

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 February 29, 2012

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 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 April 12, 2012, there were outstanding 3,286,294 shares of the registrant's common stock, par value \$.025 per share.

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TAYLOR DEVICES, INC. AND SUBSIDIARY

Condensed Consolidated Balance Sheets	(Unaudited)	
	February 29, 2012	May 31, 2011
Assets		
Current assets:		
Cash and cash equivalents	\$ 641,429	\$ 2,193,534
Accounts receivable, net	3,447,810	2,136,848
Inventory	8,029,278	5,352,424
Costs and estimated earnings in excess of billings	5,490,490	4,189,799
Other current assets	1,438,236	1,597,830
Total current assets	19,047,243	15,470,435
Maintenance and other inventory, net	808,668	846,177
Property and equipment, net	3,970,160	3,413,446
Other assets	152,201	147,970
	\$ 23,978,272	\$ 19,878,028
Liabilities and Stockholders' Equity		
Current liabilities:		
Current portion of long-term debt	\$ 5,028	\$ 5,485
Accounts payable	2,570,960	1,292,095
Accrued commissions	691,892	433,355
Billings in excess of costs and estimated earnings	788,905	152,505
Other current liabilities	1,716,425	1,329,341
Total current liabilities	5,773,210	3,212,781
Long-term liabilities	278,485	282,142
Stockholders' Equity:		
Common stock and additional paid-in capital	7,079,741	6,720,784
Retained earnings	13,260,094	11,924,023
	20,339,835	18,644,807
Treasury stock - at cost	(2,413,258)	(2,261,702)
Total stockholders' equity	17,926,577	16,383,105
	\$ 23,978,272	\$ 19,878,028

See notes to condensed consolidated financial statements.

TAYLOR DEVICES, INC. AND SUBSIDIARY

Condensed Consolidated Statements of Income	(Unaudited)		(Unaudited)	
	For the three months ended		For the nine months ended	
	February 29, 2012	February 28, 2011	February 29, 2012	February 28, 2011
Sales, net	\$ 8,008,836	\$ 4,979,343	\$ 19,363,292	\$ 13,781,168
Cost of goods sold	5,887,732	3,636,424	13,861,085	10,259,685
Gross profit	2,121,104	1,342,919	5,502,207	3,521,483
Selling, general and administrative expenses	1,366,731	946,168	3,581,053	2,702,976
Operating income	754,373	396,751	1,921,154	818,507
Other income, net	14,840	25,349	53,917	86,206
Income before provision for income taxes	769,213	422,100	1,975,071	904,713
Provision for income taxes	255,000	36,000	639,000	211,000
Net income	\$ 514,213	\$ 386,100	\$ 1,336,071	\$ 693,713
Basic and diluted earnings per common share	\$ 0.16	\$ 0.12	\$ 0.41	\$ 0.21

See notes to condensed consolidated financial statements.

TAYLOR DEVICES, INC. AND SUBSIDIARY

Condensed Consolidated Statements of Cash Flows

For the nine months ended	(Unaudited)	
	February 29, 2012	February 28, 2011
Operating activities:		
Net income	\$ 1,336,071	\$ 693,713
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation and amortization	383,677	351,205
Stock options issued for services	26,502	30,463
Deferred income taxes	-	(8,000)
Changes in other assets and liabilities:		
Accounts receivable	(1,310,962)	3,040,534
Inventory	(2,639,345)	(346,493)
Costs and estimated earnings in excess of billings	(1,300,691)	(2,044,058)
Other current assets	159,594	73,883
Accounts payable	1,278,865	373,795
Accrued commissions	258,537	(9,271)
Billings in excess of costs and estimated earnings	636,400	(167,298)
Other current liabilities	387,084	(390,299)
Net operating activities	(784,268)	1,598,174
Investing activities:		
Acquisition of property and equipment	(940,391)	(268,034)
Other investing activities	(4,231)	(4,268)
Net investing activities	(944,622)	(272,302)
Financing activities:		
Principal repayments on long-term debt	(4,114)	(4,113)
Proceeds from issuance of common stock, net	230,666	9,650
Acquisition of treasury stock	(49,767)	(30,418)
Net financing activities	176,785	(24,881)
Net change in cash and cash equivalents	(1,552,105)	1,300,991
Cash and cash equivalents - beginning	2,193,534	197,587
Cash and cash equivalents - ending	\$ 641,429	\$ 1,498,578

