UBS AG
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FINAL TERMS SUPPLEMENT

(To Prospectus dated April 29, 2016, Product Supplement dated May 2, 2016 and Prospectus Supplement dated May 2, 2016)

Final Terms Supplement

UBS AG Trigger Phoenix Autocallable Optimization Securities

UBS AG $100,000.00 Securities Linked to the common stock of JPMorgan Chase & Co. due on October 14, 2020

Final Terms

Issuer	UBS AG, London Branch
Principal Amount	$10.00 per security. The Securities are offered at a minimum investment of 100 Securities at $10.00 per Security (representing a $1,000 investment) and integral multiples of $10.00 in excess thereof.
Term	Approximately 24 months, unless called earlier.
Underlying Equity	The common stock of JPMorgan Chase & Co.
Contingent Coupon	If the closing price of the underlying equity is equal to or greater than the coupon barrier on any observation date, UBS will pay you the contingent coupon applicable to such observation date. If the closing price of the underlying equity is less than the coupon barrier on any observation date, the contingent coupon applicable to such observation date will not be payable and UBS will not make any payment to you on the relevant coupon payment date. The contingent coupon will be a fixed amount based upon equal semi annual installments at the per annum contingent coupon rate. Contingent coupons are not guaranteed and UBS will not pay you the contingent coupon for any observation date on which the closing price of the underlying equity is less than the coupon barrier. The table below reflects the contingent coupon rate of 7.00% per annum. Amounts in the table below may have been rounded for ease of analysis.

Observation Date*	Contingent Coupon (per security)
08-Apr-2019	$0.3500

	08-Oct-2019	$0.3500
	08-Apr-2020	$0.3500
	08-Oct-2020	$0.3500

	*Observation dates are subject to the market disruption event provisions set forth in the Trigger Phoenix Autocallable Optimization Securities product supplement ("TPAOS product supplement").
Contingent Coupon Rate	7.00% per annum (or approximately 3.500% per outstanding half year).
Automatic Call Feature	The Securities will be called automatically if the closing price of the underlying equity on any observation date is equal to or greater than the initial price. If the Securities are called on any observation date, UBS will pay you on the corresponding coupon payment date a cash payment per Security equal to your principal amount plus the contingent coupon otherwise due on such date pursuant to the contingent coupon feature. No further amounts will be owed to you under the Securities.
Payment at Maturity (per Security)	If the Securities are not called and the final price is equal to or greater than the trigger price and coupon barrier, UBS will pay you a cash payment per Security on the maturity date equal to your principal plus the contingent coupon otherwise due on the maturity date. If the Securities are not called and the final price is less than the trigger price, UBS will pay you a cash payment on the maturity date of significantly less than the principal amount, if anything, resulting in a loss of principal that is proportionate to the decline of the underlying equity, for an amount equal to $10 + ($10 x underlying return).
Underlying Return	$\frac{\text{Final Price – Initial Price}}{\text{Initial Price}}$
Closing Price	On any trading day, the last reported sale price (or, in the case of NASDAQ, the official closing price) of the underlying equity during the principal trading session on the principal national securities exchange on which it is listed for trading, as determined by the calculation agent.
Initial Price	$115.32, which is the closing price of the underlying equity on the trade date. The initial price is subject to adjustments in the case of certain corporate events, as described in the TPAOS product supplement.
Trigger Price/Coupon Barrier	$86.49, which is 75.00% of the initial price of the underlying equity. The trigger price and coupon barrier are subject to adjustments in the case of certain corporate events, as described in the TPAOS product supplement.
Final Price	The closing price of the underlying equity on the final valuation date. The final price is subject to adjustment in the case of certain corporate events, as described in the TPAOS product supplement.
Trade Date	October 8, 2018
Settlement Date	October 10, 2018
Final Valuation Date	October 8, 2020 (subject to postponement in the event of a market disruption event, as described in the TPAOS product supplement)
Maturity Date	October 14, 2020 (subject to postponement in the event of a market disruption event, as described in the TPAOS product supplement)

Coupon Payment Dates	Three business days following each observation date, except the coupon payment date for the final valuation date will be the maturity date.
CUSIP	90285A690
ISIN	US90285A6901
Valoren	43898099
Tax Treatment	There is no tax authority that specifically addresses the tax treatment of the Securities. UBS and you agree, in the absence of a statutory, regulatory, administrative or judicial ruling to the contrary, to characterize the Securities as a pre-paid derivative contract with respect to the underlying equity and to treat any contingent coupon received by you (including on maturity or upon automatic call) as ordinary income in accordance with your regular method of accounting. Under this characterization you should generally recognize capital gain or loss upon the sale, automatic call, redemption or maturity of your Securities in an amount equal to the amount you receive at such time (other than with respect to any contingent coupon) and the amount that you paid for your Securities. *Section 871(m).* A 30% withholding tax (which may be reduced by an applicable income tax treaty) is imposed on certain "dividend equivalent payments" made to a non-U.S. holder with respect to a "specified equity-linked instrument" that references one or more dividend-paying U.S. equity securities. The withholding tax can apply even if the instrument does not provide for payments that reference dividends. Treasury regulations provide that the withholding tax applies to all dividend equivalent payments made on specified equity-linked instruments issued after 2016. However, on December 2, 2016, the IRS issued Notice 2016-76, which states that the Treasury Department and the IRS intend to amend the applicability dates of the Treasury regulations to provide that the withholding tax will apply to all dividend equivalent payments made on specified equity-linked instruments that have a delta of one ("delta one specified equity-linked instruments") issued after 2016 and to all dividend equivalent payments made on all specified equity-linked instruments issued after 2017. We have determined that the Securities are not delta one specified equity-linked instruments and, therefore, will not be subject to withholding on dividend equivalent payments. However, it is possible that the Securities could be deemed to be reissued for tax purposes upon the occurrence of certain events affecting the Securities or the underlying equity, and following such occurrence the Securities could be treated as delta one specified equity-linked instruments that are subject to withholding on dividend equivalent payments. It is also possible that withholding tax or other Section 871(m) tax could apply to the Securities under these rules if a non-U.S. holder enters, or has entered, into certain other transactions in respect of the underlying equity or the Securities. **Because of the uncertainty regarding the application of the 30% withholding tax on dividend equivalent payments to the Securities, non-U.S. holders are urged to consult their tax advisor regarding the potential application of Section 871(m) (including in the context of their other transactions in respect of the underlying equity or the Securities, if any) and the 30% withholding tax to an investment in the Securities.** For greater detail and possible alternative tax treatments please see the section entitled "What Are the Tax Consequences of the Securities?" on page 12 of the prospectus supplement and the section entitled "Supplemental U.S. Tax Considerations" beginning on page PS-47 of the TPAOS product supplement.

The estimated initial value of the Securities as of the trade date is $9.65 for Securities linked to the underlying equity. The estimated initial value of the Securities was determined as of the close of the relevant markets on the date of this final terms supplement by reference to UBS' internal pricing models, inclusive of the internal funding rate. For more information about secondary market offers and the estimated initial value of the Securities, see "Key Risks - Fair value considerations" and "Key Risks - Limited or no secondary market and secondary market price considerations" in this final terms supplement.

Notice to investors: the Securities are significantly riskier than conventional debt instruments. The issuer is not necessarily obligated to repay the full principal amount of the Securities at maturity, and the Securities can have downside market risk similar to the underlying equity. This market risk is in addition to the credit risk inherent in purchasing a debt obligation of UBS. You should not purchase the Securities if you do not understand or are not comfortable with the significant risks involved in investing in the Securities.

You should carefully consider the risks described under “Key Risks” in this final terms supplement, under "Key Risks" beginning on page 3 of the prospectus supplement and under ‘‘Risk Factors’’ beginning on page PS-15 of the TPAOS product supplement before purchasing any Securities. Events relating to any of those risks, or other risks and uncertainties, could adversely affect the market value of, and the return on, your Securities. You may lose some or all of your initial investment in the Securities. The Securities will not be listed or displayed on any securities exchange or any electronic communications network.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these Securities or passed upon the adequacy or accuracy of this final terms supplement, the previously delivered prospectus supplement, the TPAOS product supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

The Securities are not bank deposits and are not insured by the Federal Deposit Insurance Corporation or any other governmental agency.

See "Additional Information about UBS and the Securities" in this final terms supplement. The Securities we are offering will have the terms set forth in the Prospectus Supplement dated May 2, 2016 relating to the Securities, the TPAOS product supplement, the accompanying prospectus and this final terms supplement.

Offering of Securities	**Issue Price to Public**		**Underwriting Discount**		**Proceeds to UBS AG**	
	Total	**Per Security**	**Total**	**Per Security**	**Total**	**Per Security**
JPMorgan Chase & Co.	$100,000.00	$10.00	$1,250.00	$0.125	$98,750.00	$9.875

UBS Financial Services Inc. **UBS Investment Bank**

Final Terms Supplement dated October 8, 2018

Additional Information About UBS and the Securities

UBS has filed a registration statement (including a prospectus, as supplemented by a product supplement and a prospectus supplement for the Securities) with the Securities and Exchange Commission, or SEC, for the offering for which this final terms supplement relates. Before you invest, you should read these documents and any other documents relating to the Securities that UBS has filed with the SEC for more complete information about UBS and this offering. You may obtain these documents for free from the SEC website at www.sec.gov. Our Central Index

Key, or CIK, on the SEC website is 0001114446. Alternatively, UBS will arrange to send you these documents if you so request by calling toll-free 1-877-387-2275.

You may access these documents on the SEC website at www.sec.gov as follows:

- Prospectus supplement dated May 2, 2016: http://www.sec.gov/Archives/edgar/data/1114446/000119312516571174/d164032d424b2.htm
- TPAOS product supplement dated May 2, 2016: http://www.sec.gov/Archives/edgar/data/1114446/000119312516570716/d186374d424b2.htm
- Prospectus dated April 29, 2016: http://www.sec.gov/Archives/edgar/data/1114446/000119312516569341/d161008d424b3.htm

References to “UBS,” “we,” “our” and “us” refer only to UBS AG and not to its consolidated subsidiaries. In this document, “Trigger Phoenix Autocallable Optimization Securities” or the “Securities” refer to the Securities that are offered hereby. Also, references to the “prospectus supplement” mean the UBS prospectus supplement, dated May 2, 2016, references to "TPAOS product supplement" mean the UBS product supplement, dated May 2, 2016, relating to the Securities generally, and references to the “accompanying prospectus” mean the UBS prospectus titled "Debt Securities and Warrants", dated April 29, 2016.

This final terms supplement, together with the documents listed above, contains the terms of the Securities and supersedes all other prior or contemporaneous oral statements as well as any other written materials including pricing terms, correspondence, trade ideas, structures for implementation, sample structures, brochures or other educational materials of ours. You should carefully consider, among other things, the matters set forth in “Key Risks” and in “Risk Factors” in the TPAOS product supplement, as the Securities involve risks not associated with conventional debt securities. We urge you to consult your investment, legal, tax, accounting and other advisors before deciding to invest in the Securities.

