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

**FORM 10-Q**

(Mark One)

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

**For the quarterly period ended October 1, 2017**

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: **000-50081**

**UNIROYAL GLOBAL ENGINEERED PRODUCTS, INC.**

*(Name of registrant as specified in its charter)*

**Nevada**

*(State or Other Jurisdiction of Organization)*

**65-1005398**

*(IRS Employer Identification Number)*

**1800 2nd Street, Suite 970**

**Sarasota, FL 34236**

*(Address of principal executive offices)*

**(941) 906-8580**

*(Issuer's telephone number)*

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer  (Do not check if smaller reporting company)

Smaller reporting company

Emerging growth company

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

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

As of November 1, 2017, the issuer had 17,078,928 shares of ordinary Common Stock, \$0.001 par value, and 1,619,102 shares of Class B Common Stock, \$0.001 par value, outstanding.

UNIROYAL GLOBAL ENGINEERED PRODUCTS, INC.

Form 10-Q  
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**CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

Except for statements of historical fact, certain information contained herein constitutes forward-looking statements including, without limitation, statements containing the words “believes,” “anticipates,” “intends,” “expects,” as well as all references to future results. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results or achievements of Uniroyal Global Engineered Products, Inc. to be materially different from any future results or achievements expressed or implied by such forward-looking statements. Such factors include, but are not limited to, the following: risks involved in implementing our business strategy, our ability to obtain financing on acceptable terms, competition, our ability to manage growth, risks of technological change, currency fluctuations, our dependence on key personnel, our ability to protect our intellectual property rights, risks relating to customer plans and commitments, the pricing and availability of equipment, materials and inventory, the Company’s ability to successfully integrate acquired operations, risks of new technology and new products, and government regulation. All forward-looking statements are qualified in their entirety by this cautionary statement, and the Company undertakes no obligation to revise or update any such forward-looking statements to reflect events, developments or circumstances after the date hereof.

**Part 1 - FINANCIAL INFORMATION****Item 1 - Financial Statements****Uniroyal Global Engineered Products, Inc.  
Consolidated Balance Sheets**

	(Unaudited)	
ASSETS	October 1, 2017	January 1, 2017
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,751,129	\$ 1,321,586
Accounts receivable, net	15,216,420	14,555,463
Inventories, net	21,289,279	17,046,171
Other current assets	694,922	1,183,932
Related party receivable	56,115	25,456
Total Current Assets	<u>39,007,865</u>	<u>34,132,608</u>
<b>PROPERTY AND EQUIPMENT, NET</b>	<u>15,295,342</u>	<u>13,611,494</u>
<b>OTHER ASSETS</b>		
Intangible assets	3,281,461	3,133,564
Goodwill	1,079,175	1,079,175
Other long-term assets	7,023,981	6,665,375
Total Other Assets	<u>11,384,617</u>	<u>10,878,114</u>
<b>TOTAL ASSETS</b>	<u>\$ 65,687,824</u>	<u>\$ 58,622,216</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Checks issued in excess of bank balance	\$ 829,573	\$ 679,494
Lines of credit	19,833,352	16,799,592
Current maturities of long-term debt	1,021,491	851,988
Current maturities of capital lease obligations	399,205	368,718
Accounts payable	9,628,261	7,331,213
Accrued expenses and other liabilities	4,361,076	3,645,526
Related party obligation	375,029	371,161
Current portion of postretirement benefit liability - health and life	158,527	158,527
Total Current Liabilities	<u>36,606,514</u>	<u>30,206,219</u>
<b>LONG-TERM LIABILITIES</b>		
Long-term debt, less current portion	2,032,932	1,994,910
Capital lease obligations, less current portion	629,262	856,171
Related party lease financing obligation	2,155,914	2,162,151
Long-term debt to related parties	2,551,271	2,826,907
Postretirement benefit liability - health and life, less current portion	2,872,491	2,883,684
Other long-term liabilities	640,306	792,027
Total Long-Term Liabilities	<u>10,882,176</u>	<u>11,515,850</u>
Total Liabilities	<u>47,488,690</u>	<u>41,722,069</u>
<b>STOCKHOLDERS' EQUITY</b>		
Preferred units, Series A UEP Holdings, LLC, 200,000 units issued and outstanding (\$100 issue price)	617,571	617,571
Preferred units, Series B UEP Holdings, LLC, 150,000 units issued and outstanding (\$100 issue price)	463,179	463,179
Preferred stock, Uniroyal Global (Europe) Limited, 50 shares issued and outstanding (\$1.51 stated value)	75	75
Common stock, 95,000,000 shares authorized (\$.001 par value) 18,698,030 and 18,727,782 shares issued and outstanding as of October 1, 2017 and January 1, 2017, respectively	18,698	18,728
Additional paid-in capital	34,862,739	34,653,894
Accumulated deficit	(16,967,125)	(17,174,814)
Accumulated other comprehensive loss	(796,003)	(1,678,486)
Total Stockholders' Equity	<u>18,199,134</u>	<u>16,900,147</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<u>\$ 65,687,824</u>	<u>\$ 58,622,216</u>

See accompanying notes to the consolidated financial statements.

**Uniroyal Global Engineered Products, Inc.**  
**Consolidated Statements of Operations**  
(Unaudited)

	Three Months Ended		Nine Months Ended	
	October 1, 2017	October 2, 2016	October 1, 2017	October 2, 2016
<b>NET SALES</b>	\$ 22,498,456	\$ 24,675,521	\$ 74,334,434	\$ 76,976,985
<b>COST OF GOODS SOLD</b>	<u>18,310,782</u>	<u>19,325,342</u>	<u>59,434,030</u>	<u>59,241,192</u>
Gross Profit	4,187,674	5,350,179	14,900,404	17,735,793
<b>OPERATING EXPENSES:</b>				
Selling	1,285,822	1,238,035	3,896,166	4,011,017
General and administrative	1,543,689	1,830,932	5,294,935	6,051,854
Research and development	483,221	412,854	1,454,179	1,316,696
<b>OPERATING EXPENSES</b>	<u>3,312,732</u>	<u>3,481,821</u>	<u>10,645,280</u>	<u>11,379,567</u>
Operating Income	<u>874,942</u>	<u>1,868,358</u>	<u>4,255,124</u>	<u>6,356,226</u>
<b>OTHER EXPENSE:</b>				
Interest and other debt related expense	(418,698)	(394,401)	(1,217,348)	(1,232,814)
Other expense	(115,482)	(17,015)	(108,607)	(279,075)
Net Other Expense	<u>(534,180)</u>	<u>(411,416)</u>	<u>(1,325,955)</u>	<u>(1,511,889)</u>
<b>INCOME BEFORE TAX PROVISION</b>	340,762	1,456,942	2,929,169	4,844,337
<b>TAX PROVISION</b>	<u>65,170</u>	<u>156,898</u>	<u>491,099</u>	<u>484,798</u>
<b>NET INCOME</b>	275,592	1,300,044	2,438,070	4,359,539
Preferred stock dividend	<u>(753,145)</u>	<u>(722,029)</u>	<u>(2,230,381)</u>	<u>(2,165,695)</u>
<b>NET INCOME (LOSS) AVAILABLE TO COMMON SHAREHOLDERS</b>	<u>\$ (477,553)</u>	<u>\$ 578,015</u>	<u>\$ 207,689</u>	<u>\$ 2,193,844</u>
<b>EARNINGS (LOSS) PER COMMON SHARE:</b>				
Basic	<u>\$ (0.03)</u>	<u>\$ 0.03</u>	<u>\$ 0.01</u>	<u>\$ 0.12</u>
Diluted	<u>\$ (0.03)</u>	<u>\$ 0.03</u>	<u>\$ 0.01</u>	<u>\$ 0.12</u>
<b>WEIGHTED AVERAGE SHARES OUTSTANDING:</b>				
Basic	<u>18,698,030</u>	<u>18,828,292</u>	<u>18,708,427</u>	<u>18,843,440</u>
Diluted	<u>18,698,030</u>	<u>18,893,936</u>	<u>18,794,087</u>	<u>18,909,085</u>

See accompanying notes to the consolidated financial statements.