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 February 29, 2012 and May 31, 2011, the results of operations for the three and nine months ended February 29, 2012 and February 28, 2011, and cash flows for the nine months ended February 29, 2012 and February 28, 2011. 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, 2011. There have been no updates or changes to our audited financial statements for the year ended May 31, 2011.
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 nine month periods ended February 29, 2012 and February 28, 2011, the net income was divided by 3,249,471 and 3,228,120, respectively, which is net of the Treasury shares, to calculate the net income per share. For the three month periods ended February 29, 2012 and February 28, 2011, the net income was divided by 3,243,282 and 3,228,120, respectively, which is net of the Treasury shares, to calculate the net income per share.
5. The results of operations for the three and nine month periods ended February 29, 2012 are not necessarily indicative of the results to be expected for the full year.
6. Recently issued Financial Accounting Standards Board Accounting Standards Codification guidance has either been implemented or is not significant to the Company.

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, uncertainty regarding how long the worldwide economic recession will continue and whether the recession will deepen; 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; 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 nine months ended February 29, 2012 and February 28, 2011

	Increase / (Decrease)
Sales, net	\$ 5,582,000
Cost of goods sold	\$ 3,601,000
Selling, general and administrative expenses	\$ 878,000
Income before provision for income taxes	\$ 1,070,000
Provision for income taxes	\$ 428,000
Net income	\$ 642,000

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 nine months ended February 29, 2012 (All figures discussed are for the nine months ended February 29, 2012 as compared to the nine months ended February 28, 2011.)

	Nine months ended		Change	
	February 29, 2012	February 28, 2011	Increase / (Decrease)	Percent Change
Net Revenue	\$ 19,363,000	\$ 13,781,000	\$ 5,582,000	41%
Cost of sales	13,861,000	10,260,000	3,601,000	35%
Gross profit	\$ 5,502,000	\$ 3,521,000	\$ 1,981,000	56%

... as a percentage of net revenues 28% 26%

The Company's consolidated results of operations showed a 41% increase in net revenues and an increase in net income of 93%. Revenues recorded in the current period for long-term construction projects ("Project(s)") were 77% higher than the level recorded in the prior year. Revenues recorded in the current period for other-than long-term construction projects (non-projects) were lower by 13% from the level recorded in the prior year. The gross profit as a percentage of net revenues for the current and prior year periods was 28% and 26%. We had 66 Projects in process during the current period compared with 34 during the same period last year.

Sales of the Company's products are made to three general groups of customers: industrial, construction and aerospace / defense. As the construction market improves around the world, we are experiencing a greater increase in demand from our customers for products to provide protection to buildings and bridges from wind and seismic events. A breakdown of sales to the three general groups of customers is as follows:

	Nine months ended	
	February 29, 2012	February 28, 2011
Industrial	7%	8%
Construction	69%	60%
Aerospace / Defense	24%	32%

At February 28, 2011, the Company had 110 open sales orders in our backlog with a total sales value of \$13.6 million. At February 29, 2012, the Company has 27% more open sales orders in our backlog (140 orders) and the total sales value is \$23.0 million or 69% 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 nine month periods ended February 29, 2012 and February 28, 2011 is as follows:

	Nine months ended	
	February 29, 2012	February 28, 2011
USA	38%	39%
Asia	53%	35%
Other	9%	26%

Selling, General and Administrative Expenses

	Nine months ended		Change	
	February 29, 2012	February 28, 2011	Increase / (Decrease)	Percent Change
Outside Commissions	\$ 811,000	\$ 466,000	\$ 345,000	74%
Other SG&A	2,770,000	2,237,000	533,000	24%
Total SG&A	\$ 3,581,000	\$ 2,703,000	\$ 878,000	32%
<i>... as a percentage of net revenues</i>	18%	20%		

Selling, general and administrative expenses increased by 32% from the prior year. Outside commission expense increased by 74% from last year's level. This fluctuation was primarily due to the significant increase in the level of sales from last year to this. Other selling, general and administrative expenses increased 24% from last year to this. This increase is primarily due to an increase in estimated incentive compensation expense in the current period related to the higher level of sales and operating results.

