 409A of the Code. Accordingly, all provisions herein, or incorporated by reference, shall be construed and interpreted to comply with Section 409A of the Code and, if necessary, any such provision shall be deemed amended to comply with Section 409A of the Code and regulations thereunder. If any payment or benefit cannot be provided or made at the time specified herein without incurring sanctions under Section 409A of the Code, then such benefit or payment shall be provided in full at the earliest time thereafter when such sanctions will not be imposed. Any amount payable under this Agreement that constitutes deferred compensation subject to Section 409A of the Code shall be paid at the time provided under this Agreement or such other time as permitted under Section 409A of the Code. No interest will be payable with respect to any amount paid within a time period permitted by, or delayed because of, Section 409A of the Code. All payments to be made upon a termination of Executive's employment under this Agreement that are deferred compensation may only be made upon a "separation from service" under Section 409A of the Code. For purposes of Section 409A of the Code, each payment made under this Agreement shall be treated as a separate payment. In no event may Executive, directly or indirectly, designate the calendar year of payment.

(b) Payment Delay. To the maximum extent permitted under Section 409A of the Code, the severance benefits payable under this Agreement are intended to comply with the "short-term deferral exception" under Treasury Regulation §1.409A-1(b)(4), and any remaining amount is intended to comply with the "separation pay exception" under Treasury Regulation §1.409A-1(b)(9)(iii); provided, however, any amount payable to Executive during the six (6) month period following Executive's Termination Date that does not qualify within either of the foregoing exceptions and constitutes deferred compensation subject to the requirements of Section 409A of the Code, then such amount shall hereinafter be referred to as the "Excess Amount". If at the time of Executive's separation from service, the Company's (or any entity required to be aggregated with the Company under Section 409A of the Code) stock is publicly-traded on an established securities market or otherwise and Executive is a "specified employee" (as defined in Section 409A of the Code and determined in the sole discretion of the Company (or any successor thereto) in accordance with the Company's (or any successor thereto) "specified employee" determination policy), then the Company shall postpone the commencement of the payment of the portion of the Excess Amount that is payable within the six (6) month period following Executive's Termination Date with the Company (or any successor thereto) for six (6) months following Executive's Termination Date with the Company (or any successor thereto). The delayed Excess Amount shall be paid in a lump sum to Executive within ten (10) days following the date that is six (6) months following Executive's Termination Date with the Company (or any successor thereto). If Executive dies during such six (6) month period and prior to the payment of the portion of the Excess Amount that is required to be delayed on account of Section 409A of the Code, such Excess Amount shall be paid to the personal representative of Executive's estate within sixty (60) days after Executive's death.

(c) Reimbursements. All reimbursements provided under this Agreement shall be made or provided in accordance with the requirements of Section 409A of the Code, including, where applicable, the requirement that (i) any reimbursement is for expenses incurred during Executive's lifetime (or during a shorter period of time specified in this Agreement), (ii) the amount of expenses eligible for reimbursement during a calendar year may not affect the expenses eligible for reimbursement in any other calendar year, (iii) the reimbursement of an eligible expense will be made on or before the last day of the taxable year following the year in which the expense is incurred, and (iv) the right to reimbursement is not subject to liquidation or exchange for another benefit. Any tax gross up payments to be made hereunder shall be made not later than the end of Executive's taxable year next following Executive's taxable year in which the related taxes are remitted to the taxing authority.

12. Restrictive Covenants.

(a) Legitimate Business Interests. The Company is entitled to protection of its legitimate business interests, and the parties agree that these interests include without limitation: the Company's confidential business and professional information; the Company's substantial relationships with existing or prospective clients and customers, prospects and referral sources; the Company's trade secrets; the Company's patented and unpatented technology and user manuals; marketing plans; and business strategies. The parties further agree that the Company has a legitimate business interest in its employees and independent contractors who are an integral part of its business and a valuable resource due to the Company's substantial investment in the training of its employees and independent contractors. The parties further agree that the Company has a legitimate business interest in client and referral source goodwill associated with the marketing area in the United States. The parties agree that the Restrictive Covenants in this Section 12 are reasonably necessary to protect these legitimate business interests.

(b) Non-Competition. Executive covenants and agrees that during the Restricted Period, Executive will not directly or indirectly own, manage, operate, control, be employed by, act as an agent for, participate in or be connected in any manner with the ownership, management, operation or control of any business which is engaged in businesses which are competitive to the business of the Company. Executive agrees that this restrictive covenant shall encompass the United States. For purposes of this Section 12(b), the term "Restricted Period" shall mean the term of this Agreement (including any renewal or extended terms), and for a period of twenty-four (24) months following termination of this Agreement or termination of Executive's relationship with the Company, for any reason.

(c) Non-Solicitation.

(i) Non-Solicitation of Customers/Clients. Executive covenants and agrees that during the Restricted Period, Executive shall not, directly or indirectly, on behalf of himself or through another person or entity, solicit, induce, entice, divert, take away or interfere with or attempt to do any of the foregoing with respect to, or trade of or trade with, any Customer of the Company on behalf of a competing business. The term "Customer" shall include, without limitation, any client, customer, supplier, consultant, advisor, or contractor of the Company, as well as those current and prospective persons or entities having a business relationship with the Company during the term of Executive's employment or at the time of Executive's solicitation, inducement, enticement, diversion, take away or interference (or attempt) or at any time within the twenty-four (24) month period prior to such action by Executive. For purposes of this Section 12(c), the term "Restricted Period" shall mean the term of this Agreement (including any renewal or extended terms), and for a period of twenty-four (24) months following termination of this Agreement or termination of Executive's relationship with the Company for any reason.

(ii) Non-Solicitation of Employees. Executive covenants and agrees that during the Restricted Period, he shall not, directly or indirectly, solicit or induce or attempt to solicit or induce, initiate or have contact with any employee of the Company for the purpose of persuading them to leave the employ of the Company for any reason whatsoever, or offer such employee employment with anyone or otherwise hire or engage the services of any employee of the Company.

(d) Intellectual Property; Work for Hire. The following provisions shall apply with respect to the Company's Intellectual Property (as defined below):

(i) Executive has disclosed and will continue to disclose promptly to the Company all Intellectual Property made, conceived, created, discovered, reduced to practice or learned by Executive, either alone or jointly with others, during the term of this Agreement, including the period preceding the execution of this Agreement during which services may have been provided by Executive. As used in this Agreement, "Intellectual Property" means all intellectual property, including all Works (including all works of authorship), computer programs, methods, systems, processes, formulae, data, functional specifications, know-how, improvements, inventions, discoveries, developments, techniques, licenses, Confidential Information and all information relating thereto, patents, patent applications, copyrights, moral rights, trademarks, trade names, service marks and trade dress, in each case whether or not patentable, registrable under copyright or similar statutes, or subject to analogous protection.

(ii) All Works which are or may be protected by a copyright, are works made for hire within the meaning of applicable copyright laws and are the sole property of the Company. For purposes of this Agreement, "Works" means all subject matter invented, conceived, developed, created or enhanced by Executive in connection with the Company's Intellectual Property or while performing services prior to or during the term of this Agreement.

(iii) All Intellectual Property that Executive has, may have or may acquire prior to or during the term of this Agreement, is and will be the sole property of the Company. Executive assigns to the Company all of Executive's present rights, title and interests in and to that Intellectual Property. Executive waives and irrevocably quitclaims to the Company any claims that Executive now or in the future has for infringement of that Intellectual Property. Executive agrees to take all measures requested by the Company to witness and record the assignment of all of Executive's rights, title and interests in or to that Intellectual Property to the Company or its designee. Executive agrees to take all measures requested by the Company to help the Company in obtaining protection for, and benefit from, that Intellectual Property. The Company will bear all costs of such measures taken by Executive.

(iv) Executive hereby grants to the Company a nonexclusive, royalty free, perpetual, irrevocable, worldwide license (with the right to sublicense) to make, have made, copy, modify, make derivative works of, publicly display and perform, use, sell and otherwise distribute any and all Intellectual Property that Executive made, conceived, created, discovered, reduced to practice or learned before the execution of this Agreement with the Company and that Executive incorporates or may incorporate into any products, process or other property of the Company.

(v) Executive hereby irrevocably designates and appoints the Company and his duly authorized officers and agents as the Executive's agent and attorney-in-fact in the following limited capacity: to act for and on Executive's behalf and to execute and file any such application or applications and to perform all other lawfully permitted acts to further the prosecution and issuance of patents, copyrights or similar protections with the same legal force and effect as if executed by Executive but only if the Company is unable, after reasonable effort, to secure Executive's cooperation.

(e) Confidentiality.

(i) Nature and Restriction. Executive agrees that during the term of this Agreement (including any renewal or extended terms), Executive shall not (i) disclose to any other person or entity, (ii) use for the benefit of Executive or persons or entities other than the Company, directly or indirectly, or (iii) provide for use by other persons or entities any Confidential Information of the Company. Executive also agrees that upon termination of this Agreement or of the relationship between Executive and the Company, for any reason, the Executive shall return to the Company any and all documents and materials of any type related to the Company's business or other documents and material, including any and all Confidential Information, that Executive received in connection with the scope of Executive's employment with the Company.

(ii) Confidential Information. For purposes of this Agreement, the term "Confidential Information" shall mean the Company's (i) trade secrets, (ii) lists of existing and prospective clients, trade vendors, contractors, and other persons or entities with whom the Company has or contemplates business relationships, (iii) pricing and cost information related to the Business, (iv) marketing techniques, plans, and know-how, (v) computer programs and software, (vi) coding systems and processes, (vii) networking concepts and processes, (viii) contract terms and prospective contract terms with existing and prospective clients, accounts and other persons or entities with whom the Company has or contemplates business relationships, (ix) existing and prospective geographic locations, and (x) other business information, financing strategies and practices, training and operational procedures, strategies, methodologies and processes which are not generally and lawfully known of public record, public domain or by third parties.

(f) Non-Disparagement. Executive agrees that he will not, whether orally or in writing, make any disparaging statements or comments, either as fact or as opinion, about the Company or its products and services, business, technologies, market position, agents, representatives, directors, officers, shareholders, attorneys, employees, vendors, affiliates, successors or assigns, or any person acting by, through, under or in concert with any of them.

