2022

ANNUAL REPORT

taylor devices inc.

CEO'S LETTER

To our Shareholders,

While the worst of the COVID-19 pandemic was arguably in our rearview mirror by last June when FY22 began, state and federal mask and vaccination mandates exacerbated by more contagious (but fortunately less symptomatically severe) variants of the virus continued to stress our team for most of the year. That said, I am very happy to report that we were able to help our employees and their families stay substantially healthy and safe in FY22 while growing our TDI Team from 115 to 123 employees amid unprecedented competition for talent in the U.S.

FY22 was a very good year for our team and business with full year bookings of $32.5 million (the 2nd highest in the company's history), sales of $30.9 million, and backlog at the end of the year of $23.7 million (each our 3rd highest respectively).

The post pandemic market recovery that we started to see at the end of FY21 continued in FY22, particularly in the markets that our Structural Products serve where $6.1 million (73%) of the $8.4 million increase in sales over last year was realized.

All three of our customer product groups; Aerospace/Defense, Structural, and Industrial, finished at levels greater than their respective averages over the prior five years for bookings, sales, and backlog. This is indicative of the overall relative improvement across the business.

Our full year net profit finished at $2.2 million (7.3%) of sales vs. last year's $1.1 million (4.7%) of sales. As FY21 net profit included almost $3 million of U.S. federal government financial assistance due to the COVID-19 pandemic vs the $54 thousand received this year, the improvement in FY22 over FY21 is significant as can be seen at the operating profit level. The net profit of 7.3% of sales achieved in FY22 also compares favorably with the average net profits as a percentage of sales over the prior five years, which is 6.8%.

The unprecedented escalation of material costs, particularly steel, also challenged our profitability in FY22 with the negative impact being more significant for orders that were in our backlog at the start of the year as they were priced prior to these unprecedented increases. Concurrently, lead times for the majority of the materials and products we procure also increased in FY22 at greater rates than usual, which our team was able to effectively manage with minimal negative impact to our customers.

Our strategy of directly engaging the key stakeholders in our chosen markets to ensure that the positive differentiators of our products are understood, concurrent with added members to our team, is clearly helping us achieve our goal of profitable growth. This is clear based on the bookings levels achieved the past two years; 2nd highest this year and highest in the year prior.

We enter FY23 with a very strong firm order backlog of $23.7 million as compared to $22.0 million the prior year. This also compares favorably with the average firm order backlog at the start of the prior five years of $18 million. This, supported by our continued investments in our people, technology, processes, and facilities, positions us well to continue successfully on our profitable growth journey in FY23.

Sincerely,

Timothy J. Sopko
Chief Executive Officer
TAYLOR DEVICES, INC.

PRESIDENT'S LETTER

Dear Shareholders,

I am pleased to report that FY22 brought us another strong year in bookings, continuing to build the momentum that we gained last year after the initial negative effects of the pandemic. Looking at the total for the last 2 years, we have booked $67.5 million after recording $32.5 million this year. Looking forward, we are optimistic that we will continue to experience strong bookings, leading to a consistently higher revenue level. Indeed, our backlog at the end of FY22 was a very healthy $23.7 million, allowing us to get off to a great start for the current year.

This year, the breakdown in bookings includes $12.6 million for Aerospace/Defense Products, $16.2 million for Structural Products, and a relatively strong $3.7 million for Industrial Products, partially due to the increase in investments made in the US steel industry.

One year ago, I reported that we made some key additions to our Sales & Business Development Staff. This year, we made even more progress building that team. Significant progress has been made in various ongoing Sales & Marketing campaigns. I look forward to speaking in more detail about those at our Annual General Meeting in October. Additionally, we are continuing to invest substantially in R&D and capital expenditures. These efforts will help us realize our long-range goals for profitable growth across all 3 of our customer product groups.