UBS reserves the right to change the terms of, or reject any offer to purchase, the Securities prior to their issuance. In the event of any changes to the terms of the Securities, UBS will notify you and you will be asked to accept such changes in connection with your purchase. You may also choose to reject such changes in which case UBS may reject your offer to purchase.

Key Risks

An investment in the Securities involves significant risks. Some of the risks that apply to the Securities are summarized here and are comparable to the corresponding risks discussed in the "Key Risks" section of the prospectus supplement, but we urge you to read the more detailed explanation of risks relating to the Securities generally in ‘‘Risk Factors’’ section of the TPAOS product supplement. We also urge you to consult your investment, legal, tax, accounting and other advisors before you invest in the Securities.

- **Risk of loss at maturity -** The Securities differ from ordinary debt securities in that UBS will not necessarily pay the full principal amount of the Securities at maturity. If the Securities are not called, UBS will repay you the principal amount of your Securities in cash only if the final price of the underlying equity is greater than or equal to the trigger price and will only make such payment at maturity. If the Securities are not called and the final price is less than the trigger price, you will be fully exposed to the negative underlying return and lose some or all of your initial investment in an amount proportionate to the decline in the price of the underlying equity.
- **The contingent repayment of your principal applies only at maturity -** You should be willing to hold your Securities to maturity. If you are able to sell your Securities prior to maturity in the secondary market, you may have to sell them at a loss relative to your initial investment even if the underlying equity price is above the trigger price.
- **You may not receive any contingent coupons -** UBS will not necessarily pay periodic contingent coupons on the Securities. If the closing price of the underlying equity on an observation date is less than the coupon barrier, UBS will not pay you the contingent coupon applicable to such observation date. If the closing price of the underlying equity is less than the coupon barrier on each of the observation dates, UBS will not pay you any contingent coupons during the term of, and you will not receive a positive return on, your Securities. Generally, this non-payment of the contingent coupon coincides with a period of greater risk of principal loss on your Securities.
- **Your potential return on the Securities is limited and you will not participate in any appreciation of the underlying equity** - The return potential of the Securities is limited to the contingent coupon rate, regardless of the appreciation of the underlying equity. In addition, the total return on the Securities will vary based on the number of observation dates on which the requirements of the contingent coupon have been met prior to maturity or an automatic call. Further, if the Securities are called due to the automatic call feature, you will not receive any contingent coupons or any other payment in respect of any observation dates after the applicable call settlement date. Since the Securities could be called as early as the first observation date, the total return on the Securities could be minimal. If the Securities are not called, you will not participate in any appreciation in the price of the underlying equity even though you will be subject to the underlying equity's risk of decline. As a result, the return on an investment in the Securities could be less than the return on a direct investment in the underlying equity.
- **Higher contingent coupon rates are generally associated with a greater risk of loss -** Greater expected volatility with respect to the underlying equity reflects a higher expectation as of the trade date that the price of such underlying equity could close below its trigger price on the final valuation date of the Securities. This greater expected risk will generally be reflected in a higher contingent coupon rate for that Security. However, an underlying equity's volatility can change significantly over the term of the Securities and the price of the underlying equity for your Securities could fall sharply, which could result in a significant loss of principal.
- **Reinvestment risk -** The Securities will be called automatically if the closing price of the underlying equity is equal to or greater than the initial price on any

observation date. In the event that the Securities are called prior to maturity, there is no guarantee that you will be able to reinvest the proceeds from an investment in the Securities at a comparable rate of return for a similar level of risk. To the extent you are able to reinvest such proceeds in an investment comparable to the Securities, you will incur transaction costs and the original issue price for such an investment is likely to include certain built-in costs such as dealer discounts and hedging costs.

- **Credit risk of UBS -** The Securities are unsubordinated, unsecured debt obligations of the issuer, UBS, and are not, either directly or indirectly, an obligation of any third party. Any payment to be made on the Securities, including any repayment of principal, depends on the ability of UBS to satisfy its obligations as they come due. As a result, the actual and perceived creditworthiness of UBS may affect the market value of the Securities and, in the event UBS were to default on its obligations, you may not receive any amounts owed to you under the terms of the Securities and you could lose your entire investment.
- **Market risk** - The price of the underlying equity can rise or fall sharply due to factors specific to that underlying equity and (i) in the case of common stock or American depositary shares, its issuer (the "underlying equity issuer") or (ii) in the case of an exchange traded fund, the securities, futures contracts or physical commodities constituting the assets of that underlying equity. These factors include price volatility, earnings, financial conditions, corporate, industry and regulatory developments, management changes and decisions and other events, as well as general market factors, such as general market volatility and levels, interest rates and economic and political conditions. You, as an investor in the Securities, should make your own investigation into the underlying equity issuer and the underlying equity for your Securities. **We urge you to review financial and other information filed periodically by the underlying equity issuer with the SEC.**
- **Fair value considerations.**
  - **The issue price you pay for the Securities exceeds their estimated initial value** - The issue price you pay for the Securities exceeds their estimated initial value as of the trade date due to the inclusion in the issue price of the underwriting discount, hedging costs, issuance costs and projected profits. As of the close of the relevant markets on the trade date, we determined the estimated initial value of the Securities by reference to our internal pricing models and it is set forth in this final terms supplement. The pricing models used to determine the estimated initial value of the Securities incorporate certain variables, including the price, volatility and expected dividends on the underlying equity, prevailing interest rates, the term of the Securities and our internal funding rate. Our internal funding rate is typically lower than the rate we would pay to issue conventional fixed or floating rate debt securities of a similar term. The underwriting discount, hedging costs, issuance costs, projected profits and the difference in rates will reduce the economic value of the Securities to you. Due to these factors, the estimated initial value of the Securities as of the trade date is less than the issue price you pay for the Securities.
  - **The estimated initial value is a theoretical price; the actual price that you may be able to sell your Securities in any secondary market (if any) at any time after the trade date may differ from the estimated initial value** - The value of your Securities at any time will vary based on many factors, including the factors described above and in "- Market risk" above and is impossible to predict. Furthermore, the pricing models that we use are proprietary and rely in part on certain assumptions about future events, which may prove to be incorrect. As a result, after the trade date, if you attempt to sell the Securities in

the secondary market, the actual value you would receive may differ, perhaps materially, from the estimated initial value of the Securities determined by reference to our internal pricing models. The estimated initial value of the Securities does not represent a minimum or maximum price at which we or any of our affiliates would be willing to purchase your Securities in any secondary market at any time.

- **Our actual profits may be greater or less than the differential between the estimated initial value and the issue price of the Securities as of the trade date** - We may determine the economic terms of the Securities, as well as hedge our obligations, at least in part, prior to pricing the Securities on the trade date. In addition, there may be ongoing costs to us to maintain and/or adjust any hedges and such hedges are often imperfect. Therefore, our actual profits (or potentially, losses) in issuing the Securities cannot be determined as of the trade date and any such differential between the estimated initial value and the issue price of the Securities as of the trade date does not reflect our actual profits. Ultimately, our actual profits will be known only at the maturity of the Securities.

- **Limited or no secondary market and secondary market price considerations.**

- **There may be little or no secondary market for the Securities** - The Securities will not be listed or displayed on any securities exchange or any electronic communications network. There can be no assurance that a secondary market for the Securities will develop. UBS Securities LLC and its affiliates may make a market in each offering of the Securities, although they are not required to do so and may stop making a market at any time. If you are able to sell your Securities prior to maturity, you may have to sell them at a substantial loss. The estimated initial value of the Securities does not represent a minimum or maximum price at which we or any of our affiliates would be willing to purchase your Securities in any secondary market at any time.

- **The price at which UBS Securities LLC and its affiliates may offer to buy the Securities in the secondary market (if any) may be greater than UBS' valuation of the Securities at that time, greater than any other secondary market prices provided by unaffiliated dealers (if any) and, depending on your broker, greater than the valuation provided on your customer account statements** - For a limited period of time following the issuance of the Securities, UBS Securities LLC or its affiliates may offer to buy or sell such Securities at a price that exceeds (i) our valuation of the Securities at that time based on our internal pricing models, (ii) any secondary market prices provided by unaffiliated dealers (if any) and (iii) depending on your broker, the valuation provided on customer account statements. The price that UBS Securities LLC may initially offer to buy such Securities following issuance will exceed the valuations indicated by our internal pricing models due to the inclusion for a limited period of time of the aggregate value of the underwriting discount, hedging costs, issuance costs and theoretical projected trading profit. The portion of such amounts included in our price will decline to zero on a straight line basis over a period ending no later than the date specified under "Supplemental Plan of Distribution (Conflicts of Interest); Secondary Markets (if any)." Thereafter, if UBS Securities LLC or an affiliate makes secondary markets for the Securities, it will do so at prices that reflect our estimated value determined by reference to our internal pricing models at that time. The temporary positive differential relative to our internal pricing models arises from requests from and arrangements made by UBS Securities LLC with the selling agents of structured debt securities such as the Securities. As described above, UBS Securities LLC and its affiliates are not required to make a market for the Securities and may stop making a market at any time. The price at which UBS Securities LLC or an affiliate may make secondary markets at any time (if at all) will also reflect its then current bid-ask spread for similar sized trades of structured debt securities. UBS Financial Services Inc. and UBS Securities LLC reflect this temporary positive differential on their customer statements. Investors should inquire as to the valuation provided on customer account statements provided by unaffiliated dealers.

- **Price of Securities prior to maturity** - The market price of the Securities will be influenced by many unpredictable and interrelated factors, including the price of the underlying equity; the volatility of the underlying equity; the dividend rate paid on the underlying equity; the time remaining to the maturity of the Securities; interest rates in the markets; geopolitical conditions and economic, financial, political, force majeure and regulatory or judicial events; the creditworthiness of UBS and the then current bid-ask spread for the Securities.
- **Impact of fees and the use of internal funding rates rather than secondary market credit spreads on secondary market prices** - All other things being equal, the use of the internal funding rates described above under "- Fair value considerations" as well as the inclusion in the issue price of the underwriting discount, hedging costs, issuance costs and any projected profits are, subject to the temporary mitigating effect of UBS Securities LLC's and its affiliates' market making premium, expected to reduce the price at which you may be able to sell the Securities in any secondary market.