(g) Reasonableness of Restrictive Covenants. Executive has carefully read, reviewed, and considered the provisions of this Section 12 (collectively, "Restrictive Covenants"), and having done so, stipulates and agrees that that the understandings and restrictions set forth in the Restrictive Covenants are fair and reasonable, and are reasonably necessary for the protection of the interests of the Company. The parties acknowledge that legitimate business interests of the Company can be protected under applicable Florida law with respect to covenants like the Restrictive Covenants.

(h) Rights and Remedies Upon Breach of Restrictive Covenants. If Executive breaches, or threatens to commit a breach of, the Restrictive Covenants, the Company shall have the right to have the Restrictive Covenants specifically enforced or to have any actual or threatened breach thereof enjoined by a court having competent jurisdiction, including a temporary restraining order, in addition to any and all other remedies. The Company will not be required to post a bond or provide other collateral in any such proceeding. It is further expressly understood that and stipulated that a violation of the Restrictive Covenants by Executive will inherently result in irreparable harm to the Company. Executive hereby waives any adequate remedy at law defense and failure or lack of consideration defense to the remedy of injunctive relief. In the event of any litigation for the construction, interpretation, or enforcement of any of the terms or provisions of the Restrictive Covenants, reasonable attorney's fees and costs shall be awarded to the substantially prevailing party(ies). Executive covenants and agrees that the obligations contained herein shall be extended by the length of time which Executive shall have been in breach of any of said provisions. Accordingly, Executive recognizes that the time periods included in the Restrictive Covenants contained herein shall begin on the date a court of competent jurisdiction enters an order enjoining Executive from violating such provisions unless good cause can be shown as to why the periods described should not begin at that time.

(i) Considerations of the Restrictive Covenants. Executive acknowledges and understands that but for Executive's execution of this Agreement and the agreement to the Restrictive Covenants, the Company will/would not engage the continued services of Executive and that the offer to Executive, together with any compensation paid (including any compensation payable to Executive following termination), the Company considers sufficient consideration for the execution of this Agreement.

(j) Enforcement. Executive and the Company desire that the provisions of this Agreement be enforced to the fullest extent permissible under the laws and public policies of the State of Texas. Executive acknowledges and confirms that enforcement of the Restrictive Covenants shall not impair his ability to earn a livelihood. Executive acknowledges that the restrictions contained herein are reasonable. If a court of competent jurisdiction, however, determines that any restrictions imposed on Executive under this Agreement are unreasonable or unenforceable because of duration or otherwise, Executive and the Company agree and intend that the court shall enforce this Agreement to the maximum extent the court deems reasonable and that the court shall have the right to strike or change any provisions of this Agreement and substitute therefor different provisions to effect the intent of this Agreement to the maximum extent possible.

(k) Independent Covenants. The Restrictive Covenants set forth in this Section 12 are given and made by Executive to induce the Company to continue to employ Executive, and Executive hereby acknowledges the sufficiency of the consideration for such covenants, and acknowledges that but for such covenants, the Company would not have agreed to employ Executive. These covenants on the part of Executive shall be construed as an agreement independent of any other terms of employment, and the existence of any claim or cause of action of Executive against the Company shall not constitute a defense to the enforcement by the Company of these covenants.

13. Successors; Binding Agreement; Assignment.

(a) This Agreement will be binding upon and inure to the benefit of the Company and any successor to the Company, including without limitation any persons acquiring directly or indirectly all or substantially all of the business or assets of the Company whether by purchase, merger, consolidation, reorganization or otherwise (and such successor will thereafter be deemed the "Company" for the purposes of this Agreement).

(b) This Agreement will inure to the benefit of, and be enforceable by, the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, and legatees. This Agreement will supersede the provisions of any employment, severance or other agreement between the Executive and the Company that relate to any matter that is also the subject of this Agreement, and such provisions in such other agreements will be null and void.

(c) This Agreement is personal in nature and Executive shall not, without the consent of the Company, assign, transfer, or delegate this Agreement or any rights or obligations hereunder. Without limiting the generality or effect of the foregoing, the Executive's right to receive payments hereunder will not be assignable, transferable, or delegable, whether by pledge, creation of a security interest, or otherwise, other than by a transfer by the Executive's will or by the laws of descent and distribution and, in the event of any attempted assignment or transfer contrary to this Section 13(c), the Company will have no liability to pay any amount so attempted to be assigned, transferred, or delegated. The rights and obligations of the Company under this Agreement (including, without limitation, the Restrictive Covenants in Section 12 hereof) may be assigned by the Company at any time without the consent of Executive, and shall inure to the benefit of and be enforceable by the successors and assigns of the Company.

14. Notices. For purposes of this Agreement, all communications, including without limitation notices, consents, requests or approvals, required or permitted to be given hereunder will be in writing and will be deemed to have been duly given when hand delivered or dispatched by electronic facsimile transmission (with receipt thereof orally confirmed), or five (5) business days after having been mailed by United States registered or certified mail, return receipt requested, postage prepaid, or three (3) business days after having been sent by a nationally recognized overnight courier service such as FedEx or UPS, addressed to the Company (to the attention of the Secretary of the Company) at its principal executive office and to the Executive at his principal residence, or to such other address as any party may have furnished to the other in writing and in accordance herewith, except that notices of changes of address will be effective only upon receipt.
15. Gender, Etc. Words used herein, regardless of the number and gender specifically used, shall be deemed and construed to include any other number, singular or plural, and any other gender, masculine, feminine or neuter, as the context indicates is appropriate.
16. Governing Law. The validity, interpretation, construction, and performance of this Agreement will be governed by and construed in accordance with the substantive laws of the State of Texas, without giving effect to the principles of conflict of laws of such State
17. Validity. If any provision of this Agreement or the application of any provision hereof to any person or circumstances is held invalid, unenforceable or otherwise illegal, the remainder of this Agreement and the application of such provision to any other person or circumstances will not be affected, and the provision so held to be invalid, unenforceable or otherwise illegal will be reformed to the extent (and only to the extent) necessary to make it enforceable, valid or legal.
18. Miscellaneous. No provision of this Agreement may be modified, waived, or discharged unless such waiver, modification or discharge is agreed to in writing signed by the Executive and the Company. No waiver by either party hereto at any time of any breach by the other party hereto or compliance with any condition or provision of this Agreement to be performed by such other party will be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreements or representations, oral or otherwise, expressed or implied with respect to the subject matter hereof have been made by either party that are not set forth expressly in this Agreement. References to Sections are to references to Sections of this Agreement. Any reference in this Agreement to a provision of a statute, rule or regulation will also include any successor provision thereto.
19. Indemnification and D&O Insurance. Executive will be provided indemnification to the maximum extent permitted by the Company's and its subsidiaries' and affiliates' Articles of Incorporation or Bylaws, including, if applicable, any directors and officers insurance policies, with such indemnification to be on terms determined by the Board or any of its committees, but on terms no less favorable than provided to any other Company executive officer or director and subject to the terms of any separate written indemnification agreement.
20. Employee Benefits. Executive will be eligible to participate in the Company employee benefit plans, policies and arrangements that are applicable to other executive officers of the Company, as such plans, policies and arrangements may exist from time to time and on terms at least as favorable as provided to any other executive officer of the Company.
21. No Duplication of Benefits. The benefits provided to Executive in this Agreement shall offset substantially similar benefits provided to Executive pursuant to another Company policy, plan or agreement.
22. Survival. Notwithstanding any provision of this Agreement to the contrary, the parties' respective rights and obligations under this Agreement, will survive any termination or expiration of this Agreement or the termination of the Executive's employment for any reason whatsoever.

23. Counterparts. This Agreement may be executed in multiple counterparts, and it is not necessary that signatures of all parties appear on the same counterpart, but such counterparts together will constitute a single binding agreement between and among all parties hereto. Counterparts may be executed by hand or by any electronic signature complying with the U.S. federal E-SIGN Act of 2000 (the "E-SIGN Act"). Executed counterparts may be delivered via facsimile, electronic mail or other similar transmission method, and any executed counterpart so delivered shall be valid and effective for all purposes. No party shall raise the use of any electronic signature that complies with the E-SIGN Act (including www.docusign.com), or the use of a facsimile machine, electronic mail or other similar transmission method as a means to deliver a signature to this Agreement or any amendment hereto as a defense to the formation or enforceability of a contract and each party forever waives any such defense.

24. Headings; Captions. The headings and captions of the various Sections (including any subsections) herein contained are intended for ease of reference only and are not to be construed as evidence of the intent as to the content thereof.

25. Construction. The parties acknowledge that each party and its counsel have reviewed and revised this Agreement and that the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement, or any amendments or exhibits hereto or thereto.

26. Legal Fees. If a legal action is initiated by any party to this Agreement against the other party arising out of or relating to the alleged performance or non-performance of any right or obligation established hereunder, any and all fees, costs and expenses reasonably incurred by the successful party or his or its legal counsel in investigating, preparing for, prosecuting, defending against, or providing evidence, producing documents or taking any other action in respect of, such action will be the obligation of and will be paid or reimbursed by the unsuccessful party.

27. Representation by Independent Legal Counsel. Executive hereby acknowledges that he has been provided with a copy of this Agreement for review prior to signing it, that he has been given the opportunity to have this Agreement reviewed by his own attorney prior to signing it, that he understands the purposes and effects of this Agreement and that the counsel for the Company, Johnson, Pope, Bokor, Ruppel & Burns, LLP prepared this Agreement on behalf of and in the course of its representation of the Company.

28. Supersedes all Prior Agreements. This Agreement supersedes and replaces in their entirety any previous written agreements or oral understandings regarding Executive's employment relationship with the Company and its subsidiaries.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed and delivered as of the date first above written.

CUI GLOBAL, INC.

By: /s/ Corey Lambrecht
Corey Lambrecht, Chairman
Compensation Committee

“Company”

/s/ William J. Clough
WILLIAM J. CLOUGH

“Executive”

MTC/ej/5390221v1

Annex A
CUI Global, Inc.
Option to Purchase Common Stock

Optionee Name: William J. Clough

Optionee Address: CUI Global, Inc.
1924 Aldine Western Road
Houston, TX 77038

Date of Grant: May 14, 2019

Number of Underlying Common Shares: One Million Six Hundred Thousand (1,600,000).

Option Price: \$1.14. The NASDAQ.COM closing price per share for the trading day immediately preceding the date of grant.

Vesting: Thirty Six (36) equal monthly installments (May 15, 2019 thru May 15, 2022). 44,444.44 options vest per month.