**Uniroyal Global Engineered Products, Inc.**  
**Consolidated Statements of Comprehensive Income (Loss)**  
**(Unaudited)**

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>October 1, 2017</u>	<u>October 2, 2016</u>	<u>October 1, 2017</u>	<u>October 2, 2016</u>
<b>NET INCOME</b>	\$ 275,592	\$ 1,300,044	\$ 2,438,070	\$ 4,359,539
<b>OTHER COMPREHENSIVE INCOME (LOSS):</b>				
Minimum benefit liability adjustment	-	(1,173)	-	(3,519)
Foreign currency translation adjustment	340,329	(213,582)	882,483	(1,132,786)
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>	340,329	(214,755)	882,483	(1,136,305)
<b>COMPREHENSIVE INCOME</b>	615,921	1,085,289	3,320,553	3,223,234
Preferred stock dividend	(753,145)	(722,029)	(2,230,381)	(2,165,695)
<b>COMPREHENSIVE INCOME (LOSS) TO COMMON SHAREHOLDERS</b>	<u>\$ (137,224)</u>	<u>\$ 363,260</u>	<u>\$ 1,090,172</u>	<u>\$ 1,057,539</u>

See accompanying notes to the consolidated financial statements.

**Uniroyal Global Engineered Products, Inc.**  
**Consolidated Statement of Changes in Stockholders' Equity**  
**For the Nine Months Ended October 1, 2017**  
**(Unaudited)**

	UEPH Series A		UEPH Series B		EPAL Preferred		Common Stock		Additional Paid In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Equity
	Units	Amount	Units	Amount	Shares	Amount	Shares	Amount				
Balance January 1, 2017	200,000	\$617,571	150,000	\$463,179	50	\$ 75	18,727,782	\$18,728	\$ 34,653,894	\$(17,174,814)	\$(1,678,486)	\$16,900,147
Net income	-	-	-	-	-	-	-	-	-	2,438,070	-	2,438,070
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	882,483	882,483
Stock-based compensation expense	-	-	-	-	-	-	-	-	308,655	-	-	308,655
Treasury shares, purchased at cost and retired	-	-	-	-	-	-	(29,752)	(30)	(99,810)	-	-	(99,840)
Preferred stock dividend	-	-	-	-	-	-	-	-	-	(2,230,381)	-	(2,230,381)
Balance October 1, 2017	<u>200,000</u>	<u>\$617,571</u>	<u>150,000</u>	<u>\$463,179</u>	<u>50</u>	<u>\$ 75</u>	<u>18,698,030</u>	<u>\$18,698</u>	<u>\$ 34,862,739</u>	<u>\$(16,967,125)</u>	<u>\$(796,003)</u>	<u>\$18,199,134</u>

See accompanying notes to the consolidated financial statements.

**Uniroyal Global Engineered Products, Inc.**  
**Consolidated Statements of Cash Flows**  
(Unaudited)

	<b>Nine Months Ended</b>	
	<b>October 1, 2017</b>	<b>October 2, 2016</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 2,438,070	\$ 4,359,539
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation	1,330,957	1,294,802
Stock-based compensation expense	308,655	277,939
Amortization of intangible assets	15,003	15,003
Loss on disposal of property and equipment	10,863	2,926
Noncash postemployment health and life benefit	-	(3,519)
Changes in assets and liabilities:		
Accounts receivable	118,162	(2,473,517)
Inventories	(3,534,845)	(528,226)
Other current assets	547,933	455,875
Related party receivable	26,426	71,422
Other long-term assets	(35,560)	(95,042)
Accounts payable	1,835,573	1,055,517
Accrued expenses and other liabilities	490,680	598,276
Postretirement benefit liability - health and life	(11,193)	(97)
Other long-term liabilities	(207,133)	102,166
Cash provided by operating activities	<u>3,333,591</u>	<u>5,133,064</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditures	(1,588,485)	(1,236,069)
Net payments on life insurance policies	(316,671)	(250,201)
Cash used in investing activities	<u>(1,905,156)</u>	<u>(1,486,270)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Checks issued in excess of bank balance, net	150,079	289,250
Net advances on line of credit	2,029,826	220,428
Payments on long-term debt	(418,712)	(231,964)
Payments on capital lease obligations	(289,189)	(343,647)
Payments on related party obligation	(278,004)	(1,361,445)
Payment of preferred stock dividends	(2,204,199)	(2,147,408)
Purchase and retirement of treasury stock	(99,840)	(274,074)
Cash used in financing activities	<u>(1,110,039)</u>	<u>(3,848,860)</u>
Net change in cash and cash equivalents	318,396	(202,066)
Cash and cash equivalents - beginning of period	1,321,586	1,910,112
Effects of currency translation on cash and cash equivalents	111,147	(150,160)
<b>CASH AND CASH EQUIVALENTS - END OF PERIOD</b>	<u>\$ 1,751,129</u>	<u>\$ 1,557,886</u>

For noncash transactions and supplement disclosure of cash flow information see Note 2.

See accompanying notes to the consolidated financial statements.



UNIROYAL GLOBAL ENGINEERED PRODUCTS, INC.

Notes to Consolidated Financial Statements  
October 1, 2017  
(Unaudited)

**1. Basis of Presentation**

The accompanying unaudited interim consolidated financial statements have been prepared based upon U.S. Securities and Exchange Commission rules that permit reduced disclosure for interim periods. Therefore, they do not include all information and footnote disclosures necessary for a complete presentation of Uniroyal Global Engineered Products, Inc.'s financial position, results of operations and cash flows, in conformity with generally accepted accounting principles. Uniroyal Global Engineered Products, Inc. (the "Company," "Uniroyal Global," "we," or "us") filed audited consolidated financial statements as of and for the fiscal years ended January 1, 2017 and January 3, 2016 which included all information and notes necessary for such complete presentation in conjunction with its 2016 Annual Report on Form 10-K/A.

The results of operations for the interim period ended October 1, 2017 are not necessarily indicative of the results to be expected for any future period or the entire fiscal year. These interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended January 1, 2017, which are contained in the Company's 2016 Annual Report on Form 10-K/A.

The Company owns all of the ownership interests in Uniroyal Engineered Products, LLC ("Uniroyal") and its holding company UEP Holdings, LLC ("UEPH"), a U.S. manufacturer of textured coatings, and all of the ordinary common stock of Uniroyal Global (Europe) Limited ("UGEL") formerly known as Engineered Products Acquisition Limited ("EPAL"), the holding company for Uniroyal Global Limited ("UGL") formerly Wardle Storeys (Earby) Limited ("Wardle Storeys"), a European manufacturer of textured coatings and polymer films.

The Company and its subsidiaries have adopted a 52/53-week fiscal year ending on the Sunday nearest to December 31. The current year ending December 31, 2017 and the prior year ended January 1, 2017 are 52-week years.

The accompanying unaudited interim consolidated financial statements contain all adjustments (consisting of normal recurring items) which are, in the opinion of management, necessary for a fair statement of the Company's financial position as of October 1, 2017 and the results of operations, comprehensive income and cash flows for the interim periods ended October 1, 2017 and October 2, 2016.

The unaudited interim consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany transactions and balances have been eliminated in consolidation. The Company uses the U.S. dollar as the reporting currency for financial reporting. The financial position and results of operations of the Company's U.K.-based operations are measured using the British Pound Sterling as the functional currency. See Note 5, Foreign Currency Translation.