The above factors resulted in operating income of \$1,921,000 for the nine months ended February 29, 2012, up 135% from the \$819,000 in the same period of the prior year.

Summary comparison of the three months ended February 29, 2012 and February 28, 2011

	Increase / (Decrease)
Sales, net	\$ 3,029,000
Cost of goods sold	\$ 2,251,000
Selling, general and administrative expenses	\$ 421,000
Income before provision for income taxes	\$ 347,000
Provision for income taxes	\$ 219,000
Net income	\$ 128,000

For the three months ended February 29, 2012 (All figures discussed are for the three months ended February 29, 2012 as compared to the three months ended February 28, 2011.)

	Three months ended		Change	
	February 29, 2012	February 28, 2011	Increase / (Decrease)	Percent Change
Net Revenue	\$ 8,008,000	\$ 4,979,000	\$ 3,029,000	61%
Cost of sales	5,887,000	3,636,000	2,251,000	62%
Gross profit	\$ 2,121,000	\$ 1,343,000	\$ 778,000	58%
<i>... as a percentage of net revenues</i>	26%	27%		

The Company's consolidated results of operations showed a 61% increase in net revenues and an increase in net income of 33%. Revenues recorded in the current period for long-term construction projects ("Project(s)") were 95% higher than the level recorded in the prior year. Revenues recorded in the current period for other-than long-term construction projects (non-projects) were 6% less than the level recorded in the prior year. The gross profit as a percentage of net revenues for the current and prior year periods was 26% and 27%. We had 44 Projects in process during the current period compared with 26 during the same period last year.

Sales of the Company's products are made to three general groups of customers: industrial, construction and aerospace / defense. As the construction market improves around the world, we are experiencing a greater increase

in demand from our customers for products to provide protection to buildings and bridges from wind and seismic events. A breakdown of sales to the three general groups of customers is as follows:

	Three months ended	
	February 29, 2012	February 28, 2011
Industrial	5%	9%
Construction	77%	62%
Aerospace / Defense	18%	29%

Net revenue by geographic region, as a percentage of total net revenue for three month periods ended February 29, 2012 and February 28, 2011 is as follows:

	Three months ended	
	February 29, 2011	February 28, 2011
USA	34%	35%
Asia	57%	35%
Other	9%	30%

Selling, General and Administrative Expenses

	Three months ended		Change	
	February 29, 2012	February 28, 2011	Increase / (Decrease)	Percent Change
Outside Commissions	\$ 355,000	\$ 182,000	\$ 173,000	95%
Other SG&A	1,012,000	764,000	248,000	32%
Total SG&A	<u>\$ 1,367,000</u>	<u>\$ 946,000</u>	<u>\$ 421,000</u>	<u>45%</u>
<i>... as a percentage of net revenues</i>	<i>17%</i>	<i>19%</i>		

Selling, general and administrative expenses increased by 45% from the prior year. Outside commission expense increased by 95% from last year's level. This fluctuation was primarily due to the significant increase in commissionable sales. Other selling, general and administrative expenses increased 32% from last year to this. This increase is primarily due to an increase in estimated incentive compensation expense in the current period related to the higher level of sales and operating results.

The above factors resulted in operating income of \$754,000 for the three months ended February 29, 2012, up 90% from the \$397,000 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 \$27,000 and \$30,000 of compensation cost for the nine month periods ended February 29, 2012 and February 28, 2011.

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 in estimating the fair market value of the Company's stock option grants:

	<u>2012</u>	<u>2011</u>
Risk-free interest rate:	1.875%	2.75%
Expected life of the options:	2.7 years	2.5 years
Expected share price volatility:	49.42%	60.27%
Expected dividends:	zero	zero

These assumptions resulted in:

Estimated fair-market value per stock option:	\$1.74	\$2.00
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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.