Time of Exercise of Option: The vested options shall be exercisable, in whole or in part, and from time to time, at any time before ten years from the date of vesting; provided, that no single exercise of the Option shall be for fewer than 10 shares, unless the number of shares purchased is the total number at the time available for purchase under this Option to Purchase Common Stock.

Cashless Exercise: The holder of the option, at his election, may exercise this option in a cashless exercise transaction. In order to effect this cashless exercise, the holder of the option shall give written notice (email is acceptable) to the company of his intention to use the cashless election and the date of the cashless exercise. The Company shall issue to the option holder a number of shares of common stock computed using the following formula:

$$X = Y (A-B)/A$$

where: X = the number of shares of common stock to be issued to the option holder.

Y = the number of shares of common stock for which the option is being exercised.

A = the market price of one (1) share of common stock. The "market price" shall be defined as the average closing price of the common stock for the five (5) trading days prior to the designated date of exercise of the option (the "average closing price"), as reported by The NASDAQ Stock Market. If the Common Stock is/was not traded during the five (5) trading days prior to the date of exercise, then the closing price for the last publicly traded day shall be deemed to be the closing price for any and all (if applicable) days during such five (5) trading day period.

B = the exercise price.

This Option to purchase Common Stock is subject to acceleration, termination or to forfeiture pursuant to the terms of the Optionee's Employment Agreement with the Company, the terms of which are incorporated herein by reference. Optionee expressly acknowledges that this Option to Purchase Common Stock is subject to shareholder approval of an equity incentive plan of which the Executive is entitled to participate. If shareholders do not approve an equity incentive plan, which includes this Option to Purchase Common Stock within one (1) year of the date of this Option to Purchase Common Stock, then the Executive agrees that he shall forfeit all right, title and interest in and to this Option to Purchase Common Stock. The issuance of this Option to Purchase Common Stock shall be subject to NASDAQ Listing Rule 5635(c). No options may be exercised until shareholders approve an equity incentive plan, of which the Executive is entitled to participate. The number of options and exercise price shall be proportionately and equitably adjusted for any stock splits or other similar recapitalizations. In no event may the Optionee exercise any Options within six (6) months of the grant date.

IN WITNESS WHEREOF, the Company has duly executed this Option to Purchase Common Stock as of the 14th day of May, 2019.

CUI Global, Inc.

By: /s/ Corey A. Lambrecht
Corey A. Lambrecht, Chairman
Compensation Committee

Optionee Signature:

/s/ William J. Clough Date: May 14, 2019

MTC/ej/5523856v1

ANNEX "B"

RELEASE OF CLAIMS

This RELEASE OF CLAIMS ("Agreement") is made by and between CUI GLOBAL, INC., a Colorado corporation (the "Company"), and WILLIAM J. CLOUGH (hereinafter referred to as "You").

WHEREAS, You have agreed to enter into a release of claims in favor of the Company upon certain events specified in the Executive Employment Agreement by and between the Company and You.

NOW, THEREFORE, in consideration of the mutual promises made herein, the Company and You agree as follows:

1. **Termination Date.** This means the last day of Your employment with the Company.
2. **Acknowledgement of Payment of Wages.** You acknowledge that the Company has paid you all accrued wages, salary, bonuses, accrued but unused vacation pay and any similar payment due and owing, with the exception of the payments and benefits owed to you under the Executive Employment Agreement and/or under any equity-based compensation awards.
3. **Confidential Information.** You hereby acknowledge that you are bound by all confidentiality agreements that you entered into with the Company and/or any and all past and current parent, subsidiary, related, acquired and affiliated companies, predecessors and successors thereto, and with any customers or clients of the Company (which agreements are incorporated herein by this reference), that as a result of Your employment you have had access to the Confidential Information (as defined in such agreement(s)), that you will hold all such Confidential Information in strictest confidence and that You may not make any use of such Confidential Information on Your own behalf or on behalf of any third party. You further confirm that within five (5) business days following the Termination Date, You will deliver to the Company all documents and data of any nature containing or pertaining to such Confidential Information and that You will not take with you any such documents or data or any reproduction thereof.
4. **Release and Waiver of Claims.** In consideration of the benefits provided in this Agreement, You release the Company, and any and all past, current and future parent, subsidiary, related and affiliated companies, predecessors and successors thereto, as well as their officers, directors, shareholders, agents, employees, affiliates, representatives, attorneys, insurers, successors and assigns, from any and all claims, liability, damages or causes of action whatsoever, whether known or unknown, which exist or may in the future exist arising from or relating to events, acts or omissions on or before the Effective Date of this Agreement, other than those rights which as a matter of law cannot be waived, or may represent post termination payments or benefits to be received pursuant to the Executive Employment Agreement by and between Company and You.

You understand and acknowledge that this release includes, but is not limited to any claim for reinstatement, re-employment, damages, attorney fees, stock options (but on the exercise of any previously granted stock options), bonuses or additional compensation in any form, and any claim, including but not limited to those arising under tort, contract and local, state or federal statute, including but not limited to Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1991, the Post Civil War Civil Rights Act (42 U.S.C. 1981-88), the Equal Pay Act, the Age Discrimination in Employment Act, the Americans with Disabilities Act, the Vietnam Era Veterans Readjustment Assistance Act, the Fair Labor Standards Act, the Family Medical Leave Act of 1993, the Uniformed Services Employment and Re-employment Rights Act, the Employee Retirement Income Security Act of 1974, and the civil rights, employment, and labor laws of any state and any regulation under such authorities relating to Your employment or association with the Company or the termination of that relationship.

You also acknowledge that you are waiving and releasing any rights You may have under the Age Discrimination in Employment Act (ADEA) and that this waiver and release is knowing and voluntary. You acknowledge that (1) You have been, and hereby are, advised in writing to consult with an attorney prior to executing this Agreement, (2) as consideration for executing this Agreement, You have received additional benefits and compensation of value to which You would otherwise not be entitled, and (3) by signing this Agreement, You will not waive rights or claims under the Act which may arise after the execution of this Agreement, and (4) You have twenty- one (21) calendar days within which to consider this Agreement and in the event You sign the Agreement prior to twenty- one (21) days, You do so voluntarily. Once You have accepted the terms of this Agreement, You will have an additional seven (7) calendar days in which to revoke such acceptance. To revoke, You must send a written statement of revocation to the Vice President of Human Resources. If You revoke within seven (7) days, You will receive no benefits under this Agreement. In the event You do not exercise your right to revoke this Agreement, the Agreement shall become effective on the date immediately following the seven day (7) waiting period described above.

This release does not waive any rights You may have under any directors and officers insurance or indemnity provision, agreement or policy in effect as of the Termination Date, nor does it affect vested rights You may have under any equity-based compensation plan, retirement plan, 401(k) plan or other benefits plan.

5. No Pending or Future Lawsuits. You represent that You have no lawsuits, claims, or actions pending in Your name or on behalf of any other person or entity, against the Company or any other person or entity referred to herein. You also represent that You do not intend to bring any claims on Your own behalf or on behalf of any other person or entity against the Company or any other person or entity referred to herein.

6. Non-Disparagement. You agree that You will not, whether orally or in writing, make any disparaging statements or comments, either as fact or as opinion, about the Company or its products and services, business, technologies, market position, agents, representatives, directors, officers, shareholders, attorneys, employees, vendors, affiliates, successors or assigns, or any person acting by, through, under or in concert with any of them.

7. Additional Terms.

(a) Legal and Equitable Remedies. You agree that the Company shall have the right to enforce this Agreement and any of its provisions by injunction, specific performance or other equitable relief without prejudice to any other rights or remedies the Company may have at law or in equity for breach of this Agreement.

(b) Attorney's Fees. If any action at law or in equity is brought to enforce the terms of this Agreement, the prevailing party shall be entitled to recover from the other party its reasonable attorneys' fees, costs and expenses at trial or arbitration and any appeal therefrom, in addition to any other relief to which such prevailing party may be entitled.

(c) Non-Disclosure. You agree to keep the contents, terms and conditions of this Agreement confidential; provided, however, that You may disclose this Agreement with Your spouse, attorneys, and accountants, or pursuant to subpoena or court order. Any breach of this non-disclosure paragraph is a material breach of this Agreement.

(d) No Admission of Liability. This Agreement is not, and the parties shall not represent or construe this Agreement, as an admission or evidence of any wrongdoing or liability on the part of the Company, its officers, shareholders, directors, employees, subsidiaries, affiliates, divisions, successors or assigns. Neither party shall attempt to admit this Agreement into evidence for any purpose in any proceeding except in a proceeding to construe or enforce the terms of this Agreement.

(e) Entire Agreement. This Agreement along with the Executive Employment Agreement, constitutes the entire agreement between You and the Company with respect to Your separation from the Company and supersedes all prior negotiations and agreements, whether written or oral, relating to its subject matter.

(f) Modification/Successors. This Agreement may not be altered, amended, modified, or otherwise changed in any respect except by another written agreement that specifically refers to this Agreement, and that is duly executed by You and an authorized representative of the Company. This Agreement shall be binding upon Your heirs, executors, administrators and other legal representatives and may be assigned and enforced by the Company, its successors and assigns.

(g) Severability. The provisions of this Agreement are severable. If any provision of this Agreement or its application is held invalid, the invalidity shall not affect other obligations, provisions, or applications of this Agreement that can be given effect without the invalid obligations, provisions, or applications.

(h) Waiver. The failure of either party to demand strict performance of any provision of this Agreement shall not constitute a waiver of any provision, term, covenant, or condition of this Agreement or of the right to demand strict performance in the future.

(i) Governing Law and Jurisdiction. This Agreement shall be interpreted and enforced in accordance with the laws of the State of Texas. The exclusive jurisdiction for any action to interpret or enforce this Agreement shall be the State of Texas.

(j) Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and same instrument.

(k) Voluntary Execution of Agreement. This Agreement is executed voluntarily and without any duress or undue influence on the part of the parties hereto, with the full intent of releasing all claims. You acknowledge that:

- (i) You have read this Agreement;
- (ii) You understand the terms and consequences of this Agreement and the releases it contains;
- (iii) You have been advised to consult with an attorney prior to executing this Agreement;
- (iv) You knowingly and voluntarily agree to all the terms in this Agreement; and
- (v) You knowingly and voluntarily intend to be bound by this Agreement.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed and delivered as of the date first above written.

CUI GLOBAL, INC.