**2. Noncash Transactions and Supplemental Disclosure of Cash Flow Information**

During the nine months ended October 1, 2017 and October 2, 2016, the Company paid down \$295,168 and \$301,812, respectively, of its term loans using available borrowings on its various lines of credit.

During the nine months ended October 1, 2017 and October 2, 2016, the Company entered into new equipment financing arrangements with a value of \$845,553 and \$584,624, respectively. The fair value was added to property and equipment and a corresponding amount to long-term debt or capital lease obligations.

Supplemental disclosure of cash paid for:

	Nine Months Ended	
	October 1, 2017	October 2, 2016
Interest	\$ 1,212,910	\$ 1,236,465
Tax payments	\$ -	\$ -

### 3. Derivatives

The Company recognizes all of its derivative instruments as either assets or liabilities in the balance sheet at fair value. The accounting for changes in the fair value of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and further, as to whether the hedge is a cash flow hedge or a fair value hedge.

The Company incurs foreign currency risk on sales and purchases denominated in other currencies, primarily the British Pound Sterling and the Euro. Foreign currency exchange contracts are used by the Company principally to limit the exchange rate fluctuations of the Euro. The Euro risk is partially limited due to natural cash flow offsets. Currency exchange contracts are purchased for approximately 25% of the net risk. These contracts are not designated as cash flow hedges for accounting purposes. Changes in fair value of these contracts are reported in net earnings as part of other expense.

### 4. Fair Value of Financial Instruments

The Company's short-term financial instruments consist of cash and cash equivalents, receivables, accounts payable and the lines of credit. The Company adjusts the carrying value of financial instruments denominated in other currencies such as cash, receivables, accounts payable and the lines of credit using the appropriate exchange rates at the balance sheet date. The Company believes that the carrying values of these short-term financial instruments approximate their estimated fair values.

The fair value of the Company's long-term debt is estimated based on current rates for similar instruments with the same remaining maturities. In determining the current interest rates for similar instruments the Company takes into account its risk of nonperformance. The Company believes that the carrying value of its long-term debt approximates its estimated fair value.

The Company uses foreign currency exchange contracts which are recorded at their estimated fair values in the accompanying Consolidated Balance Sheets. The fair values of the contracts at October 1, 2017 and January 1, 2017 were net assets of \$2,220 and \$9,718, respectively, and were included in other current assets. The fair values of the currency exchange contracts are based upon observable market transactions of spot and forward rates.

For the nine months ended October 1, 2017, there have been no changes in the application of valuation methods applied to similar assets and liabilities.

### 5. Foreign Currency Translation

The financial position and results of operations of the Company's foreign subsidiaries are measured using the local currency as the functional currency. Assets and liabilities of operations denominated in foreign currencies are translated into U.S. dollars at exchange rates in effect at the balance sheet date, while the capital accounts are translated at the historical rate for the date they were recognized. Revenues and expenses are translated at the weighted average exchange rates during the reporting period. The resulting translation gains and losses on assets and liabilities are recorded in accumulated other comprehensive loss, and are excluded from net income until realized through a sale or liquidation of the investment. Transaction gains and losses generated from the remeasurement of assets and liabilities denominated in currencies other than the functional currency of our foreign operations are included in Other Expense in the accompanying Consolidated Statements of Operations.

**6. Inventories**

Inventories consist of the following:

	<u>October 1, 2017</u>	<u>January 1, 2017</u>
Raw materials	\$ 6,180,471	\$ 5,199,632
Work-in-process	5,305,440	4,491,250
Finished goods	11,223,336	8,669,625
	22,709,247	18,360,507
Less: Allowance for inventory obsolescence	(1,419,968)	(1,314,336)
<b>Total Inventories</b>	<b>\$ 21,289,279</b>	<b>\$ 17,046,171</b>

**7. Other Long-term Assets**

Other long-term assets consist of the following:

	<u>October 1, 2017</u>	<u>January 1, 2017</u>
Non-current deferred tax asset	\$ 5,684,424	\$ 5,689,000
Other	1,339,557	976,375
<b>Total Other Long-term Assets</b>	<b>\$ 7,023,981</b>	<b>\$ 6,665,375</b>

**8. Other Long-term Liabilities**

Other long-term liabilities consist of the following:

	<u>October 1, 2017</u>	<u>January 1, 2017</u>
Non-current deferred tax liability	\$ 605,004	\$ 743,971
Other	35,302	48,056
<b>Total Other Long-term Liabilities</b>	<b>\$ 640,306</b>	<b>\$ 792,027</b>

**9. Lines of Credit**

The Company's Uniroyal subsidiary has available a \$30,000,000 revolving line of credit financing agreement with Wells Fargo Capital Finance, LLC, which matures on October 17, 2019. Interest is payable monthly at the Eurodollar rate plus 2.25% or Wells Fargo Capital Finance, LLC's prime rate at the Company's election on outstanding balances up to \$6,000,000 and prime rate on amounts in excess of \$6,000,000. Borrowings on the line of credit are subject to the underlying borrowing base specified in the agreement. The underlying borrowing base is currently determined based upon eligible accounts receivable, inventories and equipment. The line of credit is secured by substantially all of Uniroyal's assets and includes certain financial and restrictive covenants.

The outstanding balance on the line of credit ("Uniroyal Line of Credit") was \$10,289,656 and \$9,668,388 as of October 1, 2017 and January 1, 2017, respectively. The Company has classified the outstanding balance on this line of credit within current liabilities in the accompanying Consolidated Balance Sheets.

The Company's U.K. subsidiary has available a £9,000,000 (approximately \$12.0 million) revolving line of credit financing agreement with Lloyds Bank Commercial Finance Limited ("U.K. Line of Credit") which is subject to a six-month notice by either party. The line has several tranches based on currency or underlying security. Interest is payable monthly at the base rate (U.K. LIBOR or Lloyds Bank Base Rate as published) plus 1.95% to 2.45% depending on the tranche. Borrowings on the line of credit are subject to the underlying borrowing base specified in the agreement. The underlying borrowing base is currently determined based upon eligible accounts receivable and inventories. The line of credit is secured by substantially all of the subsidiary's assets and includes certain financial and restrictive covenants.

The outstanding balance on the U.K. Line of Credit was £7,125,103 and £5,792,236 (\$9,543,696 and \$7,131,204) as of October 1, 2017 and January 1, 2017, respectively. The Company has classified the outstanding balance on this line of credit within current liabilities in the accompanying Consolidated Balance Sheets.

#### 10. Long-term Debt

Long-term debt consists of the following:

	<u>Interest Rate</u>	<u>October 1, 2017</u>	<u>January 1, 2017</u>
Wells Fargo Capital Finance LLC	Prime	\$ 866,825	\$ 1,089,721
Lloyds Bank Commercial Finance Limited	LIBOR + 3.15%	121,392	181,392
Kennet Equipment Leasing Limited	10.90%	733,923	801,153
Balboa Capital Corporation	5.72%	108,895	213,230
Regents Capital Corporation	7.40%	267,974	350,000
De Lage Landen Financial Services	7.35%	102,256	118,073
Ford Motor Credit	4.30%	38,800	44,387
Byline Financial Group	8.56%	33,659	48,942
Regents Capital Corporation	6.20%	299,719	-
Regents Capital Corporation	6.47%	321,584	-
Regents Capital Corporation	6.50%	159,396	-
		3,054,423	2,846,898
Current portion		(1,021,491)	(851,988)
		<u>\$ 2,032,932</u>	<u>\$ 1,994,910</u>

#### 11. Related Party Obligations

Long-term debt to related parties consists of the following:

	<u>Interest Rate</u>	<u>October 1, 2017</u>	<u>January 1, 2017</u>
Senior subordinated promissory note	9.25%	\$ 2,000,000	\$ 2,000,000
Senior secured promissory note	10.00%	918,785	1,194,421
		2,918,785	3,194,421
Current portion		(367,514)	(367,514)
		<u>\$ 2,551,271</u>	<u>\$ 2,826,907</u>

The Company has a lease financing obligation under which it leases its main U.S. manufacturing facility and certain other property from a related party lessor entity, accrues interest at 18.20% and currently requires monthly principal and interest payments of \$32,439, which are adjusted annually based on the consumer price index. The lease financing obligation matures on October 31, 2033. The Company has security deposits aggregating \$267,500 held by the lessor entity. This obligation is shown in the accompanying Consolidated Balance Sheets as Related Party Lease Financing Obligation which consists of the following:

	<u>October 1, 2017</u>	<u>January 1, 2017</u>
Related party lease financing obligation	\$ 2,163,429	\$ 2,165,798
Less: current portion	(7,515)	(3,647)
Long-term Portion	<u>\$ 2,155,914</u>	<u>\$ 2,162,151</u>

The current portions of the long-term debt to related parties and the related party lease financing obligation are combined and are shown in current liabilities as related party obligation.