- **Owning the Securities is not the same as owning the underlying equity -** The return on your Securities may not reflect the return you would realize if you actually owned the underlying equity. For instance, you will not receive or be entitled to receive any dividend payments or other distributions on the underlying equity over the term of your Securities. Furthermore, the underlying equity may appreciate substantially during the term of your Securities and you will not participate in such appreciation.
- **No assurance that the investment view implicit in the Securities will be successful -** It is impossible to predict whether and the extent to which the price of the underlying equity will rise or fall. The price of the underlying equity will be influenced by complex and interrelated political, economic, financial and other factors that affect the issuer of the underlying equity. You should be willing to accept the risks of owning equities in general and the underlying equity in particular, and the risk of losing some or all of your initial investment.
- **There is no affiliation between the underlying equity issuer, or for Securities linked to exchange traded funds, the issuers of the constituent stocks comprising the underlying equity (the "underlying equity constituent stock issuers"), and UBS, and UBS is not responsible for any disclosure by such issuer(s)** - We and our affiliates may currently, or from time to time in the future engage in business with the underlying equity issuer or, if applicable, any underlying equity constituent stock issuers. However, we are not affiliated with the underlying equity issuer or any underlying equity constituent stock issuers and are not responsible for such issuer's public disclosure of information, whether contained in SEC filings or otherwise. You, as an investor in the Securities, should make your own investigation into the underlying equity issuer or, if applicable, each underlying equity constituent stock issuer. Neither the underlying equity issuer nor any underlying equity constituent stock issuer is involved in the Securities offered hereby in any way and has no obligation of any sort with respect to your Securities. Such issuer(s) have no obligation to take your interests into consideration for any reason, including when taking any corporate actions that might affect the value of your Securities.
- **The calculation agent can make adjustments that affect the payment to you at maturity-** For certain corporate events affecting the underlying equity, the calculation agent may make adjustments to the initial price, the coupon

barrier, the trigger price and/or the final price of the underlying equity. However, the calculation agent will not make an adjustment in response to all events that could affect the underlying equity. If an event occurs that does not require the calculation agent to make an adjustment, the value of the Securities may be materially and adversely affected. In addition, all determinations and calculations concerning any such adjustments will be made by the calculation agent. You should be aware that the calculation agent may make any such adjustment, determination or calculation in a manner that differs from that discussed in the TPAOS product supplement as necessary to achieve an equitable result. In the case of common stock or American depositary shares, following certain corporate events relating to the issuer of the underlying equity where the issuer is not the surviving entity, the amount of cash you receive at maturity may be based on the common stock or American depositary share of a successor to the underlying equity issuer in combination with any cash or any other assets distributed to holders of the underlying equity in such corporate event. Additionally, if the issuer of the underlying equity becomes subject to (i) a reorganization event whereby the underlying equity is exchanged solely for cash, (ii) a merger or consolidation with UBS or any of its affiliates or (iii) an underlying equity is delisted or otherwise suspended from trading, the amount you receive at maturity may be based on the common stock or American depositary shares issued by another company. In the case of an exchange traded fund, following a suspension from trading or if an exchange traded fund is discontinued, the amount you receive at maturity may be based on a share of another exchange traded fund. The occurrence of these corporate events and the consequent adjustments may materially and adversely affect the value of the Securities. For more information, see the section “General Terms of the Securities — Antidilution Adjustments” beginning on page PS-34 of the TPAOS product supplement. Regardless of any of the events discussed above, any payment on the Securities is subject to the creditworthiness of UBS.

- **Potential UBS impact on the market price of the underlying equity** - Trading or transactions by UBS or its affiliates in the underlying equity and/or over-the-counter options, futures or other instruments with returns linked to the performance of the underlying equity may adversely affect the market price of the underlying equity and, therefore, the market value of your Securities.
- **Potential conflict of interest -** UBS and its affiliates may engage in business with the issuer of the underlying equity, which may present a conflict between the obligations of UBS and you, as a holder of the Securities. There are also potential conflicts of interest between you and the calculation agent, which will be an affiliate of UBS. The calculation agent will determine whether the final price is below the trigger price and accordingly the payment at maturity on your Securities. The calculation agent may also postpone the determination of the final price and the maturity date if a market disruption event occurs and is continuing on the final valuation date and may make adjustments to the initial price, the trigger price, the coupon barrier, the final price and/or the underlying equity itself for certain corporate events affecting the underlying equity. For more information, see the section “General Terms of the Securities — Antidilution Adjustments” beginning on page PS-34 of the TPAOS product supplement. As UBS determines the economic terms of the Securities, including the contingent coupon rate, trigger price and coupon barrier, and such terms include hedging costs, issuance costs and projected profits, the Securities represent a package of economic terms. There are other potential conflicts of interest insofar as an investor could potentially get better economic terms if that investor entered into exchange-traded and/or OTC derivatives or other instruments with third parties, assuming that such instruments were available and the investor had the ability to assemble and enter into such instruments.
- **Potentially inconsistent research, opinions or recommendations by UBS -** UBS and its affiliates publish research from time to time on financial markets and other matters that may influence the value of the Securities, or express opinions or provide recommendations that are inconsistent with purchasing or holding the Securities. Any research, opinions or recommendations expressed by UBS or its affiliates may not be consistent with each other and may be modified from time to time without notice. Investors should make their own independent investigation of the merits of investing in the Securities and the underlying equity to which the Securities are linked.
- **The Securities are not bank deposits:** An investment in the Securities carries risks which are very different from the risk profile of a bank deposit placed with UBS or its affiliates. The Securities have different yield and/or return, liquidity and risk profiles and would not benefit from any protection provided to deposits.
- **Under certain circumstances, the Swiss Financial Market Supervisory Authority (FINMA) has the power to take actions that may adversely affect the Securities** - Pursuant to article 25 et seq. of the Swiss Banking Act, FINMA has broad statutory powers to take measures and actions in relation to UBS if it (i) is overindebted, (ii) has

serious liquidity problems or (iii) fails to fulfill the applicable capital adequacy provisions after expiration of a deadline set by FINMA. If one of these prerequisites is met, the Swiss Banking Act grants significant discretion to FINMA to open restructuring proceedings or liquidation (bankruptcy) proceedings in respect of, and/or impose protective measures in relation to, UBS. In particular, a broad variety of protective measures may be imposed by FINMA, including a bank moratorium or a maturity postponement, which measures may be ordered by FINMA either on a stand-alone basis or in connection with restructuring or liquidation proceedings. In a restructuring proceeding, the resolution plan may, among other things, (a) provide for the transfer of UBS's assets or a portion thereof, together with debts and other liabilities, and contracts of UBS, to another entity, (b) provide for the conversion of UBS's debt and/or other obligations, including its obligations under the Securities, into equity, and/or (c) potentially provide for haircuts on obligations of UBS, including its obligations under the Securities. Although no precedent exists, if one or more measures under the revised regime were imposed, such measures may have a material adverse effect on the terms and market value of the Securities and/or the ability of UBS to make payments thereunder.

- **Dealer incentives -** UBS and its affiliates act in various capacities with respect to the Securities. We and our affiliates may act as a principal, agent or dealer in connection with the sale of the Securities. Such affiliates, including the sales representatives, will derive compensation from the distribution of the Securities and such compensation may serve as an incentive to sell these Securities instead of other investments. We will pay total underwriting compensation of 1.25% per Security to any of our affiliates acting as agents or dealers in connection with the distribution of the Securities. Given that UBS Securities LLC and its affiliates temporarily maintain a market making premium, it may have the effect of discouraging UBS Securities LLC and its affiliates from recommending sale of your Securities in the secondary market.
- **Uncertain tax treatment -** Significant aspects of the tax treatment of the Securities are uncertain. You should read carefully the sections entitled "What are the Tax Consequences of the Securities" in the prospectus supplement and "Supplemental U.S. Tax Considerations" beginning on page PS-47 of the TPAOS product supplement and consult your tax advisor about your tax situation.

Information about the Underlying Equity

All disclosures regarding the underlying equity are derived from publicly available information. UBS has not conducted any independent review or due diligence of any publicly available information with respect to the underlying equity. **You should make your own investigation into the underlying equity.**

The underlying equity will be registered under the Securities Exchange Act of 1934, as amended (the ''Exchange Act''). Companies with securities registered under the Exchange Act are required to file financial and other information specified by the SEC periodically. Information filed by the issuer of the underlying equity with the SEC can be reviewed electronically through a website maintained by the SEC. The address of the SEC's website is http://www.sec.gov. Information filed with the SEC by the issuer of the underlying equity under the Exchange Act can be located by reference to its SEC file number provided below. In addition, information filed with the SEC can be inspected and copied at the Public Reference Section of the SEC, 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Copies of this material can also be obtained from the Public Reference Section, at prescribed rates.

JPMorgan Chase & Co.

According to publicly available information, JPMorgan Chase & Co. ("JPMorgan") is a financial holding company and financial services firm. JPMorgan's principal bank subsidiaries are JPMorgan Chase Bank, National Association, a national banking association with United States branches, and Chase Bank USA, National Association, a national banking association that is its credit card-issuing bank. JPMorgan's principal non-bank subsidiary is J.P. Morgan Securities LLC, its United States investment banking firm. JPMorgan's activities are organized into four major reportable business segments, as well as a Corporate segment. The Firm's consumer business is the Consumer & Community Banking segment. The Firm's wholesale business segments are Corporate & Investment Bank, Commercial Banking, and Asset Management. Consumer & Community Banking serves consumers and businesses through personal service at bank branches and through ATMs, online, mobile and telephone banking. The Corporate & Investment Bank offers a suite of investment banking, market-making, prime brokerage, and treasury and securities products and services to a global client base of corporations, investors, financial institutions, government and municipal entities. Commercial Banking provides financing to real estate investors and owners, and financial solutions including lending, treasury services, investment banking and asset management. Asset Management offers investment management across all major asset classes including equities, fixed income, alternatives and money market funds, and also offers multi-asset investment management, retirement products and services, brokerage and banking services including trusts and estates, loans, mortgages and deposits. The Corporate/Private Equity segment comprises Private Equity, Treasury, Chief Investment Office, and Other Corporate activities. Information filed by JPMorgan with the SEC can be located by reference to its SEC file number: 001-05805, or its CIK Code: 0000019617. JPMorgan's website is jpmorganchase.com. JPMorgan's common stock is listed on the New York Stock Exchange under the ticker symbol "JPM."

Information from outside sources is not incorporated by reference in, and should not be considered part of, this final terms supplement or any accompanying prospectus. UBS has not conducted any independent review or due diligence of any publicly available information with respect to the underlying equity.