By: _____
Print
Name: _____
Title: _____

WILLIAM J. CLOUGH

MTC/ej/5525702v1

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Section 3: EX-10.96 (EXHIBIT 10.96)

Exhibit 10.96

EXECUTIVE EMPLOYMENT AGREEMENT

This EXECUTIVE EMPLOYMENT AGREEMENT (this "Agreement"), effective as of May 14, 2019, (the "Effective Date"), is made and entered into by and between CUI GLOBAL, INC., a Colorado corporation (the "Company"), and DANIEL N. FORD, Chief Financial Officer and Chief Operating Officer-Energy Division (the "Executive").

WITNESSETH:

WHEREAS, the Executive is currently and shall continue to be employed as the Company's Chief Financial Officer and Chief Operating Officer-Energy Division and has made, and is expected to continue to make, major contributions to the Company and its subsidiaries strategic short and long-term goals, growth, and financial strength of the Company; and

WHEREAS, the Company has determined that appropriate arrangements should be taken to encourage the continued attention and dedication of the Executive to his assigned duties without distraction; and

WHEREAS, in consideration of the Executive's past and continued employment with the Company, the Company desires to provide the Executive with certain compensation and benefits as set forth in this Agreement; and

WHEREAS, the Executive is agreeable to the Restrictive Covenants, which is in the best interests of the Company and its shareholders as part of this Agreement; and

WHEREAS, the Compensation Committee has determined that entering into this Agreement is in the best interests of the Company and its shareholders.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and agreements hereinafter set forth and intending to be legally bound hereby, the Company and the Executive agree as follows:

1. Duties of Executive; Employment Rights; Terms.

(a) Duties of Executive. The duties of Executive shall be those that are commensurate with the position of Chief Financial Officer and Chief Operating Officer of a corporation, and such duties shall be rendered at the Company's office and at such other place or places as the Company shall in good faith require or as the interest, needs, business, or opportunity of the Company shall require. Executive agrees that Executive will at all times faithfully, industriously, and to the best of Executive's ability, experience, and talents, perform all of the services and duties that may be required of and from Executive pursuant to the terms hereof. Executive, shall during the term of his employment hereunder, subject to control of the Chief Executive Officer and the board of directors, have the executive powers of the chief financial officer and chief operating officer and exercise active financial and operational management and supervision over the business and affairs of the Company and its subsidiaries and its several officers consistent with such offices.

(b) Employment Rights. Nothing expressed or implied in this Agreement shall create any right or duty on the part of the Company or the Executive to have the Executive remain in the employment of the Company or any subsidiary prior to or following any Change in Control.

2. Executive Compensation.

(a) Annual Base Compensation. Executive's Annual Base Salary shall equal the following amounts per annum:

<u>Period</u>	<u>Amount</u>
Year 1 (May 15, 2019 – May 14, 2020)	\$500,000
Year 2 (May 15, 2020 – May 14, 2021)	\$550,000
Year 3 (May 15, 2021 – May 14, 2022)	\$600,000

The Annual Base Salary payable in periodic installments in accordance with the Company's customary payroll practices, but no less frequently than monthly. The Executive's Annual Base Salary shall be reviewed at least annually by the Compensation Committee, and the Compensation Committee may, but shall not be required to, increase the Executive's Annual Base Salary. The Executive's Annual Base Salary shall not be reduced without the written consent of the Executive.

(b) Future Bonuses. Executive shall be entitled to receive a minimum annual bonus payment targeted at seventy-five percent (75%) of his Annual Base Salary ("Target Bonus"). Said bonus shall be based on performance objectives, goals, and milestones agreed to by the Executive and the Compensation Committee. Said bonus shall also be based on the reasonable judgment of the Compensation Committee. In addition, Executive shall be entitled to a discretionary bonus targeted at twenty-five percent (25%) of his Annual Base Salary. In the event Executive exceeds the stated goals and objectives, Executive shall have the ability to earn a larger bonus based on the performance criteria set forth above and the reasonable judgment and discretion of the Compensation Committee. The parties acknowledge that the Company's previous Equity Incentive Plan that was approved by the Company's shareholders, has expired. The Company intends to submit a new Equity Incentive Plan for approval by its shareholders. Until an Equity Incentive Plan is approved by the Company's shareholders, any bonus compensation payable to the Executive shall be in the form of cash. If and when a new Equity Incentive Plan is approved by the Company's shareholders, the Executive shall have the right to have any bonuses paid in the form of restricted stock units or other equity incentive arrangements provided for under the proposed new Equity Incentive Plan. Any issuance of equity based compensation to the Executive shall be consistent with the provisions of NASDAQ Listing Rule 5635(c).

(c) Stock Options. Executive shall be granted, subject to the restrictions and understandings described below, options to acquire up to 960,000 shares of the Company's common stock at an exercise price equal to the closing price of the Company's common stock for the trading day immediately prior to the Effective Date as reported on NASDAQ.COM. Such stock options shall vest in equal monthly installments over thirty six (36) months commencing on May 15, 2019. The options granted to Executive shall have a ten (10) year term from the Effective Date. Said options shall have a cashless exercise provision and shall be subject to full acceleration in the event of an involuntary termination of the Executive by the Company for any reason other than Cause, death or disability or termination of this Agreement by Executive for Good Reason. Notwithstanding the foregoing, the Executive and the Company understand that the issuance of these options is subject to shareholder approval of an equity incentive plan of which the Executive is entitled to participate. If shareholders do not approve an equity incentive plan which includes the options issued to the Executive hereunder within one (1) year of the date of this Agreement, then the Executive agrees that he shall forfeit all right, title and interest in and to these options. No options may be exercised by Executive prior to the latter of (i) six months from the Effective date or (ii) shareholder approval of an equity incentive plan, which includes these options issued to Executive. The issuance of these options shall be subject to NASDAQ Listing Rule 5635(c). The options shall be further evidenced by a stock option agreement, substantially in the form attached hereto as Annex A, and shall be subject to the provisions as contemplated by the future equity incentive plan. A form of the Option to Purchase Common Stock is set forth as Annex A.

(d) PTO (Paid Time Off). Executive may take up to four (4) weeks of paid PTO in each calendar year at in accordance with the terms and conditions of such PTO policies generally applicable to Company's executive employees.

(e) Reimbursement of Expenses. During the term hereof, Executive shall be entitled to reimbursement for all normal and reasonable expenses necessarily incurred by Executive in the performance of his obligations hereunder, subject to such substantiation requirements as may be imposed by the Company.

(f) Other Benefits. Executive shall be entitled to participate in any other group hospitalization, health, dental care or sick-leave plan, life or other insurance or death benefit plan, travel or accident insurance, or executive contingent compensation plan, including, without limitation, stock option plan, retirement, income or pension plans, or other present or future group employee benefit plans, programs or arrangements of the Company for which executives are or shall become eligible, and Executive shall be eligible to receive during the term of this Agreement all benefits for which executives are eligible under every such plan, program or arrangement to the extent permissible under the general terms and provisions of such plans, programs or arrangements and in accordance with the provisions thereof.

(g) Past Bonuses. If Executive's employment with the Company terminates for any reason other than Cause, any bonus amounts previously approved by the Compensation Committee but not yet paid to Executive shall be payable to the Executive within sixty (60) days of the Termination Date and require no further actions or approvals.

3. Involuntary Termination or Resignation for Good Reason.

(a) Payments/Benefits. In no event will the Company involuntarily terminate the Executive's employment for any reason other than death, disability or Cause for a period of one (1) year after the occurrence of a Change in Control event. In the event of: (i) an involuntary termination of Executive's employment by the Company for any reason other than Cause, death, or Disability, or (ii) Executive's resignation for Good Reason, Executive shall be entitled to the following benefits:

(i) 2.0 times the sum of Annual Base Salary and Target Bonus, paid in a single lump sum cash payment on or before the sixtieth (60th) day following Executive's Termination Date. Annual Base Salary shall mean: Executive's Annual Base Salary immediately prior to Executive's Termination Date. Target Bonus shall mean Executive's Target Bonus immediately prior to Executive's Termination Date.

(ii) For a period of up to eighteen (18) months following Executive's Termination Date, Executive and, where applicable, Executive's spouse and eligible dependents, will continue to be eligible to receive medical coverage under the Company's medical plans in accordance with the terms of the applicable plan documents; provided, however, that in order to receive such continued coverage at such rates, Executive will be required to pay the applicable premiums directly to the plan provider, and the Company will reimburse the Executive, within thirty (30) days following the date such monthly premium payment is due, an amount equal to the monthly COBRA premium payment, less applicable tax withholdings. Notwithstanding the foregoing, if Executive obtains full-time employment during the aforementioned eighteen (18) month period which employment entitles him and his spouse and eligible dependents to comprehensive medical coverage, Executive must immediately notify the Company in writing and no further reimbursements will be paid by the Company to the Executive pursuant to this subsection. In addition, if Executive does not pay the applicable monthly COBRA premium for a particular month at any time during the eighteen (18) month period and coverage is lost as a result, no further reimbursements will be paid by the Company to the Executive. Notwithstanding the foregoing, if the Company determines, in its sole discretion, that it cannot provide the foregoing COBRA benefits without potentially violating applicable law (including, without limitation, Section 2716 of the Public Health Service Act), the Company shall in lieu thereof provide to Executive a taxable lump sum payment in an amount equal to the monthly (or then remaining) COBRA premium that Executive would be required to pay to continue his group health coverage in effect on the Termination Date (which amount shall be based on the premium for the first month of COBRA coverage). The payment of any tax relating to such lump-sum payment shall be the sole responsibility of Executive

(iii) Executive shall receive any amounts earned, accrued or owing but not yet paid to Executive as of his Termination Date, payable in a lump sum, and any benefits accrued or earned in accordance with the terms of any applicable benefit plans and programs of the Company on or before the sixtieth (60th) day following Executive's Termination Date.

(iv) All unvested stock options, issued to Executive shall immediately vest in full, and shall be exercisable at any time prior to such instruments stated expiration date.

(v) Any deferred past bonuses that have been earned but not paid shall be payable in a lump sum on or before the sixtieth (60th) day following Executive's Termination Date.

