

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended August 31, 2014

OR

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

For the transition period from _____ to _____

Commission File Number 0-3498

TAYLOR DEVICES, INC.

(Exact name of registrant as specified in its charter)

NEW YORK

16-0797789

(State or other jurisdiction of incorporation or organization)

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

90 Taylor Drive, North Tonawanda, New York

14120-0748

(Address of principal executive offices)

(Zip Code)

716-694-0800

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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

Yes No

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

Yes No

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

Large accelerated filer

Accelerated filer

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

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

As of October 14, 2014, there were outstanding 3,343,694 shares of the registrant's common stock, par value \$.025 per share.

TAYLOR DEVICES, INC.

Index to Form 10-Q

| PART I FINANCIAL INFORMATION | | PAGE NO. |
|---|---|----------|
| Item 1. | Financial Statements | |
| | Condensed Consolidated Balance Sheets as of August 31, 2014 and May 31, 2014 | 3 |
| | Condensed Consolidated Statements of Income for the three months ended August 31, 2014 and 2013 | 4 |
| | Condensed Consolidated Statements of Cash Flows for the three months ended August 31, 2014 and 2013 | 5 |
| | Notes to Condensed Consolidated Financial Statements | 6 |
| Item 2. | Management's Discussion and Analysis of Financial Condition and Results of Operations | 7 |
| Item 3. | Quantitative and Qualitative Disclosures About Market Risk | 12 |
| Item 4. | Controls and Procedures | 13 |
| PART II OTHER INFORMATION | | |
| Item 1. | Legal Proceedings | 14 |
| Item 1A. | Risk Factors | 14 |
| Item 2. | Unregistered Sales of Equity Securities and Use of Proceeds | 14 |
| Item 3. | Defaults Upon Senior Securities | 14 |
| Item 4. | Mine Safety Disclosures | 14 |
| Item 5. | Other Information | 15 |
| Item 6. | Exhibits | 15 |
| REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM | | 16 |
| SIGNATURES | | 17 |

TAYLOR DEVICES, INC. AND SUBSIDIARY

| Condensed Consolidated Balance Sheets | (Unaudited) | |
|--|----------------------------|-------------------------|
| | August 31, 2014 | May 31, 2014 |
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 3,501,822 | \$ 2,793,642 |
| Accounts receivable, net | 3,260,899 | 2,894,344 |
| Inventory | 8,752,800 | 8,978,302 |
| Costs and estimated earnings in excess of billings | 3,521,890 | 2,373,791 |
| Other current assets | 1,531,106 | 1,521,832 |
| Total current assets | 20,568,517 | 18,561,911 |
| Maintenance and other inventory, net | 730,580 | 836,569 |
| Property and equipment, net | 7,792,488 | 7,867,728 |
| Other assets | 165,903 | 164,568 |
| | \$ 29,257,488 | \$ 27,430,776 |
| Liabilities and Stockholders' Equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 1,786,998 | \$ 1,166,162 |
| Accrued commissions | 453,130 | 429,839 |
| Billings in excess of costs and estimated earnings | 1,388,506 | 850,531 |
| Other current liabilities | 1,554,759 | 1,343,788 |
| Total current liabilities | 5,183,393 | 3,790,320 |
| Long-term liabilities | 558,485 | 558,485 |
| Stockholders' Equity: | | |
| Common stock and additional paid-in capital | 7,820,327 | 7,778,994 |
| Retained earnings | 18,194,266 | 17,801,960 |
| | 26,014,593 | 25,580,954 |
| Treasury stock - at cost | (2,498,983) | (2,498,983) |
| Total stockholders' equity | 23,515,610 | 23,081,971 |
| | \$ 29,257,488 | \$ 27,430,776 |

See notes to condensed consolidated financial statements.

TAYLOR DEVICES, INC. AND SUBSIDIARY

| Condensed Consolidated Statements of Income | (Unaudited) | |
|--|---------------------|--------------------|
| For the three months ended | 2014 | August 31, 2013 |
| Sales, net | \$ 6,551,382 | \$ 5,296,666 |
| Cost of goods sold | 4,866,275 | 4,017,565 |
| Gross profit | 1,685,107 | 1,279,101 |
| Selling, general and administrative expenses | 1,086,679 | 1,025,186 |
| Operating income | 598,428 | 253,915 |
| Other income, net | 3,878 | 8,348 |
| Income before provision for income taxes | 602,306 | 262,263 |
| Provision for income taxes | 210,000 | 61,000 |
| Net income | \$ 392,306 | \$ 201,263 |
| Basic and diluted earnings per common share | \$ 0.12 | \$ 0.06 |

See notes to condensed consolidated financial statements.