Historical Information

The following table sets forth the quarterly high and low closing prices for JPMorgan's common stock, based on daily closing prices on the primary exchange for JPMorgan. We obtained the closing prices below from Bloomberg Professional service ("Bloomberg"), without independent verification. The closing prices may be adjusted by Bloomberg for corporate actions such as stock splits, public offerings, mergers and acquisitions, spin-offs, extraordinary dividends, delistings and bankruptcy. UBS has not undertaken an independent review or due diligence of any publicly available information obtained from Bloomberg. JPMorgan's closing price on October 8, 2018 was $115.32. **Past performance of the underlying equity is not indicative of the future performance of the underlying equity.**

Quarter Begin	Quarter End	Quarterly High	Quarterly Low	Quarterly Close
01/02/2014	03/31/2014	$61.07	$54.31	$60.71
04/01/2014	06/30/2014	$60.67	$53.31	$57.62
07/01/2014	09/30/2014	$61.63	$55.56	$60.24
10/01/2014	12/31/2014	$63.15	$55.08	$62.58
01/02/2015	03/31/2015	$62.49	$54.38	$60.58

04/01/2015	06/30/2015	$69.75	$59.95	$67.76
07/01/2015	09/30/2015	$70.08	$59.84	$60.97
10/01/2015	12/31/2015	$68.46	$59.99	$66.03
01/04/2016	03/31/2016	$63.73	$53.07	$59.22
04/01/2016	06/30/2016	$65.81	$57.32	$62.14
07/01/2016	09/30/2016	$67.50	$59.55	$66.59
10/03/2016	12/30/2016	$87.13	$66.51	$86.29
01/03/2017	03/31/2017	$93.60	$83.30	$87.84
04/03/2017	06/30/2017	$91.40	$82.15	$91.40
07/03/2017	09/29/2017	$95.51	$88.42	$95.51
10/02/2017	12/29/2017	$107.83	$95.86	$106.94
01/02/2018	03/29/2018	$118.77		

	Three Months Ended September 30, 2018		2017	Nine Months Ended September 30, 2018	2017
Net sales	$	5,001,660	$ 4,908,088	$ 15,441,134	$ 15,563,791
Cost of sales		4,266,636	4,215,843	13,096,930	13,836,335
Gross profit		735,024	692,245	2,344,204	1,727,456
Selling and marketing		189,031	171,304	583,607	671,997
General and administrative		509,179	614,082	1,642,306	1,783,590
Research and development		25,372	26,787	80,094	84,427
		723,582	812,173	2,306,007	2,540,014

Total operating expenses					
Net income (loss) from operations		11,442	(119,928)	38,197	(812,558)
Other income (expense):					
Interest expense		(101,439)	(83,835)	(294,467)	(235,165)
Other income, net		12,826	22,896	33,133	56,966
Total other expense, net		(88,613)	(60,939)	(261,334)	(178,199)
Net loss before income tax provision (benefit)		(77,171)	(180,867)	(223,137)	(990,757)
Income tax provision (benefit)		—	—	—	—
Net loss	$	(77,171)	$ (180,867)	$ (223,137)	$ (990,757)
Comprehensive loss		(77,171)	(180,867)	$ (223,137)	$ (990,757)
Earnings (loss) per share - basic and diluted	$	(0.03)	$ (0.06)	$ (0.08)	$ (0.35)
Weighted average common shares outstanding - basic and diluted		2,853,111	2,821,263	2,847,660	2,820,369

See accompanying notes to condensed consolidated financial statements.

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Micron Solutions, Inc. and Subsidiary

Condensed Consolidated Statements of Cash Flows

(unaudited)

	Nine Months Ended September 30,	
	2018	2017
Cash flows from operating activities:		
Net loss	$ (223,137)	$ (990,757)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Gain on sale of property, plant and equipment	—	(21,750)
Depreciation and amortization	1,130,000	1,208,872
Non-cash interest expense	50,443	23,211
Change in allowance for doubtful accounts	—	16,000
Share-based compensation expense	90,541	84,750
Changes in operating assets and liabilities:		
Accounts receivable	(334,469)	(638,069)
Inventories	(483,847)	(154,072)
Prepaid expenses and other current assets	(98,922)	57,860
Other non-current assets	1,000	147,085
Accounts payable	(86,616)	(32,599)
Accrued expenses and other current liabilities	297,228	123,222
Contract liabilities	186,761	36,044
Other non-current liabilities	—	(156,953)
Net cash provided by (used in) operating activities	528,982	(297,156)
Cash flows from investing activities:		
Purchases of property, plant and equipment	(456,488)	(868,716)
Proceeds from sale of property, plant and equipment	—	34,600
Cash paid for patents and trademarks	(2,661)	(29,307)
Net cash provided by (used in) investing activities	(459,149)	(863,423)
Cash flows from financing activities:		
Proceeds from (payments on) revolving line of credit, net	(334,830)	1,284,205
Proceeds from equipment line of credit	—	402,281
Payments on term notes payable	(304,762)	(381,682)
Payments of debt issuance costs	(34,389)	—
Payment on subordinated debt	(350,000)	—
Net cash provided by (used in) financing activities	(1,023,981)	1,304,804
Net change in cash and cash equivalents and restricted cash	(954,148)	144,225

Cash and cash equivalents and restricted cash, beginning of period	956,988	380,381
Cash and cash equivalents and restricted cash, end of period	$ 2,840	$ 524,606

	Nine Months Ended September 30,	
Supplemental Cash Flow Information	2018	2017
Cash paid for interest	$ 244,819	$ 202,327
Non-cash activities:		
Issuance of treasury stock for directors fees	$ 45,426	$ 58,500
Adjustment to accumulated deficit for change in accounting principle (Note 2)	$ (13,991)	$ —

See accompanying notes to condensed consolidated financial statements.

1. Basis of Presentation and Accounting Policies

The condensed consolidated financial statements (the "financial statements") include the accounts of Micron Solutions, Inc.® ("Micron Solutions") and its subsidiary, Micron Products, Inc.® ("Micron" and together with Micron Solutions, the "Company"). All intercompany balances and transactions have been eliminated in consolidation.

The financial statements and related notes have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). Accordingly, certain information and footnote disclosures normally included in complete financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") have been omitted pursuant to such rules and regulations. These financial statements and related notes should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2017 filed with the SEC on March 26, 2018.

The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year. The Company's balance sheet at December 31, 2017 has been derived from the audited financial statements at that date, but does not include all the information and footnotes required by GAAP for complete financial statements.

The information presented reflects, in the opinion of the management of the Company, all adjustments necessary for a fair presentation of the financial results for the interim periods presented. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Recent Accounting Pronouncements

In the normal course of business, management evaluates all new accounting pronouncements issued by the Financial Accounting Standards Board ("FASB"), SEC, or other authoritative accounting bodies to determine the potential impact they may have on the Company's financial statements. Based upon this review, except as noted below, management does not expect any of the recently issued accounting pronouncements, which have not already been adopted, to have a material impact on the Company's financial statements.

In February 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-02, "Leases (Topic 842)," which requires companies to recognize all leases as assets and liabilities on the consolidated balance sheet. The standard retains a distinction between finance leases and operating leases, and the classification criteria for distinguishing between finance leases and operating leases are substantially similar to the classification criteria for distinguishing between capital leases and operating leases in the current accounting literature. The result of retaining a distinction between finance leases and operating leases is that under the lessee accounting model in Topic 842, the effect of leases in a consolidated statement of operations and a consolidated statement of cash flows is largely unchanged from previous GAAP. The amendments in this standard are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Earlier application is permitted.

As of the date of this report, the Company is the lessee of office equipment in a single operating lease and is the lessee of a parking lot. The Company is not a lessor in any arrangements. The Company is evaluating other supplier relationships to determine if such arrangements constitute a lease per this guidance. The Company does not expect any material impact on reporting or on the results of operations.

Liquidity and Management's Plan

At September 30, 2018, the Company identified certain conditions and events which in the aggregate required management to perform an assessment of the Company's ability to continue as a going concern. These conditions included the Company's recurring losses from operations and the resulting reliance on outside financing to support operations.

Management believes that the Company can continue as a going concern for a period of twelve months from the date of issuance of these financial reports. Management's assessment includes forecasting future revenues and cash flows, taking into consideration past performance and the requirements under the credit agreement. Revenue and cash flow forecasts are dependent on the Company's ability to fill booked orders from existing customers, its ability to close new and expanded business and continued availability under the revolving line of credit. Management believes it is probable that its plans will be effectively implemented and therefore, the accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

2. Change in Accounting Principle

Revenue Recognition

The Company adopted ASU No. 2014-09, "Revenue from Contracts with Customers, Topic 606" ("Topic 606") effective January 1, 2018 using the modified retrospective approach. Under the modified retrospective method, a cumulative effect of initially applying the new standard is recorded as an adjustment to the opening balance of retained earnings at the date of initial application. By electing to use this method, there is no restatement of the comparative periods presented (i.e., interim periods and fiscal year ending 2017). As permitted by Topic 606 transition guidance (outlined below), the Company has elected to apply the new standard only to contracts that were not completed contracts at the date of initial application, and therefore, the Company only evaluated those contracts that were in-process and not completed before January 1, 2018.

As a result of the initial application of Topic 606, the Company made an adjustment to its beginning accumulated deficit of ($13,991) to recognize the remaining deferred revenue ($18,333) and deferred costs ($32,324) recorded as of December 31, 2017 relative to certain completed tooling sales.

Beginning January 1, 2018, the Company applied Topic 606 using the five step approach outlined in the guidance: (1) Identify contracts with the customer, (2) Identify the performance obligations in the contract, (3) Determine the transaction price, (4) Allocate the transaction price to the performance obligations in the contract, and (5) Recognize revenue when (or as) the entity satisfies the performance obligations.

The Company reviewed its supply and manufacturing agreements with customers as well as the related purchase orders under these agreements. The Company also reviewed its customer relationships and purchase orders with those customers with which the Company has no formal supply agreement.

The Company determined that customer purchase orders represent contracts with a customer. For each contract, the Company considers the promise to transfer products, each of which are distinct, to be the identified performance obligations.

Shipping and handling activities for which the Company is responsible are not a separate promised service but instead are activities to fulfill the entity's promise to transfer goods. Shipping and handling fees will be recognized at the same time as the related performance obligations are satisfied.

The Company determines the transaction price as the amount of consideration it expects to receive in exchange for transferring promised goods or services to the customer. If a contract includes a variable amount, such as a rebate, then the Company estimates the transaction price using either the expected value or the most likely amount of consideration to be received, depending upon the specific facts and circumstances. The Company includes estimated variable consideration in the transaction price only to the extent it is probable that a significant reversal of revenue will not occur when the uncertainty is resolved. The Company updates its estimate of variable consideration at the end of each reporting period to reflect changes in facts and circumstances.

The Company recognizes revenue at the point in time when it transfers control of the promised goods or services to the customer, which typically occurs once the product has shipped or has been delivered to the customer. For certain customer warehousing agreements, delivery is deemed to have occurred when the customer pulls inventory out of the warehouse for use in their production. Additionally, for certain customers, delivery is deemed to have occurred when items are delivered to bill and hold locations at the Company's facility.

The Company evaluated the nature of any guarantees or warranties related to its contracts with customers. The Company determined that any such warranty is an assurance-type warranty that only covers the products' compliance with agreed-upon specifications and does not provide the customer with a service in addition to the assurance that the product complies with agreed-upon specifications.

Certain contracts contain prepayment terms that result in liabilities for customer deposits. Additionally, certain contracts provide for invoicing before all performance obligations have been fulfilled which results in deferred revenue. Customer deposits and advance invoicing are recorded as contract liabilities on the Company's consolidated balance sheet.