A featured structural project in this Annual Report that we completed this fiscal year is a building at 300 Lakeside Avenue located in Oakland, CA (featured on our cover). This building recently underwent a voluntary seismic upgrade that included the addition of 272 Taylor Fluid Viscous Dampers. This 28-story building with over 1,000,000 square feet of space was originally built in 1960 and will become the headquarters for Pacific Gas & Electric.

Back in FY19, the cover of our Annual Report featured an artist's rendering of the Space Launch System rocket for a program that has since been named the Artemis Program. It is with great pride that we have watched the recent news reports on the roll-out of the actual Launch Vehicle at the Kennedy Space Center. We will soon see this program return humans to the Moon. Decades ago, Taylor Devices provided products to NASA during the Apollo Program, and we are still providing similar products to support our return to the Moon. This time, we will have hardware on the rocket itself (on our cover) that comprises an isolation system that will help protect the Orion Crew Capsule from the harsh vibrations that occur during launch. We will be providing these isolation systems for each Artemis launch. The Program, featured in this Report, is slated to continue for many years and will eventually land humans on the surface of Mars.

Another featured project is the Boeing Starliner (as seen on our cover) which has recently flown its first successful mission to the International Space Station. Our products, initially delivered a few years ago, accommodate opening the astronaut hatch and enable proper deployment of the Service Module away from the Crew Module during re-entry to Earth. We have received on-orbit data from our customer that verified excellent performance of these products in space.

Taylor Devices remains poised to enjoy further long-term growth. The combination of current sales forecasts coupled with a strong backlog will propel us toward the new fiscal year and beyond.
We look forward to a bright future. Please join us virtually at the AGM in October!

Sincerely,

Alan R. Klembczyk
President
TAYLOR DEVICES, INC.

VICE PRESIDENT OF OPERATIONS STATUS

FY22 saw the continuation of Taylor Devices' Operational Excellence Journey, improving year over year in the following areas:

- Achieved a FY22 On Time Delivery Q4 run rate of 85%, a 3% improvement from FY21
- Achieved FY22 Past Due Customer order lines of 8, a value seen only twice in the previous 3 FY's
- Achieved Inventory Turns of 3.8, beating our Turns target by 9%
- Concluded FY22 with only 1 Customer Escape, defined as a Customer 'out of box' non-conformance
- Achieved both of the Company's Environmental waste reduction objectives
- Reduced Employee turnover by 6%

The entire Taylor Team pulled together to achieve these results, enabled by better systems, processes, and training. Our Continuous Improvement Program underpins our journey and the FY22 projects found below represent just some of the team's accomplishments:

- Planned and Purchased Machining Equipment to support Company's Make/Buy Plan and Takt Time of One cylinder per hour via creation of a Cylinder Turning Cell
- Planned and Purchased Material Handling Equipment for Assembly to support safety and Takt Time of One Damper per hour via creation of a Damper Assembly Cell
- Implemented and Improved a Protective Coating Process utilizing newly designed material handling carts and Coating Booths to support Takt Time of One Damper per hour
- Implemented one stationary and one mobile area CMM tool, drastically reducing inspection time
- Implemented a Certified Operator System in the Machine Shop, enabling ownership of inspection at the team level
- Eliminated wasteful Quality Control check steps
- Supported Ground Up Costing tool, enabling PO Targets for Buyers resulting in margin target achievement
- Implemented 100+ machining set up/run time/cleaning/packaging improvements to reduce labor time
- Improved Inventory Organization via 5S program, Bar Coding, and Kitting
- Conducted 12 Job Safety Analysis (JSA) events and implemented Ergonomic Lift Devices as a result
- Improved method of loading International Shipping Containers
- Implemented a Customer Shipping Crate recycling program and implemented numerous packaging Improvements
- Improved our Repair Process resulting in an improvement of On Time Delivery from 50% to 100% on some products

For the last three Fiscal Years, The Operations Team at Taylor Devices has been finding, training, and developing people who want to improve their jobs every day. We have been investing in machines and equipment to make the workplace safer and more efficient for our team members. We have commenced using our Advanced Planning System to properly schedule job-shop work. We have implemented hundreds and hundreds of discrete improvements to increase our throughput through the factory. We have determined what we want to make here and what we want to buy from suppliers, better understanding the capacity of both. We have reduced and improved how we perform quality inspections. We have done all of this to enable our supply chain, our factory, and our people to support Taylor Devices' Long Range Strategic Growth Plan. We are ready.