4. Termination of Employment on Account of Disability, Death, Cause or Voluntarily Without Good Reason.

(a) Termination on Account of Disability. Notwithstanding anything in this Agreement to the contrary, if Executive's employment terminates on account of Executive's Disability, Executive shall be entitled to receive (i) 75% of his then current Annual Base Salary for six (6) months payable over such six (6) month period, and (ii) disability benefits under any disability program maintained by the Company that covers Executive, and Executive shall not receive benefits pursuant to Section 3 hereof, except that, subject to the provisions of Section 6 hereof, the Executive shall be entitled to the following benefits provided that Executive executes and does not revoke the Release: For a period of up to eighteen (18) months following Executive's Termination Date, Executive and where applicable, Executive's spouse and eligible dependents, will continue to be eligible to receive medical coverage under the Company's medical plans in accordance with the terms of the applicable plan documents; provided, however, that in order to receive such continued coverage at such rates, Executive will be required to pay the applicable premiums directly to the plan provider, and the Company will reimburse the Executive, within thirty (30) days following the date such monthly premium payment is due, an amount equal to the monthly COBRA premium payment, less applicable tax withholdings. Notwithstanding the foregoing, if Executive obtains full-time employment during the aforementioned eighteen (18) month period that entitles him and his spouse and eligible dependents to comprehensive medical coverage, Executive must immediately notify the Company in writing and no further reimbursements will be paid by the Company to the Executive pursuant to this subsection (i) of Section 4(a). In addition, if Executive does not pay the applicable monthly COBRA premium for a particular month at any time during the eighteen (18) month period and coverage is lost as a result, no further reimbursements will be paid by the Company to the Executive pursuant to this subsection (i) of Section 4(a). Notwithstanding the above, if the Company determines in its sole discretion that it cannot provide the foregoing COBRA benefits without potentially violating applicable law (including, without limitation, Section 2716 of the Public Health Service Act), the Company shall in lieu thereof provide to Executive a taxable lump-sum payment in an amount equal to the monthly (or then remaining) COBRA premium that Executive would be required to pay to continue his group health coverage in effect on the Termination Date (which amount shall be based on the premium for the first month of COBRA coverage). The payment of any tax relating to such lump- sum payment shall be the sole responsibility of Executive.

(b) Termination on Account of Death. Notwithstanding anything in this Agreement to the contrary, if Executive's employment terminates on account of Executive's death, Executive shall be entitled to receive death benefits under any death benefit program maintained by the Company that covers Executive, and Executive not receive benefits pursuant to Sections 3 hereof.

(c) Termination on Account of Cause. Notwithstanding anything in this Agreement to the contrary, if Executive's employment terminates by the Company on account of Cause, Executive shall not receive benefits pursuant to Sections 3 hereof and all unvested options or other equity compensation interests shall be immediately forfeited.

(d) Termination on Account of Voluntary Resignation Without Good Reason. Notwithstanding anything in this Agreement to the contrary, if Executive's employment terminates on account of a resignation by Executive for no reason or any reason other than on account of Good Reason, Executive shall not receive benefits pursuant to Sections 3 hereof.

(e) Options and Other Equity Compensation Interests. Notwithstanding the foregoing, Executive, his estate or legal representation shall be entitled to all rights that are provided to Executive under any stock options, restricted stock or other equity compensation arrangements through the expiration date for such instruments in the event of death, disability or termination of employment without Cause by the Company.

5. Relocation of Executive. If the Company or any of its subsidiaries elects to relocate Executive's principal place of employment more than 50 miles from his current place of employment in Portland, Oregon, Executive shall elect either of the following two (2) options within thirty (30) days of his being notified of such relocation:

(i) Executive agrees to the relocation to a new place of employment as designated by the Company in which event the Company or its subsidiaries shall reimburse the Executive upon his submission of documented expenses consisting of:

- Moving and relocation expenses;
- Temporary housing expenses for up to 180 days at the new place of employment not to exceed \$4,000 per month; and
- Closing costs associated with selling his current residence to a bona fide third party and the closing costs associated with the purchase of a new residence.

(ii) The Executive may elect not to be relocated, in which event the Executive may terminate this Agreement for "Good Reason" and shall be entitled to the severance payments set forth in Section 3(a) of this Agreement.

6. Release. Notwithstanding the foregoing, no payments or other benefits under this Agreement shall be made to Executive unless Executive executes, and does not revoke, the Company's standard written release, substantially in the form as attached hereto as Annex "B" (the "Release"), of any and all claims against the Company and all related parties with respect to all matters arising out of Executive's employment with the Company (other than entitlements under the terms of this Agreement or under any other plans or programs of the Company in which Executive participated and under which Executive has accrued or become entitled to a benefit) or a termination thereof, with such release being effective not later than sixty (60) days following Executive's Termination Date.

7. No Mitigation Obligation. Except as otherwise provided herein, Executive shall not be required to mitigate the amount of any payment or benefit provided for in this Agreement by seeking other employment or otherwise, nor shall the amount of any payment or benefit provided for herein be reduced by any compensation earned by other employment or otherwise.

8. Term of Agreement. This Agreement shall continue in full force and effect until the third (3rd) anniversary of the Effective Date (the "Initial Term"). This Agreement may be extended following the Initial Term (or any successor, extended, or renewal term, (a "Renewal Term")) by mutual written consent of the Company and Executive within ninety (90) days prior to the expiration of the Initial Term or any Renewal Term; provided, however, that within the ninety (90) day period prior to the expiration of the Initial Term or any Renewal Term, at its discretion, the Compensation Committee or the Board may propose for consideration by Executive, such amendments to the Agreement as it deems appropriate. If Executive's employment with the Company terminates during the Initial Term or a Renewal Term, this Agreement shall remain in effect until all of the obligations of the parties hereunder are satisfied or have expired.

9. Certain Defined Terms. In addition to terms defined elsewhere herein, the following terms have the following meanings when used in this Agreement with initial capital letters:

(a) "Annual Base Salary" means the Executive's annual base salary, exclusive of bonuses, commissions, and other incentive pay, as in effect immediately preceding Executive's Termination Date. For informational purposes, as of the Effective Date, Executive's Annual Base Salary is \$750,000.00.

(b) "Board" means the Board of Directors of the Company.

(c) "Change in Control" means:

(i) any persons or entities becoming the beneficial owners, directly or indirectly, of securities of the Company representing greater than fifty percent (50%) of the total voting power of all of the Company's then outstanding voting securities in one or a series of related transactions;

(ii) a merger or consolidation of the Company in which the Company's voting securities immediately prior to such merger or consolidation do not represent, or are not converted into securities that represent, a majority of the voting power of all voting securities of the surviving entity immediately following the merger or consolidation;

(iii) a sale of substantially all of the assets of the Company or a liquidation or dissolution of the Company; or

(iv) individuals who, as of the date of execution of this Agreement, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of such Board; provided, however, that any individual who becomes a director of the Company subsequent to the date of execution of this Agreement, whose election, or nomination for election by the Company's stockholders, was approved by the vote of at least a majority of the directors then in office shall be deemed a member of the Incumbent Board.

(d) "Cause" means:

(i) Executive's final conviction by a court of competent jurisdiction for fraud, misappropriation or embezzlement;

(ii) Executive's material breach of this Agreement or serious, willful gross misconduct or willful gross neglect of duties (other than any such neglect resulting from Executive's incapacity due to physical or mental illness or Disability or any such neglect after the issuance of a notice of termination by Executive for Good Reason), which breach or conduct is not cured or corrected by Executive within thirty (30) days of receiving written notice thereof from the Company; or

(iii) Executive's material breach of any written policy of the Company, including but not limited to the Code of Ethics for the Chief Executive Officer and Senior Financial Officers, which breach is not cured or corrected by Executive within thirty (30) days of receiving written notice thereof from the Company.

(e) "COBRA" means the Consolidated Omnibus Budget Reconciliation Act of 1986, as amended.

(f) "Compensation Committee" shall mean committee of the Board appointed in accordance with related listing requirements of NASDAQ, NYSE, AMEX or other exchange in which the Company's securities are listed.

(g) "Disability" means (i) the Executive's incapacity by bodily injury, illness, or disease so as to prevent Executive from engaging in the performance of the Executive's duties (provided, however, that the Company acknowledges its obligations to provide reasonable accommodation to the extent required by applicable law); (ii) such incapacity shall have continued for a period of six (6) consecutive months; and (iii) such incapacity will, in the opinion of a qualified physician to be selected by the Company, be permanent and continuous during the remainder of the Executive's life.

(h) "Good Reason" means

(i) a material diminution in the Executive's base compensation or target bonus below the amount as of the date of this Agreement, or as increased during the course of Executive's employment with the Company, excluding one or more reductions (totaling no more than twenty percent (20%) in the aggregate) generally applicable to all senior executives; or

(ii) any action or inaction that constitutes a material breach by the Company of this Agreement; provided, however, that for the Executive to be able to terminate his employment with the Company on account of Good Reason, Executive must provide notice of the occurrence of the event constituting Good Reason and his desire to terminate his employment with the Company on account of such within ninety (90) days following the initial existence of the condition constituting Good Reason. Thereafter, the Company shall have a period of thirty (30) days following receipt of such notice in which to cure the condition. If the Company does not cure the event constituting Good Reason within such thirty (30) day period, the Executive's Termination Date shall be the day immediately following the end of such thirty (30) day period, unless the Company provides for an earlier Termination Date.

(i) "Termination Date" means the last day of Executive's employment with the Company.

(j) "Termination of Employment" means the termination of Executive's employment relationship with the Company, for any reason.

10. Tax Matters.

(a) Withholding of Taxes. The Company may withhold from any amounts payable under this Agreement all federal, state, city or other taxes as the Company is required to withhold pursuant to any applicable law, regulation, or ruling.

(b) Indemnity. If the Company breaches its covenant not to terminate the Executive involuntarily for any reason other than death, disability or Cause within one (1) year of a Change in Control event, as set forth in Section 3(a), then the Company shall indemnify the Executive for any taxes, penalties, interests, fees and costs, including accounting and legal fees, grossed up for any additional taxable income resulting from such indemnification that the Executive incurs relating to any IRS determinations or proceedings that would subject the Executive to assessment of the Excise Tax imposed by Section 4999 of the Internal Revenue Code, or any comparable successor provision.