The Company generally expenses sales commission when incurred because the amortization period would have been one year or less. These costs are recorded within selling and marketing expenses.

The Company does not disclose the value of unsatisfied performance obligations for contracts with an original expected duration of one year or less.

Based on the Company's assessment, the implementation of Topic 606 affects the timing of certain revenue related transactions primarily resulting from the earlier recognition of the Company's tooling revenue and costs. Under legacy GAAP, the Company accounted for tooling as multiple element arrangements whereby revenue and cost were recognized over a period of time after the tool was completed. Upon adoption of ASU 2014-09, tooling sales and costs are now recognized at the point in time upon which the tool is complete and the Company has satisfied all its performance obligations under the contract.

The table below compares the affected lines on the consolidated statements of operations as presented to legacy GAAP treatment.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018 As presented	2018 Legacy GAAP	2018 As presented	2018 Legacy GAAP
Net sales	$ 5,001,660	$ 4,808,551	$ 15,441,134	$ 15,112,908
Cost of sales	4,266,636	4,114,580	13,096,930	12,851,210
Gross profit	735,024	693,971	2,344,204	2,261,698
Net income (loss) from operations	11,442	(29,611)	38,197	(44,309)
Net loss before income tax provision (benefit)	(77,171)	(118,224)	(223,137)	(305,643)
Net loss	$ (77,171)	$ (118,224)	$ (223,137)	$ (305,643)
Comprehensive loss	(77,171)	(118,224)	$ (223,137)	$ (305,643)
Earnings (loss) per share - basic and diluted	$ (0.03)	$ (0.04)	$ (0.08)	$ (0.11)
Weighted average common shares outstanding - basic and diluted	2,853,111	2,853,111	2,847,660	2,847,660

The table below compares the affected lines on the consolidated balance sheets as presented to legacy GAAP treatment.

	September 30, 2018 As presented	September 30, 2018 Legacy GAAP
Assets		
Current assets:		
Prepaid expenses and other current assets	$ 531,706	$ 618,758

Total current assets	7,285,048	7,372,100
Other assets	5,135	163,803
Total assets	$ 13,266,445	$ 13,512,165
Liabilities and Shareholders' Equity		
Current liabilities:		
Contract liabilities, current portion	$ 613,218	$ 730,815
Total current liabilities	4,663,547	4,781,144
Long-term liabilities:		
Contract liabilities, non-current portion	—	210,629
Total long-term liabilities	3,680,997	3,891,626
Total liabilities	8,344,544	8,672,770
Shareholders' equity:		
Accumulated deficit	(3,773,314)	(3,855,820)
Total shareholders' equity	4,921,901	4,839,395
Total liabilities and shareholders' equity	$ 13,266,445	$ 13,512,165

Contract liabilities would be presented as customer deposits and deferred revenue under legacy GAAP.

3. Inventories

Inventories consist of the following:

	September 30, 2018	December 31, 2017
Raw materials	$ 1,140,208	$ 1,100,187
Work-in-process	1,075,473	822,244
Finished goods	1,605,104	1,490,768
Total	$ 3,820,785	$ 3,413,199

Silver included in raw materials, work-in-process and finished goods inventory had an estimated cost of $478,018 and $536,963 as of September 30, 2018 and December 31, 2017, respectively.

4. Property, Plant and Equipment, net

Property, plant and equipment, net consist of the following:

	Asset Lives (in years)	September 30, 2018	December 31, 2017
Machinery and equipment	3 to 15	$ 17,545,122	$ 17,498,586
Building and improvements	5 to 25	3,991,951	3,986,715
Vehicles	3 to 5	104,714	90,713
Furniture, fixtures, computers and software	3 to 5	1,424,043	1,542,027
Construction in progress		375,328	17,412
Total property, plant and equipment		23,441,158	23,135,453
Less: accumulated depreciation		(18,208,213)	(17,391,414)
Property, plant and equipment, net		$ 5,232,945	$ 5,744,039

Construction in progress is generally comprised of internal tooling in process.

For the three months ended September 30, 2018 and 2017, the Company recorded depreciation expense of $361,077 and $405,402, respectively. For the nine months ended September 30, 2018 and 2017, the Company recorded depreciation expense of $1,126,773 and $1,207,283, respectively.

5. Assets Held for Sale

In January 2016, the Company entered into a Purchase and Sale Agreement (“Agreement”) to sell two unoccupied buildings, with a total of approximately 52,000 square feet, and land, at its Fitchburg, Massachusetts campus. As a result, the Company has since classified the real estate as Assets Held for Sale.

The Company and the Buyer (the “Parties”), have since entered into multiple amendments which provided for, among other things, an extension of the expiration date of the agreement to June 2019 in exchange for monthly extension fees.

In January 2018, the Company was notified that the National Park Service of the Department of the Interior designated the area in which the buildings are located as a Historic District, which will enable the Buyer to proceed with securing historical tax credits as agreed between the Parties.

The closing is subject to permitting and approvals from the City of Fitchburg and the Commonwealth of Massachusetts and is expected to take place by the end of the second quarter of 2019.

At September 30, 2018 and December 31, 2017, the carrying value of the assets held for sale remains at $688,750, which approximates the fair value less the expected costs to sell.

6. Debt

The following table sets forth the items which comprise debt for the Company:

	September 30, 2018	December 31, 2017
Revolving line of credit	$ 1,544,217	$ 1,879,047
Subordinated promissory notes	$ —	$ 350,000
Total term notes payable, net of issuance costs	$ 4,057,485	$ 4,346,194
Less current portion, net	376,488	367,779
Term notes payable, non-current, net	3,680,997	3,978,415
Total short and long term debt, net	$ 5,601,702	$ 6,575,241

Bank Debt

On December 29, 2017, the Company entered into a three-year $9,500,000 asset based credit and security agreement ("credit agreement"), with a Massachusetts trust company, replacing the credit facility with the Company's previous lender. The credit agreement also provided funds with which to discharge the subordinated promissory notes.

The credit agreement includes a revolving line of credit of up to $5.0 million ("Revolver"), a machinery and equipment term loan of $2.5 million ("Equipment Loan") and a real estate term loan of $2.0 million ("Real Estate Loan" and together with the "Equipment Loan", the "Term Loans"). The credit agreement contains both financial and non-financial covenants, and is secured by substantially all the assets of the Company and a mortgage encumbering certain real property.

Revolver

The Revolver is subject to certain borrowing base limitations, primarily related to conditions of the Company's accounts receivable and inventory. The agreement provides for a daily sweep of cash balances against the balance of the Revolver. Amounts available to borrow under the Revolver are $1,509,555 at September 30, 2018.

The Revolver allows for interest only payments during the term of the facility with the full principal outstanding balance to be paid upon maturity on December 29, 2020. Interest on all borrowings from the Revolver shall be equal to the Wall Street Journal prime rate ("Prime Rate") plus 0.5% (5.75% at September 30, 2018). In lieu of having interest charged at the Prime Rate, the Company has the option, on the last day of each month, (the "LIBOR Option") to have interest charged at a rate of interest equal to the daily one-month LIBOR plus 3.25% for the following month (5.506% at September 30, 2018). The interest rate will automatically convert back to the Prime Rate at the beginning of the next month unless the Company elects the LIBOR Option for the next month. This Revolver carries a provision for a quarterly unused facility fee equal to 0.25% per annum of the average daily undisbursed face amount of the Revolver during the three months immediately preceding the applicable due date and has no prepayment penalty.

Term Loans

The Equipment Loan requires monthly principal payments of approximately $29,762, payable on the first day of each month commencing February 1, 2018. The Equipment Loan is based upon an 84 month amortization with a balloon payment of approximately $1,458,333 due and payable in full upon maturity on December 29, 2020.

The Real Estate Loan requires monthly principal payments of approximately $8,333, payable on the first day of each month commencing February 1, 2018. The Real Estate Loan is based upon a 240 month amortization with a balloon payment of approximately $1,708,333 due and payable in full upon maturity on December 29, 2020.

Interest on the Term Loans shall be at such Wall Street Journal prime rate plus 0.75% (6.00% at September 30, 2018). In lieu of having interest charged at the Prime Rate, the Company shall have a LIBOR Option, as described above, to have interest charged at a rate of interest equal to the daily one-month LIBOR plus 3.5% for the following month (5.756% at September 30, 2018).

This credit agreement contains covenants related to various matters including certain financial covenants, prohibitions on further borrowings and security interests, merger or consolidation, acquisitions, guarantees, sales of assets other than in the normal course of business, leasing, and payment of dividends. The lender has a security interest in substantially all assets and a mortgage encumbering certain real property.

Other Debt

Subordinated promissory notes

On December 29, 2017, as part of entering into the credit agreement mentioned above, the Company obtained funds to discharge the subordinated debt. On January 2, 2018, the Company discharged the notes, totaling an aggregate principal amount of $350,000, including the subordinated notes held by three related parties. The Company carried $350,000 as restricted cash at December 31, 2017 for this purpose.

7. Income Taxes

No provision for income taxes has been recorded in the three or nine months ended September 30, 2018 or 2017, respectively. Except for a benefit of an immaterial amount of federal alternative minimum tax credit, the Company continues to maintain a full valuation allowance against its deferred tax assets as of September 30, 2018 and December 31, 2017.

At September 30, 2018, the Company has federal and state net operating loss carryforwards totaling $10,275,000 and $12,317,000, respectively, which begin to expire in 2031. The Company also has federal and state tax credit carryovers of $306,000 and $268,000 respectively. The federal and state tax credits begin to expire in 2027 and 2018, respectively.

8. Commitments and Contingencies

Legal matters

In the ordinary course of its business, the Company is involved in various legal proceedings involving a variety of matters. The Company does not believe there are any pending legal proceedings that will have a material impact on the Company's financial position or results of operations.

Off-balance sheet arrangements

Lease expense under all operating leases for the three months ended September 30, 2018 and 2017 was $6,056 and $4,615, respectively. For the nine months ended September 30, 2018 and 2017, lease expense under all operating leases was $19,164 and $13,114, respectively.

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Micron Solutions, Inc. and Subsidiary

Period Ended September 30, 2018

Notes to the Condensed Consolidated Financial Statements (unaudited)

9. Shareholders' Equity

Stock options and share-based incentive plan

The following table sets forth the stock option transactions for the nine months ended September 30, 2018:

	Number of options	Weighted Average Exercise Price	Weighted average remaining contractual term (in years)	Aggregate Intrinsic Value
Outstanding at December 31, 2017	205,500	$ 6.04	6.07	$ 28,750
Granted	90,000	3.81		
Forfeited	(2,000)	3.81		
Outstanding at September 30, 2018	293,500	$ 5.37	6.57	$ 11,040
Exercisable at September 30, 2018	152,826	$ 6.38	4.61	$ 11,040
Exercisable at December 31, 2017	114,583	$ 6.42	5.30	$ 20,551

For the three months ended September 30, 2018 and 2017, share based compensation expense related to stock options amounted to $7,729 and $5,083, respectively. For the nine months ended September 30, 2018 and 2017, share based compensation expense related to stock options amounted to $30,910 and $26,250, respectively. Share based compensation is included in general and administrative expenses.