Condensed Consolidated Statements of Cash Flows

| | (Unaudited) | |
|--|--------------------|--------------------|
| | August 31, | |
| For the three months ended | 2014 | 2013 |
| Operating activities: | | |
| Net income | \$ 392,306 | \$ 201,263 |
| Adjustments to reconcile net income to net cash flows from operating activities: | | |
| Depreciation | 185,628 | 178,110 |
| Stock options issued for services | 37,112 | 43,301 |
| Changes in other assets and liabilities: | | |
| Accounts receivable | (366,555) | (392,649) |
| Inventory | 331,491 | 339,314 |
| Costs and estimated earnings in excess of billings | (1,148,099) | (664,096) |
| Other current assets | (9,274) | (80,341) |
| Accounts payable | 620,836 | (144,866) |
| Accrued commissions | 23,291 | 79,386 |
| Billings in excess of costs and estimated earnings | 537,975 | (4,041) |
| Other current liabilities | 210,971 | (970,687) |
| Net operating activities | 815,682 | (1,415,306) |
| Investing activities: | | |
| Acquisition of property and equipment | (110,388) | (667,389) |
| Other investing activities | (1,335) | (1,350) |
| Net investing activities | (111,723) | (668,739) |
| Financing activities: | | |
| Proceeds from issuance of common stock, net | 4,221 | 160,558 |
| Net financing activities | 4,221 | 160,558 |
| Net change in cash and cash equivalents | 708,180 | (1,923,487) |
| Cash and cash equivalents - beginning | 2,793,642 | 1,997,874 |
| Cash and cash equivalents - ending | \$ 3,501,822 | \$ 74,387 |

See notes to condensed consolidated financial statements.

Notes to Condensed Consolidated Financial Statements

1. The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of the Company, the accompanying unaudited condensed consolidated financial statements contain all adjustments (consisting of only normal recurring accruals) necessary to present fairly the financial position as of August 31, 2014 and May 31, 2014, the results of operations for the three months ended August 31, 2014 and 2013, and cash flows for the three months ended August 31, 2014 and 2013. These financial statements should be read in conjunction with the audited financial statements and notes thereto contained in the Company's Annual Report to Shareholders for the year ended May 31, 2014.
2. The Company has evaluated events and transactions for potential recognition or disclosure in the financial statements through the date the financial statements were issued.
3. There is no provision nor shall there be any provisions for profit sharing, dividends, or any other benefits of any nature at any time for this fiscal year.
4. For the three month periods ended August 31, 2014 and August 31, 2013, the net income was divided by 3,342,934 and 3,318,602 respectively, which is net of the Treasury shares, to calculate the net income per share.
5. The results of operations for the three month periods ended August 31, 2014 are not necessarily indicative of the results to be expected for the full year.
6. In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers. ASU 2014-09 is a comprehensive new revenue recognition model that requires a company to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. ASU 2014-09 also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. ASU 2014-09 is effective for annual reporting periods, and interim periods within that period, beginning after December 15, 2016 (fiscal year 2018 for the Company) and early adoption is not permitted. Companies may use either a full retrospective or a modified retrospective approach to adopt ASU 2014-09. The Company has not yet determined the potential effects of the adoption of ASU 2014-09 on its Consolidated Financial Statements. Other recently issued Accounting Standards Codification (ASC) guidance has either been implemented or are not significant to the Company.
7. The effective tax rate of 23% for the three month period ended August 31, 2013 reflects research & development tax credits that were permitted by federal legislation in place at that time. The legislation was allowed to expire on December 31, 2013. As a result, the effective tax rate of 35% for the three months ended August 31, 2014 includes no research & development tax credit in the provision for income taxes.

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

Cautionary Statement

The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for forward-looking statements. Information in this Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations," and elsewhere in this 10-Q that does not consist of historical facts, are "forward-looking statements." Statements accompanied or qualified by, or containing, words such as "may," "will," "should," "believes," "expects," "intends," "plans," "projects," "estimates," "predicts," "potential," "outlook," "forecast," "anticipates," "presume," and "assume" constitute forward-looking statements and, as such, are not a guarantee of future performance. The statements involve factors, risks and uncertainties, the impact or occurrence of which can cause actual results to differ materially from the expected results described in such statements. Risks and uncertainties can include, among others, reductions in capital budgets by our customers and potential customers; changing product demand and industry capacity; increased competition and pricing pressures; advances in technology that can reduce the demand for the Company's products; the kind, frequency and intensity of natural disasters that affect demand for the Company's products; and other factors, many or all of which are beyond the Company's control. Consequently, investors should not place undue reliance on forward-looking statements as predictive of future results. The Company disclaims any obligation to release publicly any updates or revisions to the forward-looking statements herein to reflect any change in the Company's expectations with regard thereto, or any changes in events, conditions or circumstances on which any such statement is based.