11. Section 409A of the Code.

(a) Interpretation. Notwithstanding the other provisions hereof, this Agreement is intended to comply with the requirements of Section 409A of the Code, to the extent applicable, and this Agreement shall be interpreted to avoid any penalty sanctions under Section 409A of the Code. Accordingly, all provisions herein, or incorporated by reference, shall be construed and interpreted to comply with Section 409A of the Code and, if necessary, any such provision shall be deemed amended to comply with Section 409A of the Code and regulations thereunder. If any payment or benefit cannot be provided or made at the time specified herein without incurring sanctions under Section 409A of the Code, then such benefit or payment shall be provided in full at the earliest time thereafter when such sanctions will not be imposed. Any amount payable under this Agreement that constitutes deferred compensation subject to Section 409A of the Code shall be paid at the time provided under this Agreement or such other time as permitted under Section 409A of the Code. No interest will be payable with respect to any amount paid within a time period permitted by, or delayed because of, Section 409A of the Code. All payments to be made upon a termination of Executive's employment under this Agreement that are deferred compensation may only be made upon a "separation from service" under Section 409A of the Code. For purposes of Section 409A of the Code, each payment made under this Agreement shall be treated as a separate payment. In no event may Executive, directly or indirectly, designate the calendar year of payment.

(b) Payment Delay. To the maximum extent permitted under Section 409A of the Code, the severance benefits payable under this Agreement are intended to comply with the "short-term deferral exception" under Treasury Regulation §1.409A-1(b)(4), and any remaining amount is intended to comply with the "separation pay exception" under Treasury Regulation §1.409A-1(b)(9)(iii); provided, however, any amount payable to Executive during the six (6) month period following Executive's Termination Date that does not qualify within either of the foregoing exceptions and constitutes deferred compensation subject to the requirements of Section 409A of the Code, then such amount shall hereinafter be referred to as the "Excess Amount". If at the time of Executive's separation from service, the Company's (or any entity required to be aggregated with the Company under Section 409A of the Code) stock is publicly-traded on an established securities market or otherwise and Executive is a "specified employee" (as defined in Section 409A of the Code and determined in the sole discretion of the Company (or any successor thereto) in accordance with the Company's (or any successor thereto) "specified employee" determination policy), then the Company shall postpone the commencement of the payment of the portion of the Excess Amount that is payable within the six (6) month period following Executive's Termination Date with the Company (or any successor thereto) for six (6) months following Executive's Termination Date with the Company (or any successor thereto). The delayed Excess Amount shall be paid in a lump sum to Executive within ten (10) days following the date that is six (6) months following Executive's Termination Date with the Company (or any successor thereto). If Executive dies during such six (6) month period and prior to the payment of the portion of the Excess Amount that is required to be delayed on account of Section 409A of the Code, such Excess Amount shall be paid to the personal representative of Executive's estate within sixty (60) days after Executive's death.

(c) Reimbursements. All reimbursements provided under this Agreement shall be made or provided in accordance with the requirements of Section 409A of the Code, including, where applicable, the requirement that (i) any reimbursement is for expenses incurred during Executive's lifetime (or during a shorter period of time specified in this Agreement), (ii) the amount of expenses eligible for reimbursement during a calendar year may not affect the expenses eligible for reimbursement in any other calendar year, (iii) the reimbursement of an eligible expense will be made on or before the last day of the taxable year following the year in which the expense is incurred, and (iv) the right to reimbursement is not subject to liquidation or exchange for another benefit. Any tax gross up payments to be made hereunder shall be made not later than the end of Executive's taxable year next following Executive's taxable year in which the related taxes are remitted to the taxing authority.

12. Restrictive Covenants.

(a) Legitimate Business Interests. The Company is entitled to protection of its legitimate business interests, and the parties agree that these interests include without limitation: the Company's confidential business and professional information; the Company's substantial relationships with existing or prospective clients and customers, prospects and referral sources; the Company's trade secrets; the Company's patented and unpatented technology and user manuals; marketing plans; and business strategies. The parties further agree that the Company has a legitimate business interest in its employees and independent contractors who are an integral part of its business and a valuable resource due to the Company's substantial investment in the training of its employees and independent contractors. The parties further agree that the Company has a legitimate business interest in client and referral source goodwill associated with the marketing area in the United States. The parties agree that the Restrictive Covenants in this Section 12 are reasonably necessary to protect these legitimate business interests.

(b) Non-Competition. Executive covenants and agrees that during the Restricted Period, Executive will not directly or indirectly own, manage, operate, control, be employed by, act as an agent for, participate in or be connected in any manner with the ownership, management, operation or control of any business which is engaged in businesses which are competitive to the business of the Company. Executive agrees that this restrictive covenant shall encompass the United States. For purposes of this Section 12(b), the term "Restricted Period" shall mean the term of this Agreement (including any renewal or extended terms), and for a period of twenty-four (24) months following termination of this Agreement or termination of Executive's relationship with the Company, for any reason.

(c) Non-Solicitation.

(i) Non-Solicitation of Customers/Clients. Executive covenants and agrees that during the Restricted Period, Executive shall not, directly or indirectly, on behalf of himself or through another person or entity, solicit, induce, entice, divert, take away or interfere with or attempt to do any of the foregoing with respect to, or trade of or trade with, any Customer of the Company on behalf of a competing business. The term "Customer" shall include, without limitation, any client, customer, supplier, consultant, advisor, or contractor of the Company, as well as those current and prospective persons or entities having a business relationship with the Company during the term of Executive's employment or at the time of Executive's solicitation, inducement, enticement, diversion, take away or interference (or attempt) or at any time within the twenty-four (24) month period prior to such action by Executive. For purposes of this Section 12(c), the term "Restricted Period" shall mean the term of this Agreement (including any renewal or extended terms), and for a period of twenty-four (24) months following termination of this Agreement or termination of Executive's relationship with the Company for any reason.

(ii) Non-Solicitation of Employees. Executive covenants and agrees that during the Restricted Period, he shall not, directly or indirectly, solicit or induce or attempt to solicit or induce, initiate or have contact with any employee of the Company for the purpose of persuading them to leave the employ of the Company for any reason whatsoever, or offer such employee employment with anyone or otherwise hire or engage the services of any employee of the Company.

(d) Intellectual Property; Work for Hire. The following provisions shall apply with respect to the Company's Intellectual Property (as defined below):

(i) Executive has disclosed and will continue to disclose promptly to the Company all Intellectual Property made, conceived, created, discovered, reduced to practice or learned by Executive, either alone or jointly with others, during the term of this Agreement, including the period preceding the execution of this Agreement during which services may have been provided by Executive. As used in this Agreement, "Intellectual Property" means all intellectual property, including all Works (including all works of authorship), computer programs, methods, systems, processes, formulae, data, functional specifications, know-how, improvements, inventions, discoveries, developments, techniques, licenses, Confidential Information and all information relating thereto, patents, patent applications, copyrights, moral rights, trademarks, trade names, service marks and trade dress, in each case whether or not patentable, registrable under copyright or similar statutes, or subject to analogous protection.

(ii) All Works which are or may be protected by a copyright, are works made for hire within the meaning of applicable copyright laws and are the sole property of the Company. For purposes of this Agreement, "Works" means all subject matter invented, conceived, developed, created or enhanced by Executive in connection with the Company's Intellectual Property or while performing services prior to or during the term of this Agreement.

(iii) All Intellectual Property that Executive has, may have or may acquire prior to or during the term of this Agreement, is and will be the sole property of the Company. Executive assigns to the Company all of Executive's present rights, title and interests in and to that Intellectual Property. Executive waives and irrevocably quitclaims to the Company any claims that Executive now or in the future has for infringement of that Intellectual Property. Executive agrees to take all measures requested by the Company to witness and record the assignment of all of Executive's rights, title and interests in or to that Intellectual Property to the Company or its designee. Executive agrees to take all measures requested by the Company to help the Company in obtaining protection for, and benefit from, that Intellectual Property. The Company will bear all costs of such measures taken by Executive.

(iv) Executive hereby grants to the Company a nonexclusive, royalty free, perpetual, irrevocable, worldwide license (with the right to sublicense) to make, have made, copy, modify, make derivative works of, publicly display and perform, use, sell and otherwise distribute any and all Intellectual Property that Executive made, conceived, created, discovered, reduced to practice or learned before the execution of this Agreement with the Company and that Executive incorporates or may incorporate into any products, process or other property of the Company.

(v) Executive hereby irrevocably designates and appoints the Company and his duly authorized officers and agents as the Executive's agent and attorney-in-fact in the following limited capacity: to act for and on Executive's behalf and to execute and file any such application or applications and to perform all other lawfully permitted acts to further the prosecution and issuance of patents, copyrights or similar protections with the same legal force and effect as if executed by Executive but only if the Company is unable, after reasonable effort, to secure Executive's cooperation.

(e) Confidentiality.

(i) Nature and Restriction. Executive agrees that during the term of this Agreement (including any renewal or extended terms), Executive shall not (i) disclose to any other person or entity, (ii) use for the benefit of Executive or persons or entities other than the Company, directly or indirectly, or (iii) provide for use by other persons or entities any Confidential Information of the Company. Executive also agrees that upon termination of this Agreement or of the relationship between Executive and the Company, for any reason, the Executive shall return to the Company any and all documents and materials of any type related to the Company's business or other documents and material, including any and all Confidential Information, that Executive received in connection with the scope of Executive's employment with the Company.

(ii) Confidential Information. For purposes of this Agreement, the term "Confidential Information" shall mean the Company's (i) trade secrets, (ii) lists of existing and prospective clients, trade vendors, contractors, and other persons or entities with whom the Company has or contemplates business relationships, (iii) pricing and cost information related to the Business, (iv) marketing techniques, plans, and know-how, (v) computer programs and software, (vi) coding systems and processes, (vii) networking concepts and processes, (viii) contract terms and prospective contract terms with existing and prospective clients, accounts and other persons or entities with whom the Company has or contemplates business relationships, (ix) existing and prospective geographic locations, and (x) other business information, financing strategies and practices, training and operational procedures, strategies, methodologies and processes which are not generally and lawfully known of public record, public domain or by third parties.

(f) Non-Disparagement. Executive agrees that he will not, whether orally or in writing, make any disparaging statements or comments, either as fact or as opinion, about the Company or its products and services, business, technologies, market position, agents, representatives, directors, officers, shareholders, attorneys, employees, vendors, affiliates, successors or assigns, or any person acting by, through, under or in concert with any of them.

(g) Reasonableness of Restrictive Covenants. Executive has carefully read, reviewed, and considered the provisions of this Section 12 (collectively, "Restrictive Covenants"), and having done so, stipulates and agrees that that the understandings and restrictions set forth in the Restrictive Covenants are fair and reasonable, and are reasonably necessary for the protection of the interests of the Company. The parties acknowledge that legitimate business interests of the Company can be protected under applicable Florida law with respect to covenants like the Restrictive Covenants.

