

NVE CORP /NEW/
Form 10-Q
October 15, 2018

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2018

or

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

For the transition period from _____ to _____

Commission File Number: 000-12196

NVE CORPORATION

(Exact name of registrant as specified in its charter)

Minnesota

(State or other jurisdiction of incorporation or organization)

41-1424202

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

11409 Valley View Road, Eden Prairie, Minnesota

(Address of principal executive offices)

55344

(Zip Code)

(952) 829-9217

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

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

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

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

Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practicable date.

Common Stock, \$0.01 Par Value – 4,844,010 shares outstanding as of October 12, 2018

PART I—FINANCIAL INFORMATION**Item 1. Financial Statements.****NVE CORPORATION
BALANCE SHEETS**

	(Unaudited) Sept. 30, 2018	March 31, 2018*
ASSETS		
Current assets		
Cash and cash equivalents	\$6,047,918	\$4,755,082
Marketable securities, short-term	23,941,749	20,765,809
Accounts receivable, net of allowance for uncollectible accounts of \$15,000	3,045,230	2,888,779
Inventories	3,575,963	3,650,439
Prepaid expenses and other assets	650,748	635,160
Total current assets	37,261,608	32,695,269
Fixed assets		
Machinery and equipment	9,395,987	9,395,987
Leasehold improvements	1,787,269	1,749,284
	11,183,256	11,145,271
Less accumulated depreciation and amortization	10,066,677	9,819,888
Net fixed assets	1,116,579	1,325,383
Deferred tax assets	625,024	572,655
Marketable securities, long-term	46,860,152	52,838,158
Total assets	\$85,863,363	\$87,431,465
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$253,702	\$414,970
Accrued payroll and other	462,262	574,755
Total current liabilities	715,964	989,725
Shareholders' equity		
Common stock, \$0.01 par value, 6,000,000 shares authorized; 4,844,010 issued and outstanding as of Sept. 30, 2018 and 4,842,010 as of March 31, 2018	48,440	48,420
Additional paid-in capital	19,817,088	19,599,298
Accumulated other comprehensive loss	(1,031,790)	(915,635)
Retained earnings	66,313,661	67,709,657
Total shareholders' equity	85,147,399	86,441,740
Total liabilities and shareholders' equity	\$85,863,363	\$87,431,465

*The March 31, 2018 Balance Sheet is derived from the audited financial statements contained in our Annual Report

on Form 10-K for the fiscal year ended March 31, 2018.

See accompanying notes.

NVE CORPORATION
STATEMENTS OF INCOME
(Unaudited)

	Quarter Ended Sept.	
	30	
	2018	2017
Revenue		
Product sales	\$7,054,977	\$6,387,080
Contract research and development	451,098	609,154
Total revenue	7,506,075	6,996,234
Cost of sales	1,352,845	1,353,169
Gross profit	6,153,230	5,643,065
Expenses		
Research and development	971,963	1,030,504
Selling, general, and administrative	377,448	348,363
Total expenses	1,349,411	1,378,867
Income from operations	4,803,819	4,264,198
Interest income	443,325	387,860
Income before taxes	5,247,144	4,652,058
Provision for income taxes	964,534	1,491,023
Net income	\$4,282,610	\$3,161,035
Net income per share – basic	\$0.88	\$0.65
Net income per share – diluted	\$0.88	\$0.65
Cash dividends declared per common share	\$1.00	\$1.00
Weighted average shares outstanding		
Basic	4,843,032	4,841,010
Diluted	4,852,644	4,845,632

STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	Quarter Ended Sept.	
	30	
	2018	2017
Net income	\$4,282,610	\$3,161,035
Unrealized gain from marketable securities, net of tax	51,237	12,738
Comprehensive income	\$4,333,847	\$3,173,773

See accompanying notes.