Results of Operations

A summary of the period to period changes in the principal items included in the condensed consolidated statements of income is shown below:

Summary comparison of the three months ended August 31, 2014 and 2013

| | Increase / (Decrease) |
|--|--------------------------|
| Sales, net | \$ 1,254,000 |
| Cost of goods sold | \$ 848,000 |
| Selling, general and administrative expenses | \$ 61,000 |
| Income before provision for income taxes | \$ 340,000 |
| Provision for income taxes | \$ 149,000 |
| Net income | \$ 191,000 |

Sales under certain fixed-price contracts, requiring substantial performance over several periods prior to commencement of deliveries, are accounted for under the percentage-of-completion method of accounting whereby revenues are recognized based on estimates of completion prepared on a ratio of cost to total estimated cost basis. Costs include all material and direct and indirect charges related to specific contracts.

Adjustments to cost estimates are made periodically and any losses expected to be incurred on contracts in progress are charged to operations in the period such losses are determined. However, any profits expected on contracts in progress are recognized over the life of the contract.

For financial statement presentation purposes, the Company nets progress billings against the total costs incurred on uncompleted contracts. The asset, "costs and estimated earnings in excess of billings," represents revenues recognized in excess of amounts billed. The liability, "billings in excess of costs and estimated earnings," represents billings in excess of revenues recognized.

For the three months ended August 31, 2014 (All figures discussed are for the three months ended August 31, 2014 as compared to the three months ended August 31, 2013.)

| | Three months ended August 31 | | Change | |
|-----------------------------------|------------------------------|--------------|--------------|---------|
| | 2014 | 2013 | Amount | Percent |
| Net Revenue | \$ 6,551,000 | \$ 5,297,000 | \$ 1,254,000 | 24% |
| Cost of sales | 4,866,000 | 4,018,000 | 848,000 | 21% |
| Gross profit | \$ 1,685,000 | \$ 1,279,000 | \$ 406,000 | 32% |
| í as a percentage of net revenues | 26% | 24% | | |

The Company's consolidated results of operations showed a 24% increase in net revenues and an increase in net income of 95%. Revenues recorded in the current period for long-term construction projects (‘‘Project(s)’’) were 58% more than the level recorded in the prior year. We had 32 Projects in process during the current period compared with 24 during the same period last year. Revenues recorded in the current period for other-than long-term construction projects (non-projects) were 15% less than the level recorded in the prior year. Total sales within the U.S. increased 5% from the same period last year. Total sales to Asia are up 80% from the same period of the prior year. Sales increases recorded over the same period last year to customers involved in construction of buildings and bridges (17%) and aerospace / defense (46%), were slightly offset by a decrease in sales to industrial customers (10%). Please refer to the charts, below, which show the breakdown of sales.

Sales of the Company’s products are made to three general groups of customers: industrial, construction and aerospace / defense. A breakdown of sales to the three general groups of customers is as follows:

| | Three months ended August 31 | |
|---------------------|------------------------------|------|
| | 2014 | 2013 |
| Industrial | 7% | 10% |
| Construction | 54% | 57% |
| Aerospace / Defense | 39% | 33% |

At August 31, 2013, the Company had 98 open sales orders in our backlog with a total sales value of \$15.4 million. At August 31, 2014, the Company has slightly fewer open sales orders in our backlog (95 orders) and the total sales value is \$24.1 million or 56% more than the prior year value.

The Company's backlog, revenues, commission expense, gross margins, gross profits, and net income fluctuate from period to period. The changes in the current period, compared to the prior period, are not necessarily representative of future results.