(h) Rights and Remedies Upon Breach of Restrictive Covenants. If Executive breaches, or threatens to commit a breach of, the Restrictive Covenants, the Company shall have the right to have the Restrictive Covenants specifically enforced or to have any actual or threatened breach thereof enjoined by a court having competent jurisdiction, including a temporary restraining order, in addition to any and all other remedies. The Company will not be required to post a bond or provide other collateral in any such proceeding. It is further expressly understood that and stipulated that a violation of the Restrictive Covenants by Executive will inherently result in irreparable harm to the Company. Executive hereby waives any adequate remedy at law defense and failure or lack of consideration defense to the remedy of injunctive relief. In the event of any litigation for the construction, interpretation, or enforcement of any of the terms or provisions of the Restrictive Covenants, reasonable attorney's fees and costs shall be awarded to the substantially prevailing party(ies). Executive covenants and agrees that the obligations contained herein shall be extended by the length of time which Executive shall have been in breach of any of said provisions. Accordingly, Executive recognizes that the time periods included in the Restrictive Covenants contained herein shall begin on the date a court of competent jurisdiction enters an order enjoining Executive from violating such provisions unless good cause can be shown as to why the periods described should not begin at that time.

(i) Considerations of the Restrictive Covenants. Executive acknowledges and understands that but for Executive's execution of this Agreement and the agreement to the Restrictive Covenants, the Company will/would not engage the continued services of Executive and that the offer to Executive, together with any compensation paid (including any compensation payable to Executive following termination), the Company considers sufficient consideration for the execution of this Agreement.

(j) Enforcement. Executive and the Company desire that the provisions of this Agreement be enforced to the fullest extent permissible under the laws and public policies of the State of Texas. Executive acknowledges and confirms that enforcement of the Restrictive Covenants shall not impair his ability to earn a livelihood. Executive acknowledges that the restrictions contained herein are reasonable. If a court of competent jurisdiction, however, determines that any restrictions imposed on Executive under this Agreement are unreasonable or unenforceable because of duration or otherwise, Executive and the Company agree and intend that the court shall enforce this Agreement to the maximum extent the court deems reasonable and that the court shall have the right to strike or change any provisions of this Agreement and substitute therefor different provisions to effect the intent of this Agreement to the maximum extent possible.

(k) Independent Covenants. The Restrictive Covenants set forth in this Section 12 are given and made by Executive to induce the Company to continue to employ Executive, and Executive hereby acknowledges the sufficiency of the consideration for such covenants, and acknowledges that but for such covenants, the Company would not have agreed to employ Executive. These covenants on the part of Executive shall be construed as an agreement independent of any other terms of employment, and the existence of any claim or cause of action of Executive against the Company shall not constitute a defense to the enforcement by the Company of these covenants.

13. Successors; Binding Agreement; Assignment.

(a) This Agreement will be binding upon and inure to the benefit of the Company and any successor to the Company, including without limitation any persons acquiring directly or indirectly all or substantially all of the business or assets of the Company whether by purchase, merger, consolidation, reorganization or otherwise (and such successor will thereafter be deemed the "Company" for the purposes of this Agreement).

(b) This Agreement will inure to the benefit of, and be enforceable by, the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, and legatees. This Agreement will supersede the provisions of any employment, severance or other agreement between the Executive and the Company that relate to any matter that is also the subject of this Agreement, and such provisions in such other agreements will be null and void.

(c) This Agreement is personal in nature and Executive shall not, without the consent of the Company, assign, transfer, or delegate this Agreement or any rights or obligations hereunder. Without limiting the generality or effect of the foregoing, the Executive's right to receive payments hereunder will not be assignable, transferable, or delegable, whether by pledge, creation of a security interest, or otherwise, other than by a transfer by the Executive's will or by the laws of descent and distribution and, in the event of any attempted assignment or transfer contrary to this Section 13(c), the Company will have no liability to pay any amount so attempted to be assigned, transferred, or delegated. The rights and obligations of the Company under this Agreement (including, without limitation, the Restrictive Covenants in Section 12 hereof) may be assigned by the Company at any time without the consent of Executive, and shall inure to the benefit of and be enforceable by the successors and assigns of the Company.

14. Notices. For purposes of this Agreement, all communications, including without limitation notices, consents, requests or approvals, required or permitted to be given hereunder will be in writing and will be deemed to have been duly given when hand delivered or dispatched by electronic facsimile transmission (with receipt thereof orally confirmed), or five (5) business days after having been mailed by United States registered or certified mail, return receipt requested, postage prepaid, or three (3) business days after having been sent by a nationally recognized overnight courier service such as FedEx or UPS, addressed to the Company (to the attention of the Secretary of the Company) at its principal executive office and to the Executive at his principal residence, or to such other address as any party may have furnished to the other in writing and in accordance herewith, except that notices of changes of address will be effective only upon receipt.

15. Gender, Etc. Words used herein, regardless of the number and gender specifically used, shall be deemed and construed to include any other number, singular or plural, and any other gender, masculine, feminine or neuter, as the context indicates is appropriate.

16. Governing Law. The validity, interpretation, construction, and performance of this Agreement will be governed by and construed in accordance with the substantive laws of the State of Texas, without giving effect to the principles of conflict of laws of such State

17. Validity. If any provision of this Agreement or the application of any provision hereof to any person or circumstances is held invalid, unenforceable or otherwise illegal, the remainder of this Agreement and the application of such provision to any other person or circumstances will not be affected, and the provision so held to be invalid, unenforceable or otherwise illegal will be reformed to the extent (and only to the extent) necessary to make it enforceable, valid or legal.

18. Miscellaneous. No provision of this Agreement may be modified, waived, or discharged unless such waiver, modification or discharge is agreed to in writing signed by the Executive and the Company. No waiver by either party hereto at any time of any breach by the other party hereto or compliance with any condition or provision of this Agreement to be performed by such other party will be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreements or representations, oral or otherwise, expressed or implied with respect to the subject matter hereof have been made by either party that are not set forth expressly in this Agreement. References to Sections are to references to Sections of this Agreement. Any reference in this Agreement to a provision of a statute, rule or regulation will also include any successor provision thereto.

19. Indemnification and D&O Insurance. Executive will be provided indemnification to the maximum extent permitted by the Company's and its subsidiaries' and affiliates' Articles of Incorporation or Bylaws, including, if applicable, any directors and officers insurance policies, with such indemnification to be on terms determined by the Board or any of its committees, but on terms no less favorable than provided to any other Company executive officer or director and subject to the terms of any separate written indemnification agreement.

20. Employee Benefits. Executive will be eligible to participate in the Company employee benefit plans, policies and arrangements that are applicable to other executive officers of the Company, as such plans, policies and arrangements may exist from time to time and on terms at least as favorable as provided to any other executive officer of the Company.
21. No Duplication of Benefits. The benefits provided to Executive in this Agreement shall offset substantially similar benefits provided to Executive pursuant to another Company policy, plan or agreement.
22. Survival. Notwithstanding any provision of this Agreement to the contrary, the parties' respective rights and obligations under this Agreement, will survive any termination or expiration of this Agreement or the termination of the Executive's employment for any reason whatsoever.
23. Counterparts. This Agreement may be executed in multiple counterparts, and it is not necessary that signatures of all parties appear on the same counterpart, but such counterparts together will constitute a single binding agreement between and among all parties hereto. Counterparts may be executed by hand or by any electronic signature complying with the U.S. federal E-SIGN Act of 2000 (the "E-SIGN Act"). Executed counterparts may be delivered via facsimile, electronic mail or other similar transmission method, and any executed counterpart so delivered shall be valid and effective for all purposes. No party shall raise the use of any electronic signature that complies with the E-SIGN Act (including www.docusign.com), or the use of a facsimile machine, electronic mail or other similar transmission method as a means to deliver a signature to this Agreement or any amendment hereto as a defense to the formation or enforceability of a contract and each party forever waives any such defense.
24. Headings; Captions. The headings and captions of the various Sections (including any subsections) herein contained are intended for ease of reference only and are not to be construed as evidence of the intent as to the content thereof.
25. Construction. The parties acknowledge that each party and its counsel have reviewed and revised this Agreement and that the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement, or any amendments or exhibits hereto or thereto.
26. Legal Fees. If a legal action is initiated by any party to this Agreement against the other party arising out of or relating to the alleged performance or non-performance of any right or obligation established hereunder, any and all fees, costs and expenses reasonably incurred by the successful party or his or its legal counsel in investigating, preparing for, prosecuting, defending against, or providing evidence, producing documents or taking any other action in respect of, such action will be the obligation of and will be paid or reimbursed by the unsuccessful party.
27. Representation by Independent Legal Counsel. Executive hereby acknowledges that he has been provided with a copy of this Agreement for review prior to signing it, that he has been given the opportunity to have this Agreement reviewed by his own attorney prior to signing it, that he understands the purposes and effects of this Agreement and that the counsel for the Company, Johnson, Pope, Bokor, Ruppel & Burns, LLP prepared this Agreement on behalf of and in the course of its representation of the Company.
28. Supersedes all Prior Agreements. This Agreement supersedes and replaces in their entirety any previous written agreements or oral understandings regarding Executive's employment relationship with the Company and its subsidiaries.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed and delivered as of the date first above written.

CUI GLOBAL, INC.

By: /s/ Corey A. Lambrecht
Corey A. Lambrecht, Chairman
Compensation Committee

“Company”

/s/ Daniel N. Ford
DANIEL N. FORD

“Executive”

MTC/ej/5533155v1

Annex A
CUI Global, Inc.
Option to Purchase Common Stock

Optionee Name: Daniel N. Ford

Optionee Address: CUI Global, Inc.
1924 Aldine Western Road
Houston, TX 77038

Date of Grant: May 14, 2019

Number of Underlying Common Shares: Nine Hundred Sixty Thousand (960,000).

Option Price: \$1.14. The NASDAQ.COM closing price per share for the trading day immediately preceding the date of grant.

Vesting: Thirty Six (36) equal monthly installments (May 15, 2019 thru May 15, 2022). 26,666.66 options vest per month.

Time of Exercise of Option: The vested options shall be exercisable, in whole or in part, and from time to time, at any time before ten years from the date of vesting; provided, that no single exercise of the Option shall be for fewer than 10 shares, unless the number of shares purchased is the total number at the time available for purchase under this Option to Purchase Common Stock.