For the three months ended September 30, 2018, no options were granted, exercised, forfeited or expired. For the three months ended September 30, 2017, no options were granted or exercised, 3,000 options were forfeited and 2,000 options expired due to employee terminations.

For the nine months ended September 30, 2018, 90,000 options were granted with a fair value of $0.50 per share, no options were exercised, 2,000 options were forfeited, due to employee terminations, and no options expired. For the nine months ended September 30, 2017, no options were granted or exercised, 7,000 options were forfeited and 2,000 options expired due to employee terminations.

Unrecognized stock based compensation expense as of September 30, 2018 and 2017 was $93,463 and $101,616, respectively.

Warrants

For the three months ended September 30, 2018 and 2017, there were no warrants exercised. As of September 30, 2018, 70,000 warrants remain unexercised, including 20,000 held by the Company's largest beneficial owner, REF Securities, LLP and with Mr. Rodd E. Friedman, a director of the Company, and 10,000 held by Mr. E. P. Marinos, a former director of the Company. The warrants expire in December 2018.

Common Stock

For the three months ended September 30, 2018, the Company issued 5,744 shares of the Company's common stock, with a fair value of $19,875 for director fees in lieu of cash payments. For the three months ended September 30, 2017, the Company issued 12,154 shares of the Company's common stock, with a fair value of $47,250 for director fees in lieu of cash payments.

For the nine months ended September 30, 2018, the Company issued 16,647 shares of the Company's common stock, with a fair value of $59,625 for director fees in lieu of cash payments. For the nine months ended September 30, 2017, the Company issued 22,635 shares of the Company's common stock, with a fair value of $58,500 for director fees in lieu of cash payments.

10. Subsequent Events

Changes in Officers and Directors

On October 29, 2018, the Company entered into a new employment agreement with its current President and Chief Executive Officer, Mr. Salvatore Emma, Jr., to become the Company's Chief Operating Officer, effective November 29, 2018. Mr. Emma's agreement provides for an annualized salary of $200,000. He is eligible for performance bonuses and shall receive options to purchase 5,000 shares of the Company's common stock. Mr. Emma will also resign as a member of the Board of Directors effective November 29, 2018.

On October 29, 2018, the Company entered into an employment agreement with Mr. William J. Laursen to become the Company's President and Chief Executive Officer, effective November 29, 2018. Mr. Laursen's agreement provides for an annualized salary of $280,000. He is eligible for performance bonuses and shall receive options to purchase 100,000 shares of the Company's common stock.

On October 29, 2018, the Company also announced the retirement of Dr. Paul F. Walter from the Company's Board of Directors and his appointment as a Director Emeritus, effective November 29, 2018. The Company also announced that Mr. Laursen was appointed to fill Dr. Walter's seat on the Board of Directors as a Class III director, effective November 29, 2018, with his term expiring at the 2019 annual meeting of stockholders.

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

Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements that involve a number of risks and uncertainties. There are a number of factors that could cause the Company's actual results to differ materially from those forecasted or projected in such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements which speak only as of the date hereof. The Company is under no obligation and does not intend to update, revise or otherwise publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of any unanticipated events. More information about factors that potentially could affect the Company's financial results is included in the Company's filings with the SEC, including its Annual Report on Form 10-K for the year ended December 31, 2017.

Overview

Micron Solutions®, Inc., a Delaware corporation ("Micron Solutions”), through its wholly-owned Massachusetts subsidiary, Micron Products®, Inc. (“Micron” and together with Micron Solutions, the "Company"), is a diversified contract manufacturing organization (“CMO”) that produces highly-engineered, innovative medical device components requiring precision machining and injection molding. The Company also manufactures components, devices and equipment for military, law enforcement, automotive and consumer product applications. The Company is engaged in the production and sale of silver/silver chloride coated and conductive resin sensors used as consumable component parts in the manufacture of integrated disposable electrophysiological sensors. These disposable medical devices are used worldwide in the monitoring of electrical signals in various medical applications. The Company's machining operations produce quick-turn, high volume patient-specific and off-the-shelf orthopedic implants and instruments. The Company’s machining operations also include laser marking, automated polishing, passivation and coating. The Company has thermoplastic injection molding capabilities as well, and provides a full array of design, engineering, production services and management. The Company competes globally, with approximately forty-five percent of its revenue derived from exports.

Critical Accounting Policies

The critical accounting policies utilized by the Company in preparation of the accompanying financial statements are set forth in Part II, Item 7 of the Company’s Annual Report on Form 10-K for the year ended December 31, 2017, under the heading “Management’s Discussion and Analysis of Financial Condition and Results of Operations”. There have been no material changes to these policies since December 31, 2017 except for the implementation of ASU No. 2014-09, “Revenue from Contracts with Customers” as described in Note 2 to these financial statements.

Liquidity and Management’s Plan

At September 30, 2018, the Company identified certain conditions and events which in the aggregate required management to perform an assessment of the Company’s ability to continue as a going concern. These conditions included the Company’s recurring losses from operations and the resulting reliance on outside financing to support operations.

Management believes that the Company can continue as a going concern for a period of twelve months from the date of issuance of these financial reports. Management’s assessment includes forecasting future revenues and cash flows, taking into consideration past performance and the requirements under the credit agreement. Revenue and cash flow forecasts are dependent on the Company’s ability to fill booked orders from existing customers, its ability to close new and expanded business and continued availability under the revolving line of credit. Management believes it is probable that its plans will be effectively implemented and therefore, the accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

Results of Operations

The following table sets forth, for the periods indicated, the percentages of the net sales represented by certain items reflected in the Company's statements of operations.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Net sales	100.0 %	100.0 %	100.0 %	100.0 %
Cost of sales	85.3	85.9	84.8	88.9
Gross profit	14.7	14.1	15.2	11.1
Selling and marketing	3.8	3.5	3.8	4.3
General and administrative	10.2	12.5	10.6	11.5
Research and development	0.5	0.5	0.5	0.5
Other expense	1.8	1.2	1.7	1.1
Loss before income tax provision (benefit)	(1.6)	(3.6)	(1.4)	(6.3)
Income tax provision (benefit)	—	—	—	—
Net loss	(1.6) %	(3.6) %	(1.4) %	(6.3) %

Net Sales

Net sales	2018	2017	$ Change	% Change
Three months ended September 30,	$ 5,001,660	$ 4,908,088	$ 93,572	1.9%

The increase in consolidated net sales for the three months ended September 30, 2018 versus the prior year period was due primarily to an increase in net sales of tooling, as well as increases in net sales of thermoplastic injection molding and sensors. This was partly offset by decreased net sales of machined orthopedic implant components and instruments.

For the three months ended September 30, 2018, net sales of tooling increased 72.8% when compared to the same period in the prior year. The increase was due primarily to new tooling for customers in the automotive, medical device as well as the military and law enforcement industries. Net sales of thermoplastic injection molding for the three months ended September 30, 2018, increased 1.5% based largely to increased net sales in automotive and medical device industries, partly offset by decreased net sales in the military and law enforcement and consumer products industries. Additionally, net sales of sensors for the three months ended September 30, 2018, increased 0.3%. The increase in net sales of sensors was due to a 2.7% increase in volume over the same period last year, partly offset by lower silver surcharge revenue due in part to the timing of shipments versus the changes in the daily spot rate of the price of silver.

Partly offsetting the increase in net sales for the three months ended September 30, 2018, was a 4.2% decrease in net sales of machined components when compared to the same period last year. This decrease in machined components was due in part to delays in orders from two customers, from whom we expect to receive orders in the first quarter 2019. One customer moved their operations and delayed orders and another customer introduced a new revision. In addition, the Company began production on a new defense related project but was not running at full production for the month of September.

Net sales	2018	2017	$ Change	% Change
Nine months ended September 30,	$ 15,441,134	$ 15,563,791	$ (122,657)	(0.8)%

The decrease in consolidated net sales for the nine months ended September 30, 2018 versus the prior year period was due to a decrease in net sales of thermoplastic injection molding and tooling. This was partly offset by increased net sales of sensors and machined orthopedic implant components and instruments.

For the nine months ended September 30, 2018, net sales of thermoplastic injection molding decreased 8.1% when compared to the same prior year period. The decrease was due in part to lower demand in the military and law enforcement industry. The decrease was also due in part to the vertical integration of a single medical device customer and lower net sales in the consumer products industry. Additionally, net sales of tooling decreased 28.8% due primarily to decreased tooling for the automotive, medical device and military and law enforcement industries.

Partly offsetting the decreases above was a 5.8% increase in net sales of machined orthopedic implant components and instruments for the nine months ended September 30, 2018. The increase was due primarily to increased demand of knee implant components from two customers partly offset by one customer who vertically integrated their machining of knee implant components beginning in the third quarter of 2017. Additionally, orders of machined components for a new defense program began in September 2018.

Also partly offsetting the decreases for the nine months ended September 30, 2018, was a 4.6% increase in net sales of sensors due largely to a 5.1% increase in volume compared to the same period in 2017. Silver surcharge billed increased 0.8% based partly upon an increase in volume over the same period last year, partly offset by lower silver surcharge revenue due in part to the timing of shipments versus the changes in the daily spot rate of the price of silver.

Gross Profit

Gross profit	2018	2017	$ Change	% Change
Three months ended September 30,	$ 735,024	$ 692,245	$ 42,779	6.2%
As a percentage of sales	14.7%	14.1%		

The increase in consolidated gross profit for the three months ended September 30, 2018 versus the prior year period was due to an increase in gross profit from sensors, thermoplastic injection molding and net tooling, partly offset by lower gross profit from machined orthopedic implant components and instruments.

Increased gross profit on sensors are a result of increased volume, customer mix, improved raw materials yield and efficiency improvements in both the molding and plating operations. Despite the increase in volume, gross profit from silver surcharge decreased due to the decrease in the weighted average price of silver.

The increase in consolidated gross profit was also due in part to a 3.6% increase in gross profit from thermoplastic injection molding due in part to customer and industry mix. Net sales increased in the automotive and medical device industries, partly offset by decreased sales in the military and law enforcement and consumer products industries. Gross profit as a percentage of sales increased 0.6 percentage points.

Additionally, the increase in consolidated gross profit was due in part to a 22.5% increase in gross profit from tooling. The increase was primarily the result of higher net sales in the three months ended September 30, 2018 compared to 2017. However, gross profit as a percentage of sales decreased 10.7 percentage points over the same period last year.