"We have done all of this to enable our supply chain, our factory, and our people to support Taylor Devices' Long Range Strategic Growth Plan. **We are ready.**"

TODD J. AVERY
VICE PRESIDENT, OPERATIONS

FROM THE **CFO**

While fiscal 2022 will not enter the record books as one of our best, it will be remembered as a profitable rebound from the pandemic period. We certainly cannot foretell what other global events we may face in this decade, but we are confident in the resilience of our talented workforce, the leadership of our management team, and the strength of our balance sheet to work through whatever comes our way.

After we worked through the remnants of the pandemic early on in fiscal year 2022, we made a strong finish in the fourth quarter, completing the year with a revenue of $30.9 million. Revenue from domestic sales accounted for almost all of the 37% increase in our total sales over the prior year. As structural projects heated up again, almost three quarters of the increase were from sales to our customers that utilize our products for seismic/wind protection. Sales to aerospace/defense customers increased over 25% from the prior year.

Our gross profit of $8.6 million, or 28% of sales, includes research and development expenditures of over $1.2 million in support of our growth strategies. Investments in capital equipment of almost $1.4 million will help us to work more efficiently to improve the gross margin and accommodate the increased volume that our business development and sales team is targeting for fiscal 2023 and beyond. Operating expenses remained under control as we focused on strengthening the team we need to achieve our strategic goals.

As a result of all this, net income for fiscal year 2022 finished at $2.2 million, or 7% of sales, vs. $1.1 million in the prior year. Earnings per share was 64 cents for fiscal year 2022 compared to 30 cents in fiscal 2021.

Our sales order backlog of $23.7 million on May 31, 2022 provides good momentum heading into fiscal 2023. This sales order backlog is slightly weighted towards our commercial customers at 59% vs. 41% for our aerospace/defense customers. We will continue to invest in the growth of your company by making sound investments in research and development, as well as in the individuals who provide the brainpower to fuel it. We are laser-focused to profitably grow Taylor Devices Inc in fiscal 2023 and beyond.

"We will continue to invest in the growth of your company by making sound investments in research and development, as well as in the individuals who provide the brainpower to fuel it."

MARK V. MCDONOUGH
CHIEF FINANCIAL OFFICER

CORPORATE **DATA**

OFFICERS AND DIRECTORS

F. ERIC ARMENAT | Board Member
JOHN BURGESS | Chairman of the Board of Directors
ROBERT M. CAREY | Board Member
ALAN R. KLEMBCZYK | President and Board Member
MARK V. MCDONOUGH | Chief Financial Officer and Corporate Secretary
TIMOTHY J. SOPKO | Chief Executive Officer and Board Member

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Lumsden & McCormick, LLP
Cyclorama Building
369 Franklin Street
Buffalo, NY 14202-1702

GENERAL COUNSEL

Barclay Damon, LLP
Barclay Damon Tower
125 East Jefferson Street
Syracuse, NY 13202

MANAGERS

TODD AVERY | Vice President, Operations
MEGAN BRANT | Accounting Supervisor
STUART BUCKLEY | Vice President, Business Development and Strategy
NATHAN CANNEY | Director of Structural Engineering
ROBERT CONRAD | Director of Continuous Improvement
PAUL CRVELIN | Vice President, Engineering
KONRAD ERIKSEN | Structural Products Integrated Product Team Lead
SUSAN EWING | Human Resources Manager
ANDREA GREEN | Product Control and Receiving Manager
STEVEN HARDING | Maintenance Manager
DONALD HORNE | Chief Engineer
CHARLES KETCHUM III | Quality Assurance Manager
MARK LEMKE | Protective Coatings Manager
NICHOLAS MARSOLAIS | Supply Chain Director
ERIC ROTH | Scholl Operations Manager Test Supervision
ROBERT SCHNEIDER | Director of Strategic Sales and Marketing
KEVIN SUPLICKI | Information Systems Manager
COURTNEY TAYLOR | Business Development and Marketing Manager
DAVID TAYLOR | Manager of Aerospace and Defense Sales
DENNIS WARMUS | Manufacturing Engineering Manager
CRAIG WINTERS | Director of Program Management, Structural & Industrial Products
MICHAEL YAX | Vice President, Quality and Continuous Improvement