	<u>October 1, 2017</u>	<u>January 1, 2017</u>
Current portion of long-term debt to related parties	\$ 367,514	\$ 367,514
Current portion of related party lease financing obligation	7,515	3,647
<b>Related Party Obligation</b>	<u>\$ 375,029</u>	<u>\$ 371,161</u>

## 12. Capital Leases

The Company has several capital leases on equipment which expire from October 2, 2017 through January 2021 with monthly lease payments ranging from approximately \$1,119 to \$31,120 per month. The capital lease obligations are secured by the related equipment. As of October 1, 2017 and January 1, 2017, assets recorded under capital leases are included in property and equipment in the accompanying Consolidated Balance Sheets. Amortization of items under capital lease obligations has been included with depreciation expense on owned property and equipment in the accompanying Consolidated Statements of Operations. Interest rates on these obligations range from 3.84% to 19.15%

Capital lease obligations consist of the following:

	<u>October 1, 2017</u>	<u>January 1, 2017</u>
Capital lease obligations	\$ 1,028,467	\$ 1,224,889
Less: current portion	(399,205)	(368,718)
<b>Long-term Portion</b>	<u>\$ 629,262</u>	<u>\$ 856,171</u>

## 13. Accumulated Other Comprehensive Loss

The changes in accumulated other comprehensive loss were as follows:

	<u>Minimum Benefit Liability Adjustments</u>	<u>Foreign Currency Translation Adjustment</u>	<u>Total</u>
Balance at January 1, 2017	\$ 233,877	\$ (1,912,363)	\$ (1,678,486)
Other comprehensive losses before reclassifications, net	-	882,483	882,483
Balance at October 1, 2017	<u>\$ 233,877</u>	<u>\$ (1,029,880)</u>	<u>\$ (796,003)</u>

The gain (loss) reclassified from accumulated other comprehensive income (loss) into income is recorded to the following income statement line items:

<u>Other Comprehensive Income (Loss) Component</u>	<u>Income Statement Line Item</u>
Minimum Benefit Liability Adjustments	General and administrative expense

#### 14. Stock Option Plan

On June 25, 2015, the Company's stockholders approved the adoption of the 2015 Stock Option Plan. This plan provides for the granting of options to purchase the Company's common stock to employees and directors. The options granted are subject to a vesting schedule as set forth in each individual option agreement. Each option expires on the tenth anniversary of its date of grant unless an earlier termination date is provided in the grant agreement. The maximum aggregate number of shares of common stock that may be optioned and sold under the plan shall be 6% of the shares outstanding on the date of grant. The shares that may be optioned under the plan may be authorized but unissued or may be treasury shares.

Compensation expense is recognized on a straight-line basis over a three-year vesting period from date of grant.

Stock option activity for the nine months ended October 1, 2017 and October 2, 2016 is as follows:

	Stock Options					
	Total	Weighted Average Exercise Price	Exercisable	Weighted Average Exercise Price	Non-Vested	Weighted Average Exercise Price
Outstanding at January 3, 2016	665,000	\$ 2.37	-	\$ -	665,000	\$ 2.37
Granted	360,250	3.57	-	-	360,250	3.57
Vested	-	-	230,001	2.37	(230,001)	2.37
Exercised	(5,000)	2.37	(5,000)	2.37	-	-
Forfeited or cancelled	(15,000)	2.77	-	-	(15,000)	2.77
Outstanding at October 2, 2016	<u>1,005,250</u>	\$ 2.79	<u>225,001</u>	\$ 2.37	<u>780,249</u>	\$ 2.92
Outstanding at January 1, 2017	997,750	\$ 2.80	217,501	\$ 2.37	780,249	\$ 2.92
Granted	-	-	-	-	-	-
Vested	-	-	330,913	2.80	(330,913)	2.80
Exercised	-	-	-	-	-	-
Forfeited or cancelled	(10,000)	2.97	(6,667)	2.67	(3,333)	3.57
Outstanding October 1, 2017	<u>987,750</u>	\$ 2.80	<u>541,747</u>	\$ 2.63	<u>446,003</u>	\$ 3.00
Aggregate Intrinsic Value						
October 2, 2016	<u>\$ 487,500</u>		<u>\$ 168,751</u>		<u>\$ 318,749</u>	
Aggregate Intrinsic Value						
October 1, 2017	<u>\$ 51,000</u>		<u>\$ 34,000</u>		<u>\$ 17,000</u>	

Option expense recognized was \$102,010 and \$112,375 for the three months ended October 1, 2017 and October 2, 2016, respectively and \$308,655 and \$277,939 for the nine months ended October 1, 2017 and October 2, 2016, respectively. As of October 1, 2017, there was \$464,812 in unrecognized compensation cost related to the options granted under the 2015 Stock Option Plan. We expect to recognize those costs over the remaining vesting term of 18 months.

#### 15. Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board issued a new standard, ASU No. 2014-09, "Revenue from Contracts with Customers." Under ASU 2014-09 recognition of revenue occurs when a customer obtains control of promised goods or services in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard will be effective for the Company January 1, 2018. Based on our evaluation to date, which includes the results of reviewing our sales contracts, we do not expect the adoption of this standard to have a significant impact on our consolidated financial position, results of operations and cash flows.

On July 22, 2015, the Financial Accounting Standards Board issued a new standard, ASU No. 2015-11, "Simplifying the Measurement of Inventory". The new standard requires entities to measure most inventory at the lower of cost and net realizable value, which is a change from the current guidance under which an entity must measure inventory at the lower of cost or market with market defined as replacement cost, net realizable value or net realizable value less a normal profit margin. The ASU will not apply to inventories that are measured by using either the last-in, first-out (LIFO) method or the retail inventory method. It became effective for the Company on January 2, 2017. The adoption of this standard for the year ending December 31, 2017 will not have a significant effect on its consolidated financial position, results of operations and cash flows.

On November 20, 2015, the Financial Accounting Standards Board issued a new standard, ASU No. 2015-17, "Income Taxes - Balance Sheet Classification of Deferred Taxes". Under the new guidance deferred tax liabilities and assets will be classified as noncurrent in a classified statement of financial position. It became effective for the Company on January 2, 2017. The adoption of this standard for the year ending December 31, 2017 will not have a significant effect on its consolidated financial position, results of operations and cash flows. The Company is applying the change retrospectively for all periods presented. Thus, current deferred tax assets in the amount of \$1,301,280 which had been included in Other Current Assets in the accompanying Consolidated Balance Sheets at January 1, 2017 were reclassified to Other Long-term Assets or Other Long-term liabilities at that date.