The increase in consolidated gross profit explained above for the three months ended September 30, 2018 versus the prior year period, was partly offset by a 27.0% decrease in gross profit from machined orthopedic implant components and instruments. The decrease was due in part to a decrease in net sales as noted above. Additionally, the Company improved its production processes resulting in reduced rework, scrap, tooling, labor, outside expediting charges, shift premiums and overtime to meet customer delivery requirements when compared to the third quarter of 2017. Gross profit as a percentage of sales decreased 3.7 percentage points.

During the three months ended September 30, 2018, other indirect manufacturing overhead expenses increased by 12.8% when compared to the same period in the prior year. This was largely due to higher machinery and facility maintenance costs.

Gross profit	2018	2017	$ Change	% Change
Nine months ended September 30,	$ 2,344,204	$ 1,727,456	$ 616,748	35.7%
As a percentage of sales	15.2%	11.1%		

The increase in consolidated gross profit for the nine months ended September 30, 2018 versus the prior year period was due to an increase in gross profit from sensors and machined orthopedic implant components and instruments, partly offset by decreased gross profit from thermoplastic injection molding and net tooling.

Increased gross profit from sensors was due largely to increased sales as noted above, which was driven by both increased volume and customer mix as well as improved raw materials yield and efficiency improvements in both the molding and plating operations.

Additionally, the increase was due in part to a 114.5% increase in gross profit from machined orthopedic implant components and instruments. The increase was due in part to an increase in net sales as noted above. Additionally, the Company improved its production processes resulting in reduced rework, scrap, tooling, labor, outside expediting charges, shift premiums and overtime to meet customer delivery requirements when compared to the nine months ended September 30, 2017. Gross profit as a percentage of sales increased 11.8 percentage points.

Partly offsetting the increase was a decrease in consolidated gross profit from thermoplastic injection molding of 14.5% due primarily to lower net sales as described above. Additionally, the lower gross profit was partly the result of a decrease in gross profit as a percentage of sales which decreased 2.1 percentage points due in part to the impact of the vertical integration of production by a customer with a higher profit margin as well as increased scrap over the same prior year period.

Also partly offsetting the increase above was a decrease of 18.5% from net tooling due largely to lower net sales. However, gross profit as a percentage of sales increased 3.8 percentage points.

Selling and Marketing

The Company's consolidated selling and marketing expenses amounted to $189,031 (3.8% of net sales) for the three months ended September 30, 2018 as compared to $171,304 (3.5% of net sales) for the three months ended September 30, 2017, an increase of $17,727 or 10.3%.

For the three months ended September 30, 2018, the increase was due primarily to a $19,538 increase in commissions as well as an increase in professional services due to the engagement of a sales representative in the second quarter of 2018. Partly offsetting these increases were decreased expenses related to cloud based marketing services as well as lower expenses related to travel, office and computer supplies, and depreciation.

The Company's consolidated selling and marketing expenses amounted to $583,607 (3.8% of net sales) for the nine months ended September 30, 2018 as compared to $671,997 (4.3% of net sales) for the nine months ended September 30, 2017, a decrease of $88,392, or 13.2%.

For the nine months ended September 30, 2018, the decrease was primarily due to decreased compensation of $79,351 due partly to compensation adjustments implemented in the third quarter of 2017 as well as the use of independent manufacturers' sales representatives in the first half of 2018. Additionally, professional services decreased due to the impact of $18,000 of recruiting agency fees in the first quarter of 2017. The decrease was also due in part to decreased expenses related to advertising and marketing, travel, trade show attendance, office and computer supplies and depreciation expense. Partly offsetting these decreases was increased commissions of $13,874, largely in the third quarter of 2018, as mentioned above.

General and Administrative

The Company's consolidated general and administrative expenses decreased to $509,179 (10.2% of net sales) for the three months ended September 30, 2018 as compared to $614,082 (12.5% of net sales) for the three months ended September 30, 2017, a decrease of $104,903, or 17.1%.

The decrease in general and administrative expenses for the three months ended September 30, 2018 when compared to 2017 is due in part to the prior year impact of non-recurring charges of $77,606 related to outside consulting services. Compensation expenses decreased $23,089 due in part to compensation adjustments for salaried employees and executives implemented in the third quarter of 2017 as well as the outsourcing of the Company's environmental, health and safety functions. Partly offsetting these decreases was an increase in outside consulting fees of $26,387 related to outsourcing the IT function and $12,737 for outsourcing the environmental, health and safety function.

The Company's consolidated general and administrative expenses decreased to $1,642,306 (10.6% of net sales) for the nine months ended September 30, 2018 as compared to $1,783,590 (11.5% of net sales) for the nine months ended September 30, 2017, a decrease of $141,284 or 7.9%.

The decrease in general and administrative expenses for the nine months ended September 30, 2018 compared to 2017 is due largely to decreased compensation expense of $118,295 due in part to compensation adjustments for salaried employees and executives implemented in the third quarter of 2017 as well as the impact of outsourcing of the Company’s IT and environmental, health and safety functions. Additionally, the decrease is due in part to the prior year impact of non-recurring charges of $77,606 related to outside consulting services. Accounting, taxes and reporting services decreased by $36,867. These decreases were partly offset by an increase of $31,913 for non-recurring professional consulting fees related to the implementation of new revenue recognition accounting guidance. Additionally, the decreases were partly offset by increases in professional and outside consulting services due to the outsourcing of both the IT and environmental, health and safety functions.

Research and Development

The Company's consolidated research and development expenses decreased to $25,372 (0.5% of net sales) for the three months ended September 30, 2018 as compared to $26,787 (0.5% of net sales) for the three months ended September 30, 2017, a decrease of $1,415, or 5.3%.

The Company's consolidated research and development expenses decreased to $80,094 (0.5% of net sales) for the nine months ended September 30, 2018 as compared to $84,427 (0.5% of net sales) for the nine months ended September 30, 2017, a decrease of $4,333, or 5.1%.

The decreases for the three and nine months ended September 30, 2018 and 2017 were due to salary reductions implemented in the third quarter of 2017.

Other Expense, net

Other expense, net increased to $88,613 for the three months ended September 30, 2018, as compared to $60,939, for the three months ended September 30, 2017, an increase of $27,674. The increase in other expense, net was due largely to an $18,094 increase in interest expense which was due in part to $13,249 of deferred financing amortization as a result of the new credit agreement entered into in December 2017, as well as $4,845 higher interest expense due in part to higher interest rates, despite a decrease in outstanding debt when compared to June 30, 2018. Partly offsetting the increase in other expense, net was an increase of $24,000 from extension fees related to the assets held for sale.

Other expense, net increased to $261,334 for the nine months ended September 30, 2018, as compared to $178,199, for the nine months ended September 30, 2017, an increase of $81,135. The increase in other expense, net was due largely to a $59,302 increase in interest expense due in part to $32,004 of deferred financing amortization as a result of the new credit agreement entered into in December 2017, as well as $27,298 due in part to higher interest rates, despite a decrease in outstanding debt when compared to December 31, 2017. Other expense, net also increased due in part to the impact of a $21,750 gain on the sale of fixed assets in the nine months ended September 30, 2017.

Income Tax Provision

The tax provisions for the three and nine months ended September 30, 2018 and 2017 attributable to the U.S. federal and state income taxes are $0. The Company's combined federal and state effective income tax rate for the three and nine months ended September 30, 2018 and 2017 of 0% is due to the deferred tax assets being nearly fully reserved for with a valuation allowance.

Earnings (Loss) Per Share

Consolidated basic and diluted loss per share for the three months ended September 30, 2018 was $0.03 per share as compared to a loss of $0.06 per share for the same period in 2017, a decrease in loss per share of $0.03. The decrease in loss per share for the three months ended September 30, 2018, is due in part to increased net sales of $93,572, increased gross profit of $42,779 and a reduction of $88,591 in operating expenses.

Consolidated basic and diluted loss per share for the nine months ended September 30, 2018 was $0.08 per share as compared to a loss of $0.35 per share for the same period in 2017, a decrease in loss per share of $0.27. The decrease in loss per share for the nine months ended September 30, 2018, is due largely to an increase in gross profit of $616,748, as well as a decrease of $234,007 in operating expenses compared to the prior year period.

Off-Balance Sheet Arrangements

Lease expense under all operating leases for the three months ended September 30, 2018 and 2017 was $6,056 and $4,615 respectively. For the nine months ended September 30, 2018 and 2017, lease expense under all operating leases was $19,164 and $13,114 respectively.

Liquidity and Capital Resources

Working capital was $2,621,501 as of September 30, 2018, as compared to $2,548,692 at December 31, 2017, an increase of $72,809. The increase in working capital is due primarily to increases in accounts receivable and inventory and a decrease in short term debt, partly offset by an increase in accrued expenses and other current liabilities as well as contract liabilities related to tooling contracts. Cash on hand decreased $954,148, due largely to net payments on the Revolver of $334,830, the discharge of subordinated debt of $350,000 and payment on term notes of $304,762.

Trade accounts receivable, net of allowance for doubtful accounts, were $2,929,717 and $2,595,248 at September 30, 2018 and December 31, 2017, respectively, an increase of $334,469. The increase is due largely to higher sales in the third quarter of 2018 compared to the fourth quarter of 2017.

Inventories increased by $407,586 from December 31, 2017 to September 30, 2018, due primarily to an increase in work-in-process of $253,229 driven largely by an increase in tooling in-process.

Accounts payable decreased $86,616 from December 31, 2017 to September 30, 2018 due to the timing of cash disbursements. Accrued expenses and other current liabilities increased $297,228 in part due to the timing of inventory receipts and an increase in accrued payroll. Contract liabilities increased $186,761 due to increased customer deposits and advance invoicing for in-process tooling.

Capital equipment expenditures were $456,488 for the nine months ended September 30, 2018, due in part to expenditures related to machinery and equipment for the contract manufacturing of machined components in the medical device and military and law enforcement industries, as well as computer software and hardware, and thermoplastic injection molding and quality inspection equipment compared to $868,716 for the nine months ended September 30, 2017 for machinery and equipment primarily for the contract manufacturing of machined orthopedic implants and instruments as well as thermoplastic injection molding.

At September 30, 2018, the Company’s total debt was $5,601,702 as compared to $6,575,241 at December 31, 2017, a decrease of $973,539. The decrease is due in part to $304,762 in payments on term debt as well as the discharge of $350,000 of subordinated debt and net payments on the Revolver of $334,830.

The Company has a three-year credit agreement with a Massachusetts trust company. The credit agreement includes a revolving line of credit of up to $5.0 million, a machinery and equipment term loan of $2.5 million and a real estate term loan of $2.0 million. The credit agreement contains both financial and non-financial covenants, and is secured by substantially all assets of the Company and a mortgage encumbering certain real property.

The Revolver is subject to certain borrowing base limitations, primarily related to conditions of the Company's accounts receivable and inventory. The credit agreement provides for a daily sweep of cash balances against the balance of the Revolver. Amounts available to borrow under the Revolver are $1,509,555 at September 30, 2018.