TRANSFER AGENT AND REGISTRAR

Computershare Investor Services
150 Royall Street
Canton, MA 02021
800-522-6645
www.computershare.com

FINANCIAL REPORT – BY WRITTEN REQUEST
A copy of the financial report on form 10-K can be obtained by written request to the attention of Mark McDonough, CFO at Taylor Devices, Inc., 90 Taylor Drive, North Tonawanda, NY 14120.

TAYLOR DEVICES, INC. AND SUBSIDIARY

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

AND

CONSOLIDATED FINANCIAL STATEMENTS

May 31, 2022

Item 7. 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 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this 10-K 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," "assume" and "optimistic" 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, fluctuations in general business cycles and changing economic conditions; variations in timing and amount of customer orders; changing product demand and industry capacity; increased competition and pricing pressures; advances in technology that can reduce the demand for the Company's products, as well as other factors, many or all of which may be 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.

Application of Critical Accounting Policies and Estimates

The Company's consolidated financial statements and accompanying notes are prepared in accordance with U.S. generally accepted accounting principles. The preparation of the Company's financial statements requires management to make estimates, assumptions and judgments that affect the amounts reported. These estimates, assumptions and judgments are affected by management's application of accounting policies, which are discussed in Note 1, "Summary of Significant Accounting Policies", and elsewhere in the accompanying consolidated financial statements. As discussed below, our financial position or results of operations may be materially affected when reported under different conditions or when using different assumptions in the application of such policies. In the event estimates or assumptions prove to be different from actual amounts, adjustments are made in subsequent periods to reflect more current information. Management believes the following critical accounting policies affect the more significant judgments and estimates used in the preparation of the Company's financial statements.

Accounts Receivable

Our ability to collect outstanding receivables from our customers is critical to our operating performance and cash flows. Accounts receivable are stated at an amount management expects to collect from outstanding balances. Management provides for probable uncollectible accounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts after considering the age of each receivable and communications with the customers involved. Balances that are collected, for which a credit to a valuation allowance had previously been recorded, result in a current-period reversal of the earlier transaction charging earnings and crediting a valuation allowance. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable in the current period. The actual amount of accounts written off over the five year period ended May 31, 2022 equaled less than 0.3% of sales for that period. The balance of the valuation allowance has increased to $16,000 at May 31, 2022 from $7,000 at May 31, 2021. Management does not expect the valuation allowance to materially change in the next twelve months for the current accounts receivable balance.

Inventory

Inventory is stated at the lower of average cost or net realizable value. Average cost approximates first-in, first-out cost.

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 technical 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. Therefore, management of the Company has recorded an allowance for potential inventory obsolescence. Based on certain assumptions and judgments made from the information available at that time, we determine the amount in the inventory allowance. If these estimates and related assumptions or the market changes, we may be required to record additional reserves. Historically, actual results have not varied materially from the Company's estimates.

During fiscal 2021, the Company began a thorough review of the facilities including the flow of inventory through the factory and warehouse areas to determine the most efficient utilization of available space. This review continued through fiscal 2022. Inventory purchasing practices and stocking levels were also evaluated and it was determined that a significant portion of the older items would be disposed of while the allowance for potential inventory obsolescence would be increased as more items are identified for disposal. There was $772,000 and $1,101,000 of inventory disposed of during the years ended May 31, 2022 and 2021. The provision for potential inventory obsolescence was zero and $1,500,000 for the years ended May 31, 2022 and 2021.