On February 25, 2016, the Financial Accounting Standards Board issued a new standard, ASU No. 2016-02, "Leases". Under the new guidance, a lessee will be required to recognize assets and liabilities for leases with lease terms of more than 12 months. Consistent with current Generally Accepted Accounting Principles (GAAP), the recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee primarily will depend on its classification as a finance or operating lease. However, unlike current GAAP which requires only capital leases to be recognized on the balance sheet, the new ASU will require both types of leases to be recognized on the balance sheet. It will be effective for the Company on December 31, 2018. The Company is currently evaluating the effects this standard will have, if any, on its consolidated financial position, results of operations and cash flows together with evaluating the adoption date.

On March 30, 2016, the Financial Accounting Standards Board issued a new standard, ASU No. 2016-09, "Compensation – Stock Compensation." The new standard involves several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. It became effective for the Company on January 2, 2017. The adoption of this standard for the year ending December 31, 2017 will not have a significant effect on its consolidated financial position, results of operations and cash flows.

On August 26, 2016, the Financial Accounting Standards Board issued a new standard, ASU No. 2016-15, "Statement of Cash Flows – Classification of Certain Cash Receipts and Cash Payments." The new standard applies to how certain cash receipts and cash payments are presented and classified in the statement of cash flows. It will be effective for the Company on January 1, 2018. The Company is currently evaluating the effects this standard will have, if any, on its consolidated financial position, results of operations and cash flows together with evaluating the adoption date.

On January 26, 2017, the Financial Accounting Standards Board issued a new standard, ASU No. 2017-04, "Intangibles – Goodwill and Other – Simplifying the Test for Goodwill Impairment." The new standard modifies the concept of impairment from the condition that exists when the carrying amount of goodwill exceeds its implied fair value to the condition that exists when the carrying amount of a reporting unit exceeds its fair value. It will be effective for the Company on December 30, 2019. The Company is currently evaluating the effects this standard will have, if any, on its consolidated financial position, results of operations and cash flows together with evaluating the adoption date.

On May 10, 2017, the Financial Accounting Standards Board issued a new standard, ASU No. 2017-09, "Compensation – Stock Compensation – Scope of Modification Accounting." The new standard clarifies when to account for a change to the terms or conditions of a share-based payment award as a modification. It will be effective for the Company on January 1, 2018. Although the Company currently does not have any plans to change any of the terms or conditions of its stock compensation plan, the Company is evaluating this standard to understand the effects various changes, if made, could have on its consolidated financial position, results of operations and cash flows together with evaluating the adoption date.

On August 28, 2017, the Financial Accounting Standards Board issued a new standard, ASU No. 2017-12, "Derivatives and Hedging – Targeted Improvements to Accounting for Hedging Activities." The objective of this new standard is to improve the financial reporting of hedging relationships to better portray the economic results of an entity's risk management activities and to simplify the application of the hedge accounting guidance in current GAAP. It will be effective for the Company on December 31, 2018. The Company is currently evaluating the effects this standard will have, if any, on its consolidated financial position, results of operations and cash flows together with evaluating the adoption date.

**16. Earnings per Common Share**

The following table sets forth the computation of earnings per common share - basic and earnings per common share – diluted for the three and nine months ended October 1, 2017 and October 2, 2016:

	Three Months Ended		Nine Months Ended	
	October 1, 2017	October 2, 2016	October 1, 2017	October 2, 2016
<b>Numerator</b>				
Net income (loss) available to common shareholders	\$ (477,553)	\$ 578,015	\$ 207,689	\$ 2,193,844
<b>Denominator</b>				
Denominator for basic earnings per share - weighted average shares outstanding	18,698,030	18,828,292	18,708,427	18,843,440
Weighted average effect of dilutive securities	-	65,644	85,660	65,645
Denominator for dilutive earnings per share - weighted average shares outstanding	18,698,030	18,893,936	18,794,087	18,909,085
<b>Basic and Diluted Income (Loss) Per Share</b>				
Net income (loss) available to common shareholders	\$ (0.03)	\$ 0.03	\$ 0.01	\$ 0.12
Effect of dilutive securities	-	-	-	-
Net income (loss) available to common shareholders	\$ (0.03)	\$ 0.03	\$ 0.01	\$ 0.12

The calculations of diluted earnings per share for the nine months ended October 1, 2017 and the three and nine months ended October 2, 2016 excluded options to purchase 350,250 and 355,250 shares of common stock, respectively, because the options' exercise price of \$3.57 per share was greater than the average market prices of the common shares. Due to the net loss for the three months ended October 1, 2017, the calculations of basic and diluted loss per share were the same since including options to purchase shares of common stock in the calculation of diluted loss per share would have been anti-dilutive.

**17. Subsequent Events**

The Company has evaluated subsequent events occurring through the date that the financial statements were issued for events requiring recording or disclosure in the October 1, 2017 financial statements. There were no material events or transactions occurring during this period requiring recognition or disclosure.



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

### **Business Description**

We are a leading provider of manufactured vinyl coated fabrics. Our best known brand, Naugahyde, is the product of many improvements on a rubber-coated fabric developed a century ago in Naugatuck, Connecticut. We design, manufacture and market a wide selection of vinyl coated fabric products under a portfolio of recognized brand names. We believe that our business has continued to be a leading supplier in its marketplace because of our ability to provide specialized materials with performance characteristics customized to the end-user specifications, complemented by technical and customer support for the use of our products in manufacturing.

Our vinyl coated fabric products have undergone considerable evolution and today are distinguished by superior performance in a wide variety of applications as alternatives to leather, cloth and other synthetic fabric coverings. Our standard product lines consist of more than 600 SKUs with combinations of colors, textures, patterns and other properties. Our products are differentiated by unique protective top finishes, adhesive back coatings and transfer print capabilities. Additional process capabilities include embossing grains and patterns, and rotogravure printing, which imparts character prints and non-registered prints, lamination and panel cutting.

Our vinyl coated fabric products have various high performance characteristics and capabilities. They are durable, stain resistant, easily processed, more cost-effective and better performing than traditional leather or fabric coverings. Our products are frequently used in applications that require rigorous performance characteristics such as automotive and non-automotive transportation, certain indoor/outdoor furniture, commercial and hospitality seating, healthcare facilities and athletic equipment. We manufacture materials in a wide range of colors and textures. They can be hand or machine sewn, laminated to an underlying structure, thermoformed to cover various substrates or made into a variety of shapes for diverse end-uses. We are a long-established supplier to the global automotive industry and manufacture products for interior trim components from floor to headliner which are produced to meet specific component production requirements such as cut and sew, vacuum forming/covering, compression molding, and high frequency welding. Some products are supplied with micro perforations, which are necessary on most compression molding processes. Materials can also be combined with polyurethane or polypropylene foam laminated by either flame or hot melt adhesive for seating, fascia and door applications.

Products are developed and marketed based upon the performance characteristics required by end-users. For example, for recreational products used outdoors, such as boats, personal watercraft, golf carts and snowmobiles, a product designed primarily for durability and weatherability is used. We also manufacture a line of products called BeautyGard®, with water-based topcoats that contain agents to protect against bacterial and fungal microorganisms and can withstand repeated cleaning, a necessity in the restaurant and health care industries. These topcoats are environmentally friendlier than solvent-based topcoats. The line is widely used in hospitals and other healthcare facilities. Flame and smoke retardant vinyl coated fabrics are used for a variety of commercial and institutional furniture applications, including hospitals, restaurants and residential care centers and seats for school buses and aircraft.

We currently conduct our operations in manufacturing facilities that are located in Stoughton, Wisconsin and Earby, England.

### **Critical Accounting Policies and Estimates**

The preparation of our Consolidated Financial Statements and related disclosures in conformity with U.S. generally accepted accounting principles ("U.S. GAAP") requires management to make estimates and judgments that affect our reported amounts of assets and liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities. On an on-going basis, we evaluate our estimates and assumptions based upon historical experience and various other factors and circumstances. We believe that our estimates and assumptions are reasonable under the circumstances; however, actual results may vary from these estimates and assumptions under different future circumstances. For further discussion of our significant accounting policies, refer to Note 1 – "Summary of Significant Accounting Policies" to the Consolidated Financial Statements and "Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies and Estimates" in our Annual Report on Form 10-K/A for the fiscal year ended January 1, 2017.