A summary of changes in the stock options outstanding during the nine month period ended February 29, 2012 is presented below:

	<u>Number of Options</u>	<u>Weighted- Average Exercise Price</u>
Options outstanding and exercisable at May 31, 2011:	229,000	\$ 5.21
Options granted:	15,250	\$ 5.23
Options exercised:	69,750	\$ 4.65
Options outstanding and exercisable at February 29, 2012:	174,500	\$ 5.44
Closing value per share on NASDAQ at February 29, 2012:		\$10.66

Capital Resources, Line of Credit and Long-Term Debt

The Company's primary liquidity is dependent upon the working capital needs. These are mainly inventory, accounts receivable, costs and estimated earnings in excess of billings, accounts payable, accrued commissions, and billings in excess of costs and estimated earnings. The Company's primary source of liquidity has been operations.

Capital expenditures for the nine months ended February 29, 2012 were \$940,000 compared to \$268,000 in the same period of the prior year. As of February 29, 2012, the Company has commitments for capital expenditures of \$100,000 during the next twelve months.

In December 2011, the Company closed on its purchase of three industrial buildings in the City of North Tonawanda, NY. The location of the site is 1.4 miles from the Company's existing facilities on Tonawanda Island. In February 2012, the Company closed on its purchase of vacant lots adjacent to the new facilities. The combined real estate of the new parcel totals 9+ acres.

The additional manufacturing space is needed to address overcrowding of the Company's large parts machining and assembly areas due to increased sales of large seismic protection products. Total area of the three newly purchased buildings is 46,000 square feet, which more than doubles the Company's current manufacturing space.

The three buildings require renovation and modification to house the production machinery that will be relocated from the Company's Tonawanda Island site, along with the addition of large overhead cranes to move large parts from machine to machine. It is the Company's intent to move all machining and metalworking operations to the new site. This will allow the former machining areas at the existing Tonawanda Island site to house greatly expanded assembly and product testing areas. All corporate and engineering offices will be unaffected by the change and will remain on Tonawanda Island.

Although the aggregate purchase price was approximately \$323,000, the renovations to the buildings are extensive, with a total project budget (including the initial purchase cost) of \$2.5 million. The Company intends to have the first of the three buildings in service by summer 2012, with the remaining two buildings completed and in service by

**Accounts Receivable, Costs and Estimated Earnings in Excess of Billings (“CIEB”),
and Billings in Excess of Costs and Estimated Earnings (“BIEC”)**

	February 29, 2012	May 31, 2011	Increase /(Decrease)	
Accounts receivable	\$ 3,448,000	\$ 2,137,000	\$1,311,000	61%
CIEB	5,490,000	4,190,000	1,300,000	31%
Less: BIEC	<u>789,000</u>	<u>153,000</u>	<u>636,000</u>	416%
Net	<u>\$ 8,149,000</u>	<u>\$ 6,174,000</u>	<u>\$1,975,000</u>	32%

Number of an average day’s sales outstanding in accounts receivable	39	27
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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 \$3,448,000 as of February 29, 2012 includes approximately \$1,104,000 of amounts retained by customers on Projects. It also includes \$42,000 of an allowance for doubtful accounts (“Allowance”). The accounts receivable balance as of May 31, 2011 of \$2,137,000 included an Allowance of \$42,000. The number of an average day's sales outstanding in accounts receivable (“DSO”) increased from 27 days at May 31, 2011 to 39 at February 29, 2012. The DSO is a function of 1.) the level of sales for an average day (for example, total sales for the past three months divided by 90 days) and 2.) the level of accounts receivable at the balance sheet date. The level of sales for an average day in the third quarter of the current year is approximately 12% more than in the fourth quarter of the prior year. The level of accounts receivable at the end of the current fiscal quarter is 61% more than at the end of the prior year. The combination of these two factors caused the DSO to increase from last year end to this. 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 \$5,490,000 balance in this account at February 29, 2012 is 31% more than the prior year-end. The Company expects to bill the entire amount during the next twelve months. 46% of the CIEB balance as of the end of the last fiscal quarter, November 30, 2011, was billed to those customers in the current fiscal quarter ended February 29, 2012. 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:

	February 29, 2012	May 31, 2011
Costs	\$ 8,673,000	\$ 5,818,000
Estimated Earnings	1,743,000	1,388,000
Less: Billings to customers	<u>4,926,000</u>	<u>3,016,000</u>
CIEB	<u>\$ 5,490,000</u>	<u>\$ 4,190,000</u>
Number of Projects in progress	28	25

As noted above, BIEC represents billings to customers in excess of revenues recognized. The \$789,000 balance in this account at February 29, 2012 is up from the \$153,000 balance at the end of the prior year. This significant increase is the result of a single sales order in which the Company received 67% of the order value upon receipt of the order. 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:

	February 29, 2012	May 31, 2011
Billings to customers	\$ 1,833,000	\$ 2,592,000
Less: Costs	745,000	1,645,000
Less: Estimated Earnings	299,000	794,000
BIEC	<u>\$ 789,000</u>	<u>\$ 153,000</u>
Number of Projects in progress	6	3

Summary of factors affecting the balances in CIEB and BIEC:

	February 29, 2012	May 31, 2011
Number of Projects in progress	34	28
Aggregate percent complete	51%	67%
Average total sales value of Projects in progress	\$668,000	\$510,000
Percentage of total value invoiced to customer	30%	39%

The Company's backlog of sales orders at February 29, 2012 is \$23 million, up from \$15 million at the end of the prior year. \$11.3 million of the current backlog is on Projects already in progress.

Other Balance Sheet Items

Accounts payable, at \$2,571,000 as of February 29, 2012, is almost double the prior year-end. The volume of purchases is higher to support the increase in sales volume. 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 February 29, 2012 are \$692,000, up 60% from the \$433,000 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 29% from the prior year-end, to \$1,716,000 primarily due to taxes and incentive compensation accrued in the current period. Payments on these liabilities 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 is sufficient to fund ongoing operations, capital improvements and share repurchases 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 February 29, 2012 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 February 29, 2012 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 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 February 29, 2012 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 – Quarter Ended February 29, 2012

<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>
December 1, 2011 - December 31, 2011	-	-	-	
January 1, 2012 - January 31, 2012	-	-	-	
February 1, 2012 - February 29, 2012	-	-	-	
Total	-	-	-	(1) \$419,815.00

(1) The Company has designated \$419,815 of cash on hand as available for open-market purchases of its outstanding common stock.

- (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 February 29, 2012, 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, Lines 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

- 20 News from Taylor Devices, Inc. Shareholder Letter, Spring 2012.
- 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 0000020011 from 20120111 formatted in XBRL and follows:

- *.*
- 101.SCH* XBRL Taxonomy Extension Schema Document
- 101.SCH XBRL Taxonomy Extension Schema Document
- 101.CAL* XBRL Taxonomy Extension Calculation Linkbase Document
- 101.CA XBRL Taxonomy Extension Calculation Linkbase Document
- 101.DEF* XBRL Taxonomy Extension Definition Linkbase Document
- 101.L* XBRL Taxonomy Extension Definition Linkbase Document
- 101.LA* XBRL Taxonomy Extension Label Linkbase Document
- 101.LA XBRL Taxonomy Extension Label Linkbase Document
- 101.PRE* XBRL Taxonomy Extension Presentation Linkbase Document
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document

*Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Section 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, and otherwise are not subject to liability under those sections.

- *
- 101.CA XBRL Taxonomy Extension Calculation Linkbase Document
- L*
- 101.DEF XBRL Taxonomy Extension Definition Linkbase Document
- *
- 101.LA XBRL Taxonomy Extension Label Linkbase Document
- B*
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document
- *

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 February 29, 2012, the related condensed consolidated statements of income for the three and nine months ended February 29, 2012 and February 28, 2011 and cash flows for the nine months ended February 29, 2012 and February 28, 2011. 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, 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, 2011, 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 5, 2011, 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, 2011 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
April 12, 2012

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: April 12, 2011



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

Date: April 12, 2011



Mark V. McDonough
Chief Financial Officer