The Term Loans require aggregate monthly principal payments of approximately $38,095, payable on the first day of each month. The Equipment Loan is based upon an 84 month amortization with a balloon payment of approximately $1,458,333 due and payable in full upon maturity on December 29, 2020. The Real Estate Loan is based upon a 240 month amortization with a balloon payment of approximately $1,708,333 due and payable in full upon maturity on December 29, 2020.

On December 29, 2017, as part of entering into the credit agreement mentioned above, the Company obtained funds to discharge the subordinated debt. On January 2, 2018, the Company discharged the notes, totaling an aggregate principal amount of $350,000, including the subordinated notes held by three related parties. The Company carried $350,000 as restricted cash at December 31, 2017 for this purpose.

No dividends were declared or paid in the three or nine months ended September 30, 2018 and 2017.

The Company believes that cash flows from its operations, together with its existing working capital, booked orders, the credit agreement and other resources, will be sufficient to fund operations at current levels and repay debt obligations over the next twelve months from the date these financial statements were issued; however, there can be no assurance that the Company will be able to do so.

Summary of Changes in Cash Position

As of September 30, 2018, the Company had cash on hand of $2,840, as the Company's cash is swept daily against the Revolver in accordance with the Company's credit agreement. For the nine months ended September 30, 2018, net cash provided by operating activities was $528,982. Net cash used in investing activities for the nine months ended September 30, 2018 was $459,149. Net cash used in financing activities for the nine months ended September 30, 2018 was $1,023,981. The net cash flows for the nine months ended September 30, 2018 are discussed in further detail below.

Operating Cash Flows

For the nine months ended September 30, 2018, net cash provided by operating activities was $528,982. Cash provided by operating activities was primarily impacted by an increase of $297,228 in accrued expenses and other current liabilities as well as an increase of $186,761 in contract liabilities related to customer deposits for tooling. Cash provided by operating activities was also impacted by non-cash add-backs for depreciation and amortization of $1,130,000, share-based compensation of $90,541 and non-cash interest expense of $50,443. These sources of cash were partly offset by uses of cash as a result of an increase of $483,847 in inventory, an increase of $334,469 in accounts receivable, an increase of $98,922 in prepaid expenses and other current assets as well as a decrease in accounts payable of $86,616.

Investing Cash Flows

For the nine months ended September 30, 2018, net cash used in investing activities was $459,149. The net cash used was for capital expenditures of $456,488, due in part to expenditures related to machinery and equipment for the contract manufacturing of machined components in the medical device and military and law enforcement industries, as well as computer software and hardware, and thermoplastic injection molding and quality inspection equipment.

Financing Cash Flows

For the nine months ended September 30, 2018, net cash used in financing activities was $1,023,981. Cash was used for net payments on the Revolver of $334,830, the discharge of subordinated debt of $350,000 and payments on term notes of $304,762, and debt issuance costs of $34,389.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Not Applicable.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our principal executive officer and principal financial officer (“the Certifying Officers”) have evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)). Based on such evaluation, our Certifying Officers have concluded the Company's disclosure controls and procedures, as of the end of the period covered by this report, were effective.

The effectiveness of a system of disclosure controls and procedures is subject to various inherent limitations, including cost limitations, judgments used in decision making, assumptions about the likelihood of future events, the soundness of internal controls, and fraud. Due to such inherent limitations, there can be no assurance that any system of disclosure controls and procedures will be successful in preventing all errors or fraud, or in making all material information known in a timely manner to the appropriate levels of management.

Changes in Internal Control over Financial Reporting

During the three months ended September 30, 2018, there have been no changes in the Company's internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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PART II - OTHER INFORMATION

Item 6. Exhibit Index

Exhibit Number	Description of Exhibit	Page
3.0	Certificate of Incorporation (incorporated by reference to the Company's Registration Statement on Form S-18 as filed with the Commission in April 1988, Registration Statement No. 33-20945-FW).	
3.1	Amended and Restated By-laws (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K as filed with the Commission on July 1, 2011).	
3.2	Certificate of Amendment of Certificate of Incorporation (incorporated by reference to Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q as filed with the Commission on August 13, 2015).	
4.0	Form of Certificate evidencing shares of the Company's Common Stock (incorporated by reference to the Company's Registration Statement on Form S-18 as filed with the Commission in April 1988, Registration Statement No. 33-20945-FW).	
4.1	Certificate of Amendment of Certificate of Incorporation dated March 8, 2017 (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K as filed with the Commission on March 14, 2017).	
4.10*	2010 Equity Incentive Plan (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-8 as filed with the Commission on May 6, 2010, Registration Statement No. 333-166600).	
4.11	Form of Subordinated Note (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K as filed with the Commission on December 23, 2013).	
4.12	Form of Subordination Agreement (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K as filed with the Commission on December 23, 2013)	
4.13	Form of Warrant to Purchase Common Stock (incorporated by reference to Exhibit 4.3 to the Company's Current Report on Form 8-K as filed with the Commission on December 23, 2013).	
4.14	Form of Amended and Restated Subordinated Promissory Note (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K as filed with the Commission on October 17, 2016).	
4.15	Form of Amendment No. 1 to Warrant to Purchase Shares of Common Stock (incorporated by reference to Exhibit 4.3 to the Company's Current Report on Form 8-K as filed with the Commission on October 17, 2016).	
10.51	Loan and Security Agreement between UniBank for Savings and Arrhythmia Research Technology, Inc. and Micron Products, Inc. dated March 29, 2013 (incorporated by reference to Exhibit 10.51 to the Company's Quarterly Report on Form 10-Q as filed with the Commission on July 1, 2013).	
10.61	Fourth Amendment to Loan and Security Agreement and Commercial Equipment Line of Credit Promissory Note dated September 19, 2015 (incorporated by reference to Exhibit 10.61 to the Company's Quarterly Report on Form 10-Q as filed with the Commission on August 13, 2015).	
10.62		

	Fifth Amendment to Loan and Security Agreement dated as of November 15, 2016 (incorporated by reference to Exhibit 10.62 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2016 as filed with the Commission on March 22, 2017).	
10.63	Commercial Term Promissory Note dated November 15, 2016 (incorporated by reference to Exhibit 10.63 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2016 as filed with the Commission on March 22, 2017).	
10.64	Commercial Equipment Line of Credit Promissory Note dated November 15, 2016 (incorporated by reference to Exhibit 10.64 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2016 as filed with the Commission on March 22, 2017).	
10.65*	Executive Incentive Plan (incorporated by reference to Exhibit 10.65 to the Company's Current Report on Form 8-K as filed with the Commission on December 6, 2016).	
10.66*	Employment Agreement between the Company and Salvatore Emma, Jr. dated as of January 1, 2017 (incorporated by reference to Exhibit 10.66 to the Company's Annual Report on Form 10-K for fiscal year ended December 31, 2016 as filed with the Commission on March 22, 2017).	
10.67*	Employment Agreement between the Company and Derek T. Welch dated as of January 1, 2017 (incorporated by reference to Exhibit 10.67 to the Company's Annual Report on Form 10-K for fiscal year ended December 31, 2016 as filed with the Commission on March 22, 2017).	
10.68	Sixth Amendment to Loan and Security Agreement dated September 16, 2017 (incorporated by reference to Exhibit 10.68 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2017 as filed with the Commission on August 11, 2017).	
10.69	Forbearance Agreement between UniBank for Savings, Micron Solutions, Inc. and Micron Products, Inc. dated September 29, 2017 (incorporated by reference to Exhibit 10.69 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2017, as filed with the Commission on November 13, 2017).	
10.70	Credit and Security Agreement between Micron Products, Inc. and Rockland Trust Company dated December 29, 2017 (incorporated by reference to Exhibit 10.70 to the Company's Annual Report on Form 10-K for fiscal year end December 31, 2017, as filed with the Commission on March 26, 2018).	
10.71	General Security Agreement between the Company and Rockland Trust Company dated December 29, 2017 (incorporated by reference to Exhibit 10.71 to the Company's Annual Report on Form 10-K for fiscal year end December 31, 2017, as filed with the Commission on March 26, 2018).	
10.72	Mortgage, Security Agreement and Financing Statement entered into by Micron Products, Inc. dated December 29, 2017 (incorporated by reference to Exhibit 10.72 to the Company's Annual Report on Form 10-K for fiscal year end December 31, 2017, as filed with the Commission on March 26, 2018).	
10.73	M&E Term Loan Note entered into by Micron Products, Inc. dated December 29, 2017 (incorporated by reference to Exhibit 10.73 to the Company's Annual Report on Form 10-K for fiscal year end December 31, 2017, as filed with the Commission on March 26, 2018).	
10.74	Real Estate Term Loan Note entered into by Micron Products, Inc. dated December 29, 2017 (incorporated by reference to Exhibit 10.74 to the Company's Annual Report on Form 10-K for fiscal year end December 31, 2017, as filed with the Commission on March 26, 2018).	
10.75	Revolver Note entered into by Micron Products, Inc. dated December 29, 2017 (incorporated by reference to Exhibit 10.75 to the Company's Annual Report on Form 10-K for fiscal year end December 31, 2017, as filed with the Commission on March 26, 2018).	
10.76	General Continuing Guarantee entered into by the Company dated as of December 29, 2017 (incorporated by reference to Exhibit 10.76 to the Company's Annual Report on Form 10-K for fiscal year end December 31, 2017, as filed with the Commission on March 26, 2018).	
21	Subsidiaries (incorporated by reference to Exhibit 21.0 to the Company's Annual Report on Form 10-K for fiscal year ended December 31, 2010 as filed with the Commission on March 23, 2011).	
31.1**	Certification of the CEO pursuant to Rule 13a-14(a) or Rule 15(d)-14(a)	X-1

31.2**	Certification of the CFO pursuant to Rule 13a-14(a) or Rule 15(d)-14(a)	X-2
32.1**	Certification of the CEO pursuant to 18 U.S.C. §1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	X-3
32.2**	Certification of the CFO pursuant to 18 U.S.C. §1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	X-4
101.INS†	XBRL Instance Document	
101.SCH†	XBRL Taxonomy Extension Schema Document	
101.CAL†	XBRL Taxonomy Extension Calculation Linkbase Document	
101.PRE†	XBRL Taxonomy Extension Presentation Linkbase Document	
101.DEF†	XBRL Taxonomy Extension Definition Linkbase Document	

*Indicates a management contract or compensatory plan required to be filed as an exhibit.

**Filed herewith

† XBRL (Extensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.

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SIGNATURES

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

	MICRON SOLUTIONS, INC.
November 13, 2018	By: /s/ Salvatore Emma, Jr. Salvatore Emma, Jr. President and Chief Executive Officer (principal executive officer)
	By: /s/ Derek T. Welch Derek T. Welch Chief Financial Officer (principal financial and accounting officer)

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