Net revenue by geographic region, as a percentage of total net revenue for the three month periods ended August 31, 2014 and August 31, 2013 is as follows:

| | Three months ended August 31 | |
|-------|------------------------------|------|
| | 2014 | 2013 |
| USA | 53% | 62% |
| Asia | 42% | 29% |
| Other | 5% | 9% |

Selling, General and Administrative Expenses

| | Three months ended August 31 | | Change | |
|-----------------------------------|------------------------------|---------------------|------------------|-----------|
| | 2014 | 2013 | Amount | Percent |
| Outside Commissions | \$ 322,000 | \$ 246,000 | \$ 76,000 | 31% |
| Other SG&A | 764,000 | 779,000 | (15,000) | - 2% |
| Total SG&A | \$ 1,086,000 | \$ 1,025,000 | \$ 61,000 | 6% |
| í as a percentage of net revenues | 17% | 19% | | |

Selling, general and administrative expenses increased by 6% from the prior year. Outside commission expense increased by 31% from last year's level. This fluctuation was primarily due to the significant increase in commissionable sales in the current year. Other selling, general and administrative expenses decreased only slightly from last year to this.

The above factors resulted in operating income of \$598,000 for the three months ended August 31, 2014, up 136% from the \$254,000 in the same period of the prior year.

Stock Options

The Company has a stock option plan which provides for the granting of nonqualified or incentive stock options to officers, key employees and non-employee directors. Options granted under the plan are exercisable over a ten year term. Options not exercised at the end of the term expire.

The Company expenses stock options using the fair value recognition provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). The Company recognized \$37,000 and \$43,000 of compensation cost for the three month periods ended August 31, 2014 and August 31, 2013.

The fair value of each stock option grant has been determined using the Black-Scholes model. The model considers assumptions related to exercise price, expected volatility, risk-free interest rate, and the weighted average expected term of the stock option grants. Expected volatility assumptions used in the model were based on volatility of the Company's stock price for the thirty month period ending on the date of grant. The risk-free interest rate is derived from the U.S. treasury yield. The Company used a weighted average expected term.

The following assumptions were used in the Black-Scholes model to estimate the fair market value of the Company's stock option grants:

| | August 2014 | August 2013 |
|----------------------------------|----------------|----------------|
| Risk-free interest rate: | 2.375% | 3.25% |
| Expected life of the options: | 3 years | 3 years |
| Expected share price volatility: | 31% | 36% |
| Expected dividends: | zero | zero |

| | | |
|---|--------|--------|
| These assumptions resulted in estimated fair-market value per stock option: | \$2.06 | \$2.41 |
|---|--------|--------|

The ultimate value of the options will depend on the future price of the Company's common stock, which cannot be forecast with reasonable accuracy.

Inventory, at \$8,753,000 as of August 31, 2014, is \$225,000, or 3%, lower than the prior year-end level of \$8,978,000. Approximately 94% of the current inventory is work in process, 2% is finished goods, and 4% is raw materials.

Maintenance and other inventory represent stock that is estimated to have a product life cycle in excess of twelve months. This stock represents certain items the Company is required to maintain for service of products sold and items that are generally subject to spontaneous ordering. This inventory is particularly sensitive to technological obsolescence in the near term due to its use in industries characterized by the continuous introduction of new product lines, rapid technological advances and product obsolescence. Management of the Company has recorded an allowance for potential inventory obsolescence. The provision for potential inventory obsolescence was \$45,000 for each of the three month periods ended August 31, 2014 and August 31, 2013. The Company continues to rework slow-moving inventory, where applicable, to convert it to product to be used on customer orders.

Accounts Receivable, Costs and Estimated Earnings in Excess of Billings (CIEB"), and Billings in Excess of Costs and Estimated Earnings ("BIEC")

| | August 31, 2014 | May 31, 2014 | Increase / (Decrease) | |
|---|---------------------|---------------------|-----------------------|-----|
| Accounts receivable | \$ 3,261,000 | \$ 2,894,000 | \$ 367,000 | 13% |
| CIEB | 3,522,000 | 2,374,000 | 1,148,000 | 48% |
| Less: BIEC | 1,389,000 | 851,000 | 538,000 | 63% |
| Net | <u>\$ 5,394,000</u> | <u>\$ 4,417,000</u> | <u>\$ 977,000</u> | 22% |
| Number of an average day's sales outstanding in accounts receivable | 45 | 49 | | |

The Company combines the totals of accounts receivable, the current asset CIEB, and the current liability, BIEC, to determine how much cash the Company will eventually realize from revenue recorded to date. As the accounts receivable figure rises in relation to the other two figures, the Company can anticipate increased cash receipts within the ensuing 30-60 days.