### **Recent Accounting Pronouncements**

See Note 15 – "Recent Accounting Pronouncements" to the Consolidated Financial Statements for a discussion of recent accounting guidance.

**Overview:**

The Company and its subsidiaries have adopted a 52/53-week fiscal year ending on the Sunday nearest to December 31. The current year ending December 31, 2017 and the prior year ended January 1, 2017 are 52-week years.

Our Earby, England operation's functional currency is the British Pound Sterling and has sales and purchases transactions that are denominated in currencies other than its functional currency, principally the Euro. Approximately 30% of the Company's global revenues and 34% of its global raw material purchases are derived from these transactions. The average year-to-date exchange rate for the Pound Sterling to the U.S. Dollar was approximately 8.4% lower and the average exchange rate for the Euro to the Pound Sterling was approximately 10.2% higher in 2017 compared to 2016. These exchange rate changes had the net effect of decreasing net sales by approximately \$1.6 million for the nine months ended October 1, 2017. The overall effect on net income was a positive amount of approximately \$448,000 for the nine months ended October 1, 2017 compared to the corresponding period of 2016 as the negative effect of the Pound Sterling was offset by the positive effect of the Euro.

**Three Months Ended October 1, 2017 Compared to the Three Months Ended October 2, 2016**

The following table sets forth, for the three months ended October 1, 2017 ("three months 2017") and October 2, 2016 ("three months 2016"), certain operations data including their respective percentage of net sales:

	Three Months Ended					
	October 1, 2017		October 2, 2016		Change	% Change
Net Sales	\$ 22,498,456	100.0%	\$ 24,675,521	100.0%	\$ (2,177,065)	-8.8%
Cost of Sales	18,310,782	81.4%	19,325,342	78.3%	(1,014,560)	-5.2%
Gross Profit	4,187,674	18.6%	5,350,179	21.7%	(1,162,505)	-21.7%
Other Expenses:						
Selling	1,285,822	5.7%	1,238,035	5.0%	47,787	3.9%
General and administrative	1,543,689	6.9%	1,830,932	7.4%	(287,243)	-15.7%
Research and development	483,221	2.1%	412,854	1.7%	70,367	17.0%
Total operating expenses	3,312,732	14.7%	3,481,821	14.1%	(169,089)	-4.9%
Operating Income	874,942	3.9%	1,868,358	7.6%	(993,416)	-53.2%
Interest expense	(418,698)	-1.9%	(394,401)	-1.6%	(24,297)	6.2%
Other expense	(115,482)	-0.5%	(17,015)	-0.1%	(98,467)	>100%
Income before taxes	340,762	1.5%	1,456,942	5.9%	(1,116,180)	-76.6%
Tax provision	65,170	0.3%	156,898	0.6%	(91,728)	-58.5%
Net income	275,592	1.2%	1,300,044	5.3%	(1,024,452)	-78.8%
Preferred dividends	(753,145)	-3.3%	(722,029)	-2.9%	(31,116)	4.3%
Net income (loss) available to common shareholders	<u>\$ (477,553)</u>	-2.1%	<u>\$ 578,015</u>	2.3%	<u>\$ (1,055,568)</u>	<-100%

**Revenue:**

Total revenue for the three months 2017 decreased \$2,177,065 or 8.8% to \$22,498,456 from \$24,675,521 for the three months 2016. Automotive sales for the three months 2017 decreased 9.6% compared to the three months 2016 as the increase in sales of several new programs in the European market was offset by a decline in the U.S. as automotive manufacturers continued to adjust their production due to a softening in the U.S. market. Industrial sales for the three months 2017 were down 7.3% compared to the prior year period. The quarterly effect of the currency fluctuation reduced the negative sales variance by \$260,000 as the strong Euro benefited quarterly sales and offset the small negative effect of the translated British Pound Sterling.

**Gross Profit:**

Total gross profit for the three months 2017 decreased \$1,162,505 or 21.7% to \$4,187,674 from \$5,350,179 for the three months 2016. The gross profit percentage was 18.6% of sales for the three months 2017 compared to 21.7% for the three months 2016. The lower gross profit percentage was partially due to unfavorable material usage variances for the three months 2017 compared to the three months 2016. Gross profit was also negatively impacted by rising raw material prices and operating inefficiencies resulting from newly awarded automotive platforms ramping up in Europe. The currency effect was minimal as the quarterly average GBP to USD translation rate was relatively stable compared to the prior year.

**Operating Expenses:**

Selling expenses for the three months 2017 increased \$47,787 or 3.9% to \$1,285,822 from \$1,238,035 for the three months 2016. The increase resulted primarily from additional staffing and promotional costs incurred in the three months 2017 compared to the three months 2016.

General and administrative expenses for the three months 2017 decreased \$287,243 or 15.7% to \$1,543,689 from \$1,830,932 for the three months 2016. This decrease was due to lower employee benefit costs and professional fees for the three months 2017 compared to the three months 2016.

Research and development expenses for the three months 2017 increased \$70,367 or 17.0% to \$483,221 from \$412,854 for the three months 2016. The increase resulted from additional staffing and increased expenditures for new product development.

**Operating Income:**

Operating income for the three months 2017 decreased \$993,416 or 53.2% to \$874,942 from \$1,868,358 for the three months 2016. The operating income percentage was 3.9% of sales for the three months 2017 compared to 7.6% for the three months 2016. Operating income decreased primarily from the decrease in gross profit which was partially offset by the decrease in operating expenses.

**Interest Expense:**

Interest expense for the three months 2017 increased \$24,297 or 6.2% to \$418,698 from \$394,401 for the three months 2016. The increase was primarily due to debt repayment partially offset by new capital leases for equipment purchases and higher interest rates on LIBOR and prime during the three months 2017 compared to the three months 2016.

**Other Expense:**

Other expense for the three months 2017 increased \$98,467 to \$115,482 from \$17,015 for the three months 2016. The amount in other expense principally is the currency gains and losses recognized by the U.K. operations on foreign currency transactions and the change in the fair value of financial assets and liabilities that are denominated in Euros and U.S. Dollars. The Company also recognizes gains and losses from the change in fair values on its foreign currency exchange contracts.

**Tax Provision:**

The Company files income tax returns in the United States as a C-Corporation, and in several state jurisdictions and in the United Kingdom. The Company's subsidiary, Uniroyal, is a limited liability company (LLC) for federal and state income tax purposes and as such, its income, losses, and credits are allocated to its member. Uniroyal's income is allocated entirely to UEPH as its sole member. Uniroyal Global then receives this income allocation as a member of UEPH less the dividends paid on the preferred units held by the former members of Uniroyal. For federal income tax purposes, UEPH is a pass through entity and the Company's share of its taxable income is reported on its tax return. The taxable income applicable to the distribution for the preferred ownership interests is reported to the members who report it on their respective individual tax returns.

For the three months 2016, the tax provision was comprised of U.K. tax plus a state and local tax provision on the Company's U.S. income. There was no U.S. Federal tax provision for the 2016 period due to a reduction of deferred tax asset valuation allowances that offset the provision. At January 1, 2017, the Company concluded after an analysis that it was more likely than not that all of the deferred tax asset would be realized and, accordingly, eliminated the valuation allowance. Therefore, the provisions for the three months ended October 1, 2017 included, in addition to the U.K. tax and state and local tax, a provision for Federal tax on the Company's income less the income applicable to the distribution for the preferred ownership interests.