NVE CORPORATION
STATEMENTS OF INCOME
(Unaudited)

	Six Months Ended Sept.	
	30	
	2018	2017
Revenue		
Product sales	\$13,925,623	\$13,269,753
Contract research and development	688,358	1,334,147
Total revenue	14,613,981	14,603,900
Cost of sales	2,748,850	3,151,535
Gross profit	11,865,131	11,452,365
Expenses		
Research and development	1,960,989	1,936,229
Selling, general, and administrative	706,209	747,724
Total expenses	2,667,198	2,683,953
Income from operations	9,197,933	8,768,412
Interest income	868,095	749,638
Income before taxes	10,066,028	9,518,050
Provision for income taxes	1,838,369	3,059,400
Net income	\$8,227,659	\$6,458,650
Net income per share – basic	\$1.70	\$1.33
Net income per share – diluted	\$1.70	\$1.33
Cash dividends declared per common share	\$2.00	\$2.00
Weighted average shares outstanding		
Basic	4,842,524	4,841,010
Diluted	4,851,072	4,845,907

STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	Six Months Ended	
	Sept. 30	
	2018	2017
Net income	\$8,227,659	\$6,458,650
Unrealized (loss) gain from marketable securities, net of tax	(55,790)	67,765
Comprehensive income	\$8,171,869	\$6,526,415

See accompanying notes.

NVE CORPORATION
STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended Sept.	
	30	
	2018	2017
OPERATING ACTIVITIES		
Net income	\$8,227,659	\$6,458,650
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	357,166	480,143
Stock-based compensation	93,360	40,920
Deferred income taxes	(36,743)	(113,718)
Changes in operating assets and liabilities:		
Accounts receivable	(156,451)	777,184
Inventories	74,476	(146,180)
Prepaid expenses and other assets	(15,588)	84,093
Accounts payable and accrued expenses	(273,761)	(122,053)
Deferred revenue	-	(142,733)
Net cash provided by operating activities	8,270,118	7,316,306
INVESTING ACTIVITIES		
Purchases of fixed assets	(37,985)	(526,377)
Purchases of marketable securities	(6,679,727)	(12,138,960)
Proceeds from maturities and sales of marketable securities	9,300,000	11,940,000
Net cash provided by (used in) investing activities	2,582,288	(725,337)
FINANCING ACTIVITIES		
Proceeds from sale of common stock	124,450	-
Payment of dividends to shareholders	(9,684,020)	(9,682,020)
Net cash used in financing activities	(9,559,570)	(9,682,020)
Increase (decrease) in cash and cash equivalents	1,292,836	(3,091,051)
Cash and cash equivalents at beginning of period	4,755,082	8,199,364
Cash and cash equivalents at end of period	\$6,047,918	\$5,108,313
Supplemental disclosures of cash flow information:		
Cash paid during the period for income taxes	\$1,866,045	\$2,975,019

See accompanying notes.

NVE CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Unaudited)

NOTE 1. DESCRIPTION OF BUSINESS

We develop and sell devices that use spintronics, a nanotechnology that relies on electron spin rather than electron charge to acquire, store, and transmit information.

NOTE 2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying unaudited financial statements of NVE Corporation are prepared consistent with accounting principles generally accepted in the United States and in accordance with Securities and Exchange Commission rules and regulations. In the opinion of management, these financial statements reflect all adjustments, consisting only of normal and recurring adjustments, necessary for a fair presentation of the financial statements. Although we believe that the disclosures are adequate to make the information presented *not* misleading, it is suggested that these unaudited financial statements be read in conjunction with the audited financial statements and the notes included in our latest annual financial statements included in our Annual Report on Form *10-K* for the fiscal year ended *March 31, 2018*. The results of operations for the quarter or *six* months ended *September 30, 2018* are *not* necessarily indicative of the results that *may* be expected for the full fiscal year ending *March 31, 2019*.

Significant Accounting Policies

Revenue Recognition

We recognize revenue when we satisfy performance obligations by the transfer of control of products or services to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those products or services. Revenue is disaggregated into product sales and contract research and development to depict the nature, amount, timing of revenue recognition and economic characteristics of our business, and is represented within the financial statements.

We recognize revenue from product sales to customers and distributors when we satisfy our performance obligation, at a point in time, upon product shipment or delivery to our customer or distributor as determined by agreed upon shipping terms. Shipping charges billed to customers are included in product sales and the related shipping costs are included in selling, general, and administrative expenses. Under certain limited circumstances, our distributors *may* earn commissions for activities unrelated to their purchases of our products, such as for facilitating the sale of custom products or research and development contracts with *third* parties. We recognize any such commissions as selling, general, and administrative expenses. We recognize discounts provided to our distributors as reductions in revenue.

We recognize contract research and development revenue over a period of time as the performance obligation is satisfied over a period of time rather than a point in time. Contracts have specifications unique to each customer and do *not* create an asset with an alternate use, and we have an enforceable right to payment for performance completed to date. We recognize revenue over a period of time using costs incurred as the measurement of progress towards completion.