Revenue Recognition

Revenue is recognized when, or as, the Company transfers control of promised products or services to a customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for transferring those products or services.

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of account. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. The majority of our contracts have a single performance obligation as the promise to transfer the individual goods or services is not separately identifiable from other promises in the contracts which are, therefore, not distinct. Promised goods or services that are immaterial in the context of the contract are not separately assessed as performance obligations.

For contracts with customers in which the Company satisfies a promise to the customer to provide a product that has no alternative use to the Company and the Company has enforceable rights to payment for progress completed to date inclusive of profit, the Company satisfies the performance obligation and recognizes revenue over time (generally less than one year), using costs incurred to date relative to total estimated costs at completion to measure progress toward satisfying our performance obligations. Incurred cost represents work performed, which corresponds with, and thereby best depicts, the transfer of control to the customer. Contract costs include labor, material and overhead. Total estimated costs for each of the contracts are estimated based on a combination of historical costs of manufacturing similar products and estimates or quotes from vendors for supplying parts or services towards the completion of the manufacturing process. Adjustments to cost and profit estimates are made periodically due to changes in job performance, job conditions and estimated profitability, including those arising from final contract settlements. These changes may result in revisions to costs and income and are recognized in the period in which the revisions are determined. Any losses expected to be incurred on contracts in progress are charged to operations in the period such losses are determined. If total costs calculated upon completion of the manufacturing process in the current period for a contract are more than the estimated total costs at completion used to calculate revenue in a prior period, then the profits in the current period will be lower than if the estimated costs used in the prior period calculation were equal to the actual total costs upon completion. Historically, actual results have not varied materially from the Company's estimates. Other sales to customers are recognized upon shipment to the customer based on contract prices and terms. In the year ended May 31, 2022, 60% of revenue was recorded for contracts in which revenue was recognized over time while 40% was recognized at a point in time. In the year ended May 31, 2021, 43% of revenue was recorded for contracts in which revenue was recognized over time while 57% was recognized at a point in time.

For financial statement presentation purposes, the Company nets progress billings against the total costs incurred and estimated earnings 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.

Income Taxes

The provision for income taxes provides for the tax effects of transactions reported in the financial statements regardless of when such taxes are payable. Deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the tax and financial statement basis of assets and liabilities. The deferred tax assets relate principally to asset valuation allowances such as inventory obsolescence reserves and bad debt reserves and also to liabilities including warranty reserves, accrued vacation, accrued commissions and others. The deferred tax liabilities relate primarily to differences between financial statement and tax depreciation. Deferred taxes are based on tax laws currently enacted with tax rates expected to be in effect when the taxes are actually paid or recovered.

Realization of the deferred tax assets is dependent on generating sufficient taxable income at the time temporary differences become deductible. The Company provides a valuation allowance to the extent that deferred tax assets may not be realized. A valuation allowance has not been recorded against the deferred tax assets since management believes it is more likely than not that the deferred tax assets are recoverable. The Company considers future taxable income and potential tax planning strategies in assessing the need for a potential valuation allowance. In future years the Company will need to generate approximately $4.2 million of taxable income in order to realize our deferred tax assets recorded as of May 31, 2022 of $876,000. This deferred tax asset balance is 7% ($61,000) more than at the end of the prior year. The amount of the deferred tax assets considered realizable however, could be reduced in the near term if estimates of future taxable income are reduced. If actual results differ from estimated results or if the Company adjusts these assumptions, the Company may need to adjust its deferred tax assets or liabilities, which could impact its effective tax rate.

The Company's practice is to recognize interest related to income tax matters in interest income / expense and to recognize penalties in selling, general and administrative expenses.

The Company and its subsidiary file consolidated Federal and State income tax returns. As of May 31, 2022, the Company had State investment tax credit carryforwards of approximately $389,000 expiring through May 2027.