**Preferred Stock Dividend:**

The terms of the acquisitions in November 2014 resulted in the issuance of preferred ownership units/stock of UEP Holdings, LLC and UGEL (formerly EPAL) to the sellers. These preferred units carry quarterly dividend requirements on a total value of \$55,000,000 at rates ranging from 5.0% to 6.5%. The dividend rate on the Series B UEP Holdings preferred units which started at 5.5% increases by 0.5% on the anniversary of the issuance up to a maximum of 8.0%.

**Nine Months Ended October 1, 2017 Compared to the Nine Months Ended October 2, 2016**

The following table sets forth, for the nine months ended October 1, 2017 (“nine months 2017”) and October 2, 2016 (“nine months 2016”), certain operations data including their respective percentage of net sales:

	Nine Months Ended					
	October 1, 2017		October 2, 2016		Change	% Change
Net Sales	\$ 74,334,434	100.0%	\$ 76,976,985	100.0%	\$ (2,642,551)	-3.4%
Cost of Sales	59,434,030	80.0%	59,241,192	77.0%	192,838	0.3%
Gross Profit	14,900,404	20.0%	17,735,793	23.0%	(2,835,389)	-16.0%
Other Expenses:						
Selling	3,896,166	5.2%	4,011,017	5.2%	(114,851)	-2.9%
General and administrative	5,294,935	7.1%	6,051,854	7.9%	(756,919)	-12.5%
Research and development	1,454,179	2.0%	1,316,696	1.7%	137,483	10.4%
Total operating expenses	10,645,280	14.3%	11,379,567	14.8%	(734,287)	-6.5%
Operating Income	4,255,124	5.7%	6,356,226	8.3%	(2,101,102)	-33.1%
Interest expense	(1,217,348)	-1.6%	(1,232,814)	-1.6%	15,466	-1.3%
Other expense	(108,607)	-0.1%	(279,075)	-0.4%	170,468	-61.1%
Income before taxes	2,929,169	3.9%	4,844,337	6.3%	(1,915,168)	-39.5%
Tax provision	491,099	0.7%	484,798	0.6%	6,301	1.3%
Net income	2,438,070	3.3%	4,359,539	5.7%	(1,921,469)	-44.1%
Preferred dividends	(2,230,381)	-3.0%	(2,165,695)	-2.8%	(64,686)	3.0%
Net income available to common shareholders	\$ 207,689	0.3%	\$ 2,193,844	2.8%	\$ (1,986,155)	-90.5%

**Revenue:**

Total revenue for the nine months 2017 decreased \$2,642,551 or 3.4% to \$74,334,434 from \$76,976,985 for the nine months 2016. Automotive sales for the nine months 2017 decreased 1.8% compared to the nine months 2016 as the increase in sales of several new programs in the European market was offset by a decline in the U.S. as automotive manufacturers adjusted their production due to a softening in the U.S. market. Industrial sales for the nine months 2017 were down 6.7% compared to the prior year period. Contributing to the decline was the net currency effect of the exchange rate change of approximately \$1.6 million. Without the effect of the exchange rate change, total revenue would only have decreased by 1.4%.

**Gross Profit:**

Total gross profit for the nine months 2017 decreased \$2,835,389 or 16.0% to \$14,900,404 from \$17,735,793 for the nine months 2016. The gross profit percentage was 20.0% of sales for the nine months 2017 compared to 23.0% for the nine months 2016. The lower gross profit percentage was partially due to mix as the ratio of lower margin automotive sales to higher margin industrial sales increased for the nine months 2017 compared to the nine months 2016. Gross profit was also negatively impacted by rising raw material prices and operating inefficiencies resulting from newly awarded automotive platforms ramping up in Europe. The decrease was partially offset by a positive net currency effect in the amount of \$168,000.

**Operating Expenses:**

Selling expenses for the nine months 2017 decreased \$114,851 or 2.9% to \$3,896,166 from \$4,011,017 for the nine months 2016. Lower commissions on sales were partially offset by increases in staffing and other costs. Also contributing to the decrease was the net currency effect of \$109,000.

General and administrative expenses for the nine months 2017 decreased \$756,919 or 12.5% to \$5,294,935 from \$6,051,854 for the nine months 2016. This decrease was due to lower employee benefit costs and professional fees for the nine months 2017 compared to the nine months 2016. Also contributing to the decrease was the net currency effect of \$169,000.

Research and development expenses for the nine months 2017 increased \$137,483 or 10.4% to \$1,454,179 from \$1,316,696 for the nine months 2016. The increase resulted from additional staffing and increased expenditures for new product development. This was partially offset by the net currency effect of the exchange rate change in the amount of \$46,000.

**Operating Income:**

Operating income for the nine months 2017 decreased \$2,101,102 or 33.1% to \$4,255,124 from \$6,356,226 for the nine months 2016. The operating income percentage was 5.7% of sales for the nine months 2017 compared to 8.3% for the nine months 2016. Operating income decreased primarily from the decrease in gross profit. This was partially offset by the reduction in operating expenses for the nine months 2017 compared to 2016 and a positive net currency effect of \$492,000.

**Interest Expense:**

Interest expense for the nine months 2017 decreased \$15,466 or 1.3% to \$1,217,348 from \$1,232,814 for the nine months 2016. The decrease was primarily due to debt repayment partially offset by new capital leases for equipment purchases and higher interest rates on LIBOR and prime during the nine months 2017 compared to the nine months 2016.

**Other Expense:**

Other expense for the nine months 2017 decreased \$170,468 to \$108,607 from \$279,075 for the nine months 2016. The amount in other expense principally is the currency gains and losses recognized by the U.K. operations on foreign currency transactions and the change in the fair value of financial assets and liabilities that are denominated in Euros and U.S. Dollars. The Company also recognizes gains and losses from the change in fair values on its foreign currency exchange contracts.

**Tax Provision:**

The Company files income tax returns in the United States as a C-Corporation, and in several state jurisdictions and in the United Kingdom. The Company's subsidiary, Uniroyal, is a limited liability company (LLC) for federal and state income tax purposes and as such, its income, losses, and credits are allocated to its member. Uniroyal's income is allocated entirely to UEPH as its sole member. Uniroyal Global then receives this income allocation as a member of UEPH less the dividends paid on the preferred units held by the former members of Uniroyal. For federal income tax purposes, UEPH is a pass-through entity and the Company's share of its taxable income is reported on its tax return. The taxable income applicable to the distribution for the preferred ownership interests is reported to the members who report it on their respective individual tax returns.

For the nine months 2016, the tax provision was comprised of U.K. tax plus a state and local tax provision on the Company's U.S. income. There was no U.S. Federal tax provision for the 2016 period due to a reduction of deferred tax asset valuation allowances that offset the provision. At January 1, 2017, the Company concluded after an analysis that it was more likely than not that all of the deferred tax asset would be realized and, accordingly, eliminated the valuation allowance. Therefore, the provisions for the nine months ended October 1, 2017 included, in addition to the U.K. tax and state and local tax, a provision for Federal tax on the Company's income less the income applicable to the distribution for the preferred ownership interests.

**Preferred Stock Dividend:**

The terms of the acquisitions in November 2014 resulted in the issuance of preferred ownership units/stock of UEP Holdings, LLC and UGEL (formerly EPAL) to the sellers. These preferred units carry quarterly dividend requirements on a total value of \$55,000,000 at rates ranging from 5.0% to 6.5%. The dividend rate on the Series B UEP Holdings preferred units which started at 5.5% increases by 0.5% on the anniversary of the issuance up to a maximum of 8.0%.