Accounts receivable is recognized when we have transferred a good or service to a customer and our right to receive consideration is unconditional through the completion of our performance obligation. A contract asset is recognized when we have a right to consideration from the transfer of goods or services to a customer but have *not* completed our performance obligation. A contract liability is recognized when we have been paid by a customer but have *not* yet satisfied the performance obligation by transferring goods or services. We had *no* material contract assets or contract liabilities as of *September 30, 2018* or *March 31, 2018*.

Our performance obligations related to product sales and contract research and development contracts are satisfied in *one* year or less. Unsatisfied performance obligations represent contracts with an original expected duration of *one* year or less. As permitted under Accounting Standards Codification (“ASC”) Topic 606, *Revenue from Contracts with Customers*, we are using the practical expedient *not* to disclose the value of these unsatisfied performance obligations. We also use the practical expedient in which we do *not* assess whether a contract has a significant financing component if the expectation at contract inception is such that the period between payment by the customer and the transfer of the promised goods or services to the customer will be *one* year or less.

NOTE 3. RECENTLY ISSUED ACCOUNTING STANDARDS***Recently Adopted Accounting Standards***

In August 2018, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2018-13, *Fair Value Measurement*. ASU 2018-13 modifies the disclosure requirements for fair value measurements by removing, modifying, or adding certain disclosures. The amendments in ASU 2018-13 will be effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years, which will be fiscal 2021 for us. Early adoption is permitted for the removed disclosures and delayed adoption is permitted until fiscal 2021 for the new disclosures. We adopted ASU 2018-13 early, effective the quarter ended September 30, 2018. The removed and modified disclosures were adopted on a retrospective basis and the new disclosures on a prospective basis. The adoption did *not* have a significant effect on our financial statements.

In February 2018, the FASB issued ASU No. 2018-02, *Income Statement—Reporting Comprehensive Income (Topic 220)*. ASU 2018-02 addresses the effect of the change in the U.S. federal corporate tax rate on items within accumulated other comprehensive income or loss due to the enactment of the Act “To provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018” (the “Tax Reform Act”) on December 22, 2017. The guidance will be effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years, which will be fiscal 2020 for us. Early adoption is permitted, and we adopted ASU 2018-02 in the quarter ended June 30, 2018. The adoption resulted in a \$60,365 reclassification from accumulated other comprehensive loss to retained earnings due to the change in the federal corporate tax rate.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230), Classification of Certain Cash Receipts and Cash Payments*, which made eight targeted changes to how cash receipts and cash payments are presented and classified in the statement of cash flows. We adopted ASU 2016-15 retrospectively in the quarter ended June 30, 2018. The adoption did *not* have a significant impact on our financial statements.

In January 2016, the FASB issued ASU No. 2016-01, *Financial Instruments—Overall: Recognition and Measurement of Financial Assets and Financial Liabilities*. The amendment changed the accounting for and financial statement presentation of equity investments, other than those accounted for under the equity method of accounting or those that result in consolidation of the investee. The amendment provides clarity on the measurement methodology to be used for the required disclosure of fair value of financial instruments measured at amortized cost on the balance sheet and clarifies that an entity should evaluate the need for a valuation allowance on deferred tax assets related to available-for-sale securities in combination with the entity’s other deferred tax assets, among other changes. We adopted ASU 2016-01 retrospectively in the quarter ended June 30, 2018. The adoption did *not* have a significant impact on our financial statements.

In May 2014, the FASB issued ASU No. 2014-09, which superseded the revenue recognition requirements in Accounting Standards Codification 605, *Revenue Recognition*. ASU 2014-09 is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. It also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. We adopted the guidance using the modified retrospective method to contracts that were *not* complete as of April 1, 2018. The adoption did *not* have significant impact on our financial statements.

Information regarding all other applicable recently issued accounting standards, on which our position have *not* changed since our latest annual financial statements, are contained in the financial statements included in our Annual Report on Form 10-K for the year ended March 31, 2018.