Cashless Exercise: The holder of the option, at his election, may exercise this option in a cashless exercise transaction. In order to effect this cashless exercise, the holder of the option shall give written notice (email is acceptable) to the company of his intention to use the cashless election and the date of the cashless exercise. The Company shall issue to the option holder a number of shares of common stock computed using the following formula:

$$X = Y (A-B)/A$$

where: X = the number of shares of common stock to be issued to the option holder.

Y = the number of shares of common stock for which the option is being exercised.

A = the market price of one (1) share of common stock. The "market price" shall be defined as the average closing price of the common stock for the five (5) trading days prior to the designated date of exercise of the option (the "average closing price"), as reported by The NASDAQ Stock Market. If the Common Stock is/was not traded during the five (5) trading days prior to the date of exercise, then the closing price for the last publicly traded day shall be deemed to be the closing price for any and all (if applicable) days during such five (5) trading day period.

B = the exercise price.

This Option to purchase Common Stock is subject to acceleration, termination or to forfeiture pursuant to the terms of the Optionee's Employment Agreement with the Company, the terms of which are incorporated herein by reference. Optionee expressly acknowledges that this Option to Purchase Common Stock is subject to shareholder approval of an equity incentive plan of which the Executive is entitled to participate. If shareholders do not approve an equity incentive plan, which includes this Option to Purchase Common Stock within one (1) year of the date of this Option to Purchase Common Stock, then the Executive agrees that he shall forfeit all right, title and interest in and to this Option to Purchase Common Stock. The issuance of this Option to Purchase Common Stock shall be subject to NASDAQ Listing Rule 5635(c). No options may be exercised until shareholders approve an equity incentive plan, of which the Executive is entitled to participate. The number of options and exercise price shall be proportionately and equitably adjusted for any stock splits or other similar recapitalizations. In no event may the Optionee exercise any Options within six (6) months of the grant date.

IN WITNESS WHEREOF, the Company has duly executed this Option to Purchase Common Stock as of the 14th day of May, 2019.

CUI Global, Inc.

By: /s/ Corey A. Lambrecht
Corey A. Lambrecht, Chairman
Compensation Committee

Optionee Signature:

/s/ Daniel N. Ford Date: May 14, 2019

MTC/ej/5533262v1

ANNEX "B"

RELEASE OF CLAIMS

This RELEASE OF CLAIMS ("Agreement") is made by and between CUI GLOBAL, INC., a Colorado corporation (the "Company"), and DANIEL N. FORD (hereinafter referred to as "You").

WHEREAS, You have agreed to enter into a release of claims in favor of the Company upon certain events specified in the Executive Employment Agreement by and between the Company and You.

NOW, THEREFORE, in consideration of the mutual promises made herein, the Company and You agree as follows:

1. **Termination Date.** This means the last day of Your employment with the Company.
2. **Acknowledgement of Payment of Wages.** You acknowledge that the Company has paid you all accrued wages, salary, bonuses, accrued but unused vacation pay and any similar payment due and owing, with the exception of the payments and benefits owed to you under the Executive Employment Agreement and/or under any equity-based compensation awards.
3. **Confidential Information.** You hereby acknowledge that you are bound by all confidentiality agreements that you entered into with the Company and/or any and all past and current parent, subsidiary, related, acquired and affiliated companies, predecessors and successors thereto, and with any customers or clients of the Company (which agreements are incorporated herein by this reference), that as a result of Your employment you have had access to the Confidential Information (as defined in such agreement(s)), that you will hold all such Confidential Information in strictest confidence and that You may not make any use of such Confidential Information on Your own behalf or on behalf of any third party. You further confirm that within five (5) business days following the Termination Date, You will deliver to the Company all documents and data of any nature containing or pertaining to such Confidential Information and that You will not take with you any such documents or data or any reproduction thereof.
4. **Release and Waiver of Claims.** In consideration of the benefits provided in this Agreement, You release the Company, and any and all past, current and future parent, subsidiary, related and affiliated companies, predecessors and successors thereto, as well as their officers, directors, shareholders, agents, employees, affiliates, representatives, attorneys, insurers, successors and assigns, from any and all claims, liability, damages or causes of action whatsoever, whether known or unknown, which exist or may in the future exist arising from or relating to events, acts or omissions on or before the Effective Date of this Agreement, other than those rights which as a matter of law cannot be waived, or may represent post termination payments or benefits to be received pursuant to the Executive Employment Agreement by and between Company and You.

You understand and acknowledge that this release includes, but is not limited to any claim for reinstatement, re-employment, damages, attorney fees, stock options (but on the exercise of any previously granted stock options), bonuses or additional compensation in any form, and any claim, including but not limited to those arising under tort, contract and local, state or federal statute, including but not limited to Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1991, the Post Civil War Civil Rights Act (42 U.S.C. 1981-88), the Equal Pay Act, the Age Discrimination in Employment Act, the Americans with Disabilities Act, the Vietnam Era Veterans Readjustment Assistance Act, the Fair Labor Standards Act, the Family Medical Leave Act of 1993, the Uniformed Services Employment and Re-employment Rights Act, the Employee Retirement Income Security Act of 1974, and the civil rights, employment, and labor laws of any state and any regulation under such authorities relating to Your employment or association with the Company or the termination of that relationship.

You also acknowledge that you are waiving and releasing any rights You may have under the Age Discrimination in Employment Act (ADEA) and that this waiver and release is knowing and voluntary. You acknowledge that (1) You have been, and hereby are, advised in writing to consult with an attorney prior to executing this Agreement, (2) as consideration for executing this Agreement, You have received additional benefits and compensation of value to which You would otherwise not be entitled, and (3) by signing this Agreement, You will not waive rights or claims under the Act which may arise after the execution of this Agreement, and (4) You have twenty- one (21) calendar days within which to consider this Agreement and in the event You sign the Agreement prior to twenty- one (21) days, You do so voluntarily. Once You have accepted the terms of this Agreement, You will have an additional seven (7) calendar days in which to revoke such acceptance. To revoke, You must send a written statement of revocation to the Vice President of Human Resources. If You revoke within seven (7) days, You will receive no benefits under this Agreement. In the event You do not exercise your right to revoke this Agreement, the Agreement shall become effective on the date immediately following the seven day (7) waiting period described above.

This release does not waive any rights You may have under any directors and officers insurance or indemnity provision, agreement or policy in effect as of the Termination Date, nor does it affect vested rights You may have under any equity-based compensation plan, retirement plan, 401(k) plan or other benefits plan.

5. No Pending or Future Lawsuits. You represent that You have no lawsuits, claims, or actions pending in Your name or on behalf of any other person or entity, against the Company or any other person or entity referred to herein. You also represent that You do not intend to bring any claims on Your own behalf or on behalf of any other person or entity against the Company or any other person or entity referred to herein.

6. Non-Disparagement. You agree that You will not, whether orally or in writing, make any disparaging statements or comments, either as fact or as opinion, about the Company or its products and services, business, technologies, market position, agents, representatives, directors, officers, shareholders, attorneys, employees, vendors, affiliates, successors or assigns, or any person acting by, through, under or in concert with any of them.

7. Additional Terms.

(a) Legal and Equitable Remedies. You agree that the Company shall have the right to enforce this Agreement and any of its provisions by injunction, specific performance or other equitable relief without prejudice to any other rights or remedies the Company may have at law or in equity for breach of this Agreement.

(b) Attorney's Fees. If any action at law or in equity is brought to enforce the terms of this Agreement, the prevailing party shall be entitled to recover from the other party its reasonable attorneys' fees, costs and expenses at trial or arbitration and any appeal therefrom, in addition to any other relief to which such prevailing party may be entitled.

(c) Non-Disclosure. You agree to keep the contents, terms and conditions of this Agreement confidential; provided, however, that You may disclose this Agreement with Your spouse, attorneys, and accountants, or pursuant to subpoena or court order. Any breach of this non-disclosure paragraph is a material breach of this Agreement.

(d) No Admission of Liability. This Agreement is not, and the parties shall not represent or construe this Agreement, as an admission or evidence of any wrongdoing or liability on the part of the Company, its officers, shareholders, directors, employees, subsidiaries, affiliates, divisions, successors or assigns. Neither party shall attempt to admit this Agreement into evidence for any purpose in any proceeding except in a proceeding to construe or enforce the terms of this Agreement.

(e) Entire Agreement. This Agreement along with the Executive Employment Agreement, constitutes the entire agreement between You and the Company with respect to Your separation from the Company and supersedes all prior negotiations and agreements, whether written or oral, relating to its subject matter.

(f) Modification/Successors. This Agreement may not be altered, amended, modified, or otherwise changed in any respect except by another written agreement that specifically refers to this Agreement, and that is duly executed by You and an authorized representative of the Company. This Agreement shall be binding upon Your heirs, executors, administrators and other legal representatives and may be assigned and enforced by the Company, its successors and assigns.

(g) Severability. The provisions of this Agreement are severable. If any provision of this Agreement or its application is held invalid, the invalidity shall not affect other obligations, provisions, or applications of this Agreement that can be given effect without the invalid obligations, provisions, or applications.

(h) Waiver. The failure of either party to demand strict performance of any provision of this Agreement shall not constitute a waiver of any provision, term, covenant, or condition of this Agreement or of the right to demand strict performance in the future.

(i) Governing Law and Jurisdiction. This Agreement shall be interpreted and enforced in accordance with the laws of the State of Texas. The exclusive jurisdiction for any action to interpret or enforce this Agreement shall be the State of Texas.

(j) Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and same instrument.

(k) Voluntary Execution of Agreement. This Agreement is executed voluntarily and without any duress or undue influence on the part of the parties hereto, with the full intent of releasing all claims. You acknowledge that:

- (i) You have read this Agreement;

- (ii) You understand the terms and consequences of this Agreement and the releases it contains;
- (iii) You have been advised to consult with an attorney prior to executing this Agreement;
- (iv) You knowingly and voluntarily agree to all the terms in this Agreement; and
- (v) You knowingly and voluntarily intend to be bound by this Agreement.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed and delivered as of the date first above written.

CUI GLOBAL, INC.

By: _____
Print Name: _____
Title: _____

DANIEL N. FORD

MTC/ej/5537649v1

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Section 4: 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.

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Section 5: 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: May 15, 2019

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Section 6: 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 March 31, 2019, 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: May 15, 2019

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Section 7: 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 March 31, 2019, 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: May 15, 2019

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