Accounts receivable of \$3,261,000 as of August 31, 2014 includes approximately \$333,000 of amounts retained by customers on Projects. It also includes \$10,000 of an allowance for doubtful accounts (Allowance). The accounts receivable balance as of May 31, 2014 of \$2,894,000 included an Allowance of \$10,000. The number of an average day's sales outstanding in accounts receivable (DSO) decreased from 49 days at May 31, 2014 to 45 at August 31, 2014. It is expected that amounts retained by customers under contracts will be released in the normal course of the business in accordance with the related contracts. The Company expects to collect the net accounts receivable balance, including the retainage, during the next twelve months.

As noted above, CIEB represents revenues recognized in excess of amounts billed. Whenever possible, the Company negotiates a provision in sales contracts to allow the Company to bill, and collect from the customer, payments in advance of shipments. Unfortunately, provisions such as this are often not possible. The \$3,522,000 balance in this account at August 31, 2014 is 48% more than the prior year-end. This increase is the result of normal flow of the projects through production with billings to the customers as permitted in the related contracts. The Company expects to bill the entire amount during the next twelve months. 71% of the CIEB balance as of the end of the last fiscal quarter, May 31, 2014, was billed to those customers in the current fiscal quarter ended August 31, 2014. The remainder will be billed as the Projects progress, in accordance with the terms specified in the various contracts.

The balances in this account are comprised of the following components:

| | August 31, 2014 | May 31, 2014 |
|--------------------------------|---------------------|---------------------|
| Costs | \$ 3,695,000 | \$ 3,055,000 |
| Estimated Earnings | 1,234,000 | 929,000 |
| Less: Billings to customers | 1,407,000 | 1,610,000 |
| CIEB | <u>\$ 3,522,000</u> | <u>\$ 2,374,000</u> |
| Number of Projects in progress | 14 | 17 |

As noted above, BIEC represents billings to customers in excess of revenues recognized. The \$1,389,000 balance in this account at August 31, 2014 is up significantly from the \$851,000 balance at the end of the prior year. This increase is the result of normal flow of the projects through production with billings to the customers as permitted in the related contracts.

The balance in this account fluctuates in the same manner and for the same reasons as the account costs and estimated earnings in excess of billings, discussed above. Final delivery of product under these contracts is expected to occur during the next twelve months.

The balances in this account are comprised of the following components:

| | August 31, 2014 | May 31, 2014 |
|--------------------------------|---------------------|-------------------|
| Billings to customers | \$ 3,382,000 | \$ 2,236,000 |
| Less: Costs | 1,665,000 | 1,072,000 |
| Less: Estimated Earnings | 328,000 | 313,000 |
| BIEC | <u>\$ 1,389,000</u> | <u>\$ 851,000</u> |
| Number of Projects in progress | 8 | 8 |

Summary of factors affecting the balances in CIEB and BIEC:

| | August 31, 2014 | May 31, 2014 |
|---|-----------------|--------------|
| Number of Projects in progress | 22 | 25 |
| Aggregate percent complete | 34% | 31% |
| Average total sales value of Projects in progress | \$936,000 | \$710,000 |
| Percentage of total value invoiced to customer | 23% | 22% |

The Company's backlog of sales orders at August 31, 2014 is \$24.1 million, down slightly from the \$24.6 million at the end of the prior year. \$13.7 million of the current backlog is on Projects already in progress.

Other Balance Sheet Items

Accounts payable, at \$1,787,000 as of August 31, 2014, is 53% more than the prior year-end. Commission expense on applicable sales orders is recognized at the time revenue is recognized. The commission is paid following receipt of payment from the customers. Accrued commissions as of August 31, 2014 are \$453,000, up slightly from the \$430,000 accrued at the prior year-end. The Company expects the current accrued amount to be paid during the next twelve months. Other current liabilities increased 16% from the prior year-end, to \$1,555,000. This is primarily due to an increase in customer prepayments during the current quarter. Shipments to customers for prepaid products will take place as scheduled within the next twelve months.

Management believes the Company's cash flows from operations and borrowing capacity under the bank line of credit are sufficient to fund ongoing operations, capital improvements and share repurchases (if any) for the next twelve months.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Smaller reporting companies are not required to provide the information called for by this item.

Item 4. Controls and Procedures

(a) *Evaluation of disclosure controls and procedures.*

The Company's principal executive officer and principal financial officer have evaluated the Company's disclosure controls and procedures as of August 31, 2014 and have concluded that as of the evaluation date, the disclosure controls and procedures were effective to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms and that information required to be disclosed in the reports we file or submit under the Exchange Act is accumulated and communicated to our management, including our chief executive officer and chief financial officer to allow timely decisions regarding required disclosure.