New Accounting Standard Not Yet Adopted

In *February 2016*, the FASB issued ASU No. 2016-02, *Lease Accounting*. ASU 2016-02 requires recognition of lease assets and lease liabilities on the balance sheet of lessees. In *July 2018*, the FASB issued ASU 2018-10, *Codification Improvements to Topic 842 (Leases)*, which provides narrow amendments to clarify how to apply certain aspects of the new lease standard. The guidance will be effective for fiscal years beginning after *December 15, 2018*, and interim periods within those fiscal years, which will be fiscal 2020 for us. In *July 2018*, the FASB issued ASU No. 2018-11, *Leases Topic (842): Targeted Improvements*. This ASU provides companies an option to apply the transition provisions of the new lease standard at its adoption date instead of at the earliest comparative period presented in its financial statements. We expect to adopt the new lease guidance using the newly-approved transition method. We expect to recognize a liability and corresponding asset associated with in-scope operating and finance leases but are still in the process of determining those amounts and the processes required to account for leasing activity on an ongoing basis.

NOTE 4. NET INCOME PER SHARE

Net income per basic share is computed based on the weighted-average number of common shares issued and outstanding during each period. Net income per diluted share amounts assume exercise of all stock options. The following tables show the components of diluted shares:

	Quarter Ended Sept. 30	
	2018	2017
Weighted average common shares outstanding – basic	4,843,032	4,841,010
Dilutive effect of stock options	9,612	4,622
Shares used in computing net income per share – diluted	4,852,644	4,845,632

	Six Months Ended Sept. 30	
	2018	2017
Weighted average common shares outstanding – basic	4,842,524	4,841,010
Dilutive effect of stock options	8,548	4,897
Shares used in computing net income per share – diluted	4,851,072	4,845,907

NOTE 5. FAIR VALUE OF FINANCIAL INSTRUMENTS

Our corporate bonds and money market funds are classified as available-for-sale securities and carried at estimated fair value. Unrealized holding gains and losses are included in accumulated other comprehensive income (loss) in the statement of shareholders' equity. Corporate bonds with remaining maturities less than *one* year are classified as short-term, and those with remaining maturities greater than *one* year are classified as long-term. We consider all highly-liquid investments with maturities of *three* months or less when purchased, including money market funds, to be cash equivalents. Gains and losses on marketable security transactions are reported on the specific-identification method.

The fair value of our available-for-sale securities as of *September 30, 2018* by maturity were as follows:

Total	<1 Year	1–3 Years	3–5 Years
\$76,576,286	\$29,716,134	\$22,784,235	\$24,075,917

Total available-for-sale securities represented approximately 89% of our total assets. Marketable securities as of *September 30, 2018* had remaining maturities between *one* and 55 months.

Generally accepted accounting principles establish a framework for measuring fair value, provide a definition of fair value, and prescribe required disclosures about fair-value measurements. Generally accepted accounting principles define fair value as the price that would be received to sell an asset or paid to transfer a liability. Fair value is a market-based measurement that should be determined using assumptions that market participants would use in pricing an asset or liability. Generally accepted accounting principles utilize a valuation hierarchy for disclosure of fair value

measurements. The categorization within the valuation hierarchy is based on the lowest level of input that is significant to the fair value measurement. The categories within the valuation hierarchy are described as follows:

Level 1 – Financial instruments with quoted prices in active markets for identical assets or liabilities.

Level 2 – Financial instruments with quoted prices in active markets for similar assets or liabilities. Level 2 fair value measurements are determined using either prices for similar instruments or inputs that are either directly or indirectly observable, such as interest rates.

Level 3 – Inputs to the fair value measurement are unobservable inputs or valuation techniques.

Money market funds are included on the balance sheets in “Cash and cash equivalents.” Corporate bonds are included on the balance sheets in “Marketable securities, short term” and “Marketable securities, long term.”

The following table shows the estimated fair value of assets that were accounted for at fair value on a recurring basis:

	As of September 30, 2018			As of March 31, 2018		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Money market funds	\$5,774,385	\$-	\$5,774,385	\$3,951,032	\$-	\$3,951,032
Corporate bonds	-	70,801,901	70,801,901	54,517,969	19,085,998	73,603,967
Total	\$5,774,385	\$70,801,901	\$76,576,286	\$58,469,001	\$19,085,998	\$77,554,999

Our available-for-sale securities as of *September 30* and *March 31, 2018*, aggregated into classes of securities, were as follows:

	As of September 30, 2018			As of March 31, 2018				
	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Estimated Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Money market funds	\$5,774,385	\$ -	\$-	\$5,774,385	\$3,951,032	\$ -	\$-	\$3,951,032
Corporate bonds	72,122,677	-	(1,320,776)	70,801,901	74,853,327	-	(1,249,360)	73,603,967
Total	\$77,897,062	\$ -	\$(1,320,776)	\$76,576,286	\$78,804,359	\$ -	\$(1,249,360)	\$77,554,999

The following table shows the gross unrealized holding losses and fair value of our available-for-sale securities with unrealized holding losses, aggregated by class of securities and length of time that individual securities had been in a continuous unrealized loss position as of *September 30* and *March 31, 2018*.