**Liquidity and Sources of Capital**

Cash, as it is needed, is provided by using the Company's lines of credit. These lines provide for a total borrowing commitment in excess of \$40,000,000 subject to the underlying borrowing base specified in the agreements. Of the total outstanding borrowings of \$19,833,352 at October 1, 2017, \$15.5 million of the lines bears interest at LIBOR plus a range of 1.95% to 2.45%, depending on the underlying borrowing base and \$4.3 million bears interest at the bank's prime or base lending rate which was 4.25% at October 1, 2017. At October 1, 2017, the lines provided an additional availability of approximately \$2.1 million. We plan to use this availability to help finance our cash needs for the remaining months of fiscal 2017 and future periods. The balances due under the lines of credit are recorded as current liabilities on the balance sheet.

Given our capital resources in the U.S. and the potential for increased investment and acquisitions in foreign jurisdictions, we do not have a history of repatriating a significant portion of our foreign cash. Accordingly, we have not recognized a deferred tax liability for these unremitted earnings. In the event that circumstances should change in the future and we decide to repatriate these foreign amounts to fund U.S. operations, the Company would record a tax expense and pay the applicable U.S. taxes on these repatriated foreign amounts.

The ratio of current assets to current liabilities, including the amount due under our lines of credit, was 1.07 at October 1, 2017 and 1.13 at January 1, 2017.

Cash balances increased \$429,543, after the effects of currency translation of \$111,147, to \$1,751,129 at October 1, 2017 from \$1,321,586 at January 1, 2017. Of the above noted amounts, \$1,608,624 and \$970,327 were held outside the U.S. by our foreign subsidiaries as of October 1, 2017 and January 1, 2017, respectively.

Cash provided by operations was \$3,333,591 for the nine months 2017 compared to \$5,133,064 for the nine months 2016. Cash provided by operations came from net income of \$2,438,070 and \$4,359,539 for the nine months 2017 and 2016, respectively, as adjusted by cash flows related to changes in assets and liabilities of \$(769,957) and \$(813,626) for the nine months 2017 and 2016, respectively.

Cash used in investing activities was \$1,905,156 for the nine months 2017 compared to \$1,486,270 for the nine months 2016. During 2017 and 2016, cash used in investing activities was principally for purchases of machinery and equipment at our manufacturing locations.

For the nine months 2017, cash used in financing activities was \$1,110,039 as compared to \$3,848,860 used in financing activities for the nine months 2016. The Company paid \$2,204,199 and \$2,147,408 of preferred dividends for the nine months 2017 and 2016, respectively. The Company had net advances on its lines of credit of \$2,029,826 and \$220,428 for the nine months 2017 and 2016, respectively. In May 2016, the Company modified the terms of the secured promissory note in the amount of \$1,285,593 related to the Wardle Storeys acquisition and paid the note in full on May 31, 2016.

Our credit agreements contain customary affirmative and negative covenants. We were in compliance with our debt covenants as of October 1, 2017 and through the date of filing of this report.

We currently have several on-going capital projects that are important to our long-term strategic goals. Machinery and equipment will also be added as needed to increase capacity or enhance operating efficiencies in our manufacturing plants. We will use a combination of financing arrangements to provide the necessary capital. We believe that our existing resources, including cash on hand and our credit facilities, together with cash generated from operations and additional bank borrowings, will be sufficient to fund our cash flow requirements through at least the next twelve months. However, there can be no assurance that additional financing will be available on favorable terms, if at all.

We have no material off balance sheet arrangements.

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

None.

### **Item 4. Controls and Procedures**

The Company maintains “disclosure controls and procedures” as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), that are designed to ensure that information required to be disclosed by us in reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer, Chief Financial Officer, and Board of Directors, as appropriate, to allow timely decisions regarding required disclosures. In designing and evaluating our disclosure controls and procedures, management recognizes that disclosure controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired objectives, and we necessarily are required to apply our judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures.

Our management, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of October 1, 2017 and concluded that our disclosure controls and procedures were effective as of October 1, 2017.

**Changes in Internal Controls over Financial Reporting**

During the nine months ended October 1, 2017, there were no changes in the Company's internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act) that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

**PART II. OTHER INFORMATION**

**Item 1. Legal Proceedings**

None.

**Item 1A. Risk Factors**

There have been no material changes from the risk factors as previously disclosed in our annual report on Form 10-K/A for the fiscal year ended January 1, 2017.

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

**Issuer Purchases of Equity Securities**

On April 29, 2015, the Board of Directors of the Registrant authorized the Chief Executive Officer to cause the Company to repurchase shares of the Company's common stock in the open market or in private transactions at such times as cash of the Company is available and the Chief Executive Officer deems such purchases to be in the long-term interests of the Company. The Chief Executive Officer is required to report such purchases at the next meeting of the Board of Directors. The authorization has no expiration date. There were no purchases during the three month period ending October 1, 2017.

**Item 3. Defaults Upon Senior Securities**

None.

**Item 4. Mine Safety Disclosures**

Not applicable.

**Item 5. Other Information**

None.



**Item 6. Exhibits**

(a) Exhibits.

<b>Exhibit No.</b>	<b>Description</b>
31.1 *	<a href="#">Chief Executive Officer Certification Pursuant to Securities Exchange Act Rules 13a-14(a)</a>
31.2 *	<a href="#">Chief Financial Officer Certification Pursuant to Securities Exchange Act Rules 13a-14(a)</a>
32.1 *	<a href="#">Chief Executive Officer Certification Pursuant to 18 U.S.C. Section 1350</a>
32.2 *	<a href="#">Chief Financial Officer Certification Pursuant to 18 U.S.C. Section 1350</a>
101.INS * +	XBRL Instance Document
101.CAL * +	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF * +	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB * +	XBRL Taxonomy Extension Label Linkbase Document
101.PRE * +	XBRL Taxonomy Extension Presentation Linkbase Document
101.SCH * +	XBRL Taxonomy Extension Schema Document

\* Filed herewith.

+ In accordance with Rule 406T of Regulation S-T, this information is deemed not "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

**Signatures**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**UNIROYAL GLOBAL ENGINEERED PRODUCTS, INC.**

Dated: November 6, 2017

By: /s/ Howard R. Curd  
Howard R. Curd  
Chief Executive Officer

Dated: November 6, 2017

By: /s/ Edmund C. King  
Edmund C. King  
Chief Financial Officer

## CERTIFICATION

I, Howard R. Curd, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Uniroyal Global Engineered Products, 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 quarterly 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 issuer as of and for the periods presented in this report;
4. The issuer's other certifying officer(s) 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 issuer 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 issuer, 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 issuer'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 issuer's internal control over financial reporting that occurred during the issuer's most recent fiscal quarter (the issuer's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting.
5. The issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):
  - (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 issuer'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 issuer's internal control over financial reporting.

Date: November 6, 2017

*/s/ Howard R. Curd*

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Howard R. Curd  
Chief Executive Officer

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## CERTIFICATION

I, Edmund C. King, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Uniroyal Global Engineered Products, 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 quarterly 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 issuer as of and for the periods presented in this report;
4. The issuer's other certifying officer(s) 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 issuer 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 issuer, 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 issuer'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 issuer's internal control over financial reporting that occurred during the issuer's most recent fiscal quarter (the issuer's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting.
5. The issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):
  - (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 issuer'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 issuer's internal control over financial reporting.

Date: November 6, 2017

/s/ Edmund C. King

Edmund C. King  
Chief Financial Officer

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**CERTIFICATION 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 Uniroyal Global Engineered Products, Inc. (the "Company" or "Uniroyal Global") on Form 10-Q for the period ended October 1, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Howard R. Curd, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The 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 Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: November 6, 2017

*/s/ Howard R. Curd*  
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Howard R. Curd  
Chief Executive Officer

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**CERTIFICATION 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 Uniroyal Global Engineered Products, Inc. (the "Company" or "Uniroyal Global") on Form 10-Q for the period ended October 1, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Edmund C. King, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The 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 Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: November 6, 2017

*/s/ Edmund C. King*  
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Edmund C. King  
Chief Financial Officer

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