(b) *Changes in internal control over financial reporting.*

There have been no changes in the Company's internal controls over financial reporting that occurred during the fiscal quarter ended August 31, 2014 that have materially affected, or are reasonably likely to materially affect, the Company's control over financial reporting.

Part II - Other Information

ITEM 1 Legal Proceedings

There are no other legal proceedings except for routine litigation incidental to the business.

ITEM 1A Risk Factors

Smaller reporting companies are not required to provide the information called for by this item.

ITEM 2 Unregistered Sales of Equity Securities and Use of Proceeds

(a) The Company sold no equity securities during the fiscal quarter ended August 31, 2014 that were not registered under the Securities Act.

(b) Use of proceeds following effectiveness of initial registration statement:

Not Applicable

(c) Repurchases of Equity Securities ó Quarter Ended August 31, 2014

| <i>Period</i> | <i>(a) Total Number of Shares Purchased</i> | <i>(b) Average Price Paid Per Share</i> | <i>(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</i> | <i>(d) Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs</i> |
|----------------------------------|---|---|---|---|
| June 1, 2014 - June 30, 2014 | - | - | - | |
| July 1, 2014 - July 31, 2014 | - | - | - | |
| August 1, 2014 - August 31, 2014 | - | - | - | |
| Total | - | - | - | (1) \$419,815 |

(1) On November 1, 2013, the Board of Directors of the Registrant voted unanimously to continue the share repurchase agreement, authorized by the Board in 2010, with Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S") under which the Company repurchases shares of its common stock. The Company has designated \$419,815 of cash on hand as available for open-market purchases. Since Board authorization in 2010, a total of 15,600 shares have been purchased at an average price per share of \$5.14. Repurchases are made by MLPF&S for the benefit of the Registrant.

(d) Under the terms of the Company's credit arrangements with its primary lender, the Company is required to maintain net working capital of at least \$3,000,000, as such term is defined in the credit documents. On August 31, 2014, under such definition, the Company's net working capital was significantly in excess of such limit. Additional information regarding the Company's line of credit and restrictive covenants appears under the caption "Capital Resources, Line of Credit and Long-Term Debt" in the Management's Discussion and Analysis of Financial Condition and Results of Operations.

ITEM 3 Defaults Upon Senior Securities

None

ITEM 4 Mine Safety Disclosures

Not applicable

ITEM 5 Other Information

- (a) Information required to be disclosed in a Report on Form 8-K, but not reported
None
- (b) Material changes to the procedures by which Security Holders may recommend nominees to the Registrant's Board of Directors
None

ITEM 6 Exhibits

- 31(i) Rule 13a-14(a) Certification of Chief Executive Officer.
- 31(ii) Rule 13a-14(a) Certification of Chief Financial Officer.
- 32(i) Section 1350 Certification of Chief Executive Officer.
- 32(ii) Section 1350 Certification of Chief Financial Officer.
- 101.INS* XBRL Instance Document
- 101.SCH* XBRL Taxonomy Extension Schema Document
- 101.CAL* XBRL Taxonomy Extension Calculation Linkbase Document
- 101.LAB* XBRL Taxonomy Extension Label Linkbase Document
- 101.PRE* XBRL Taxonomy Extension Presentation Linkbase Document

* In accordance with Rule 406T(b)(2) of Regulation S-T, the interactive data files in this Report shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 (the "Exchange Act"), or otherwise subject to the liability of that section and shall not be part of any registration statement or other document filed under the Securities Act of 1933 or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Taylor Devices, Inc.

We have reviewed the accompanying condensed consolidated balance sheet of Taylor Devices, Inc. and Subsidiary as of August 31, 2014, the related condensed consolidated statements of income for the three months ended August 31, 2014 and 2013 and cash flows for the three months ended August 31, 2014 and 2013. These interim financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying interim condensed consolidated financial statements referred to above for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet as of May 31, 2014, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated August 21, 2014, we expressed an unqualified opinion on those financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of May 31, 2014 is fairly stated, in all material respects, in relation to the balance sheet from which it has been derived.

Lumsden & McCormick, LLP
Buffalo, New York
October 14, 2014

TAYLOR DEVICES, INC.

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.

TAYLOR DEVICES, INC.
(Registrant)

Date: October 14, 2014



Douglas P. Taylor
President
Chairman of the Board of Directors
(Principal Executive Officer)

Date: October 14, 2014



Mark V. McDonough
Chief Financial Officer