	Less Than 12 Months		12 Months or Greater		Total	
	Estimated Fair Value	Gross Unrealized Holding Losses	Estimated Fair Value	Gross Unrealized Holding Losses	Estimated Fair Value	Gross Unrealized Holding Losses
As of September 30, 2018						
Corporate bonds	\$47,928,537	\$(580,584)	\$22,873,364	\$(740,192)	\$70,801,901	\$(1,320,776)
Total	\$47,928,537	\$(580,584)	\$22,873,364	\$(740,192)	\$70,801,901	\$(1,320,776)
As of March 31, 2018						
Corporate bonds	\$61,731,248	\$(1,003,849)	\$9,072,719	\$(245,511)	\$70,803,967	\$(1,249,360)
Total	\$61,731,248	\$(1,003,849)	\$9,072,719	\$(245,511)	\$70,803,967	\$(1,249,360)

We did *not* consider any of our available-for-sale securities to be impaired as of *September 30, 2018*. *None* of the securities were impaired at acquisition, and subsequent declines in fair value are *not* attributed to declines in credit quality. When evaluating for impairment we assess indicators that include, but are *not* limited to, earnings performance, changes in underlying credit ratings, market conditions, bona fide offers to purchase or sell, and ability to hold until maturity. Because we believe it is more likely than *not* we will recover the cost basis of our investments, we did *not* consider any of our marketable securities to be impaired as of *September 30, 2018*.

NOTE 6. INVENTORIES

Inventories are shown in the following table:

	Sept. 30, 2018	March 31, 2018
Raw materials	\$1,103,638	\$1,084,030
Work in process	1,871,388	1,828,492
Finished goods	600,937	737,917
Total inventories	\$3,575,963	\$3,650,439

NOTE 7. STOCK-BASED COMPENSATION

Stock-based compensation expense was \$93,360 for the *second* quarter and *first six* months of fiscal 2019, and \$40,920 for the *second* quarter and *first six* months of fiscal 2018. Stock-based compensation expenses for the quarters and *six* months ended *September 30, 2018* and *2017* were due to the automatic issuance to our non-employee directors of options to purchase *1,000* shares of stock on their reelection to our Board. We calculate the share-based compensation expense using the Black-Scholes standard option-pricing model. The increase in stock-based compensation expense for fiscal 2019 compared to fiscal 2018 was due to an increase in the model valuation for the same number of options to purchase shares.

NOTE 8. INCOME TAXES

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

The Act “To provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018” (the “Tax Reform Act”) was enacted *December 22, 2017*. The Tax Reform Act reduced certain Federal corporate income tax rates effective *January 1, 2018* and changed certain other provisions. As a result of the Tax Reform Act, our tax rate decreased to an estimated *18%* for fiscal 2019 from *30%* for fiscal 2018.

We had *no* unrecognized tax benefits as of *September 30, 2018*, and we do *not* expect any significant unrecognized tax benefits within *12* months of the reporting date. We recognize interest and penalties related to income tax matters in income tax expense. As of *September 30, 2018* we had *no* accrued interest related to uncertain tax positions. The tax years *1999* and *2014* through *2017* remain open to examination by the major taxing jurisdictions to which we are subject.

NOTE 9. STOCK REPURCHASE PROGRAM

On *January 21, 2009* we announced that our Board of Directors authorized the repurchase of up to \$2,500,000 of our Common Stock, and on *August 27, 2015* we announced that our Board authorized \$5,000,000 of additional repurchases. We did *not* repurchase any of our Common Stock under the program during the quarter ended *September 30, 2018*. The remaining authorization was \$4,540,806 as of *September 30, 2018*. The Repurchase Program may be modified or discontinued at any time without notice.

NOTE 10. SUBSEQUENT EVENTS

On *October 17, 2018* we announced that our Board had declared a quarterly cash dividend of \$1.00 per share of Common Stock to be paid *November 30, 2018* to shareholders of record as of the close of business *October 29, 2018*.