Results of Operations

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

Summary comparison of the years ended May 31, 2022 and 2021

	Increase / (Decrease)
Sales, net	$ 8,357,000
Cost of goods sold	$ 2,904,000
Selling, general and administrative expenses	$ 628,000
Income before provision for income taxes	$ 1,875,000
Provision for income taxes	$ 698,000
Net income	$ 1,177,000

For the year ended May 31, 2022 (All figures being discussed are for the year ended May 31, 2022 as compared to the year ended May 31, 2021.)

	Year ended May 31		**Change**	
	2022	**2021**	**Amount**	**Percent**
Net Revenue	$ 30,867,000	$ 22,510,000	$ 8,357,000	*37%*
Cost of sales	22,239,000	19,335,000	2,904,000	*15%*
Gross profit	$ 8,628,000	$ 3,175,000	$ 5,453,000	*172%*
… as a percentage of net revenues	28%	14%		

The Company's consolidated results of operations showed a 37% increase in net revenues and an increase in net income of 110%. Revenues recorded in the current period for long-term construction projects ("Project(s)") were 92% more than the level recorded in the prior year. We had 45 Projects in process during the current period compared with 41 during the same period last year. Revenues recorded in the current period for other-than long-term construction projects (non-projects) were 4% less than the level recorded in the prior year. The number of Projects in-process fluctuates from period to period. The changes from the prior period to the current period are not necessarily representative of future results.

Sales of the Company's products are made to three general groups of customers: industrial, structural and aerospace / defense. The Company saw a 60% increase from last year's level in sales to structural customers who were seeking seismic / wind protection for either construction of new buildings and bridges or retrofitting existing buildings and bridges along with a 22% increase in sales to customers in aerospace / defense and a 1% decrease in sales to customers using our products in industrial applications. The significant increase in sales to structural customers is primarily from domestic customers.

A breakdown of sales to these three general groups of customers, as a percentage of total net revenue for fiscal years ended May 31, 2022 and 2021 is as follows:

	Year ended May 31	
	2022	**2021**
Industrial	7%	10%
Structural	53%	45%
Aerospace / Defense	40%	45%

Total sales within North America increased 52% from last year. Total sales to Asia decreased 5% from the prior year. Net revenue by geographic region, as a percentage of total net revenue for fiscal years ended May 31, 2022 and 2021 is as follows:

	Year ended May 31	
	2022	**2021**
North America	78%	70%
Asia	14%	20%
Other	8%	10%

The gross profit as a percentage of net revenue of 28% in the current period is double the 14% recorded in the same period of the prior year. The significant increase in gross profit as a percentage of revenue is primarily due to the increase in domestic sales to structural customers. The prior year results were adversely affected by the pandemic.

At May 31, 2021, we had 132 open sales orders in our backlog with a total sales value of $22.0 million. At May 31, 2022, we had 135 open sales orders in our backlog with a total sales value of $23.7 million. $7.6 million of the current backlog is on Projects already in progress. $9.3 million of the $22.0 million sales order backlog at May 31, 2021 was in progress at that date. 41% of the sales value in the backlog is for aerospace / defense customers compared to 43% at the end of fiscal 2021. As a percentage of the total sales order backlog, orders from structural customers accounted for 50% at May 31, 2022 and 55% at May 31, 2021.

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

Selling, General and Administrative Expenses

	Year ended May 31		Change	
	2022	**2021**	**Amount**	**Percent**
Outside Commissions	$ 495,000	$ 719,000	$ (224,000)	*-31%*
Other SG&A	5,660,000	4,808,000	852,000	*18%*
Total SG&A	$ 6,155,000	$ 5,527,000	$ 628,000	*11%*
… as a percentage of net revenues	20%	25%		

Selling, general and administrative expenses increased 11% from the prior year. Outside commission expense decreased 31% from last year's level due to the significant decrease in the level of commissionable sales recorded in the current period as compared to the prior period. Other selling, general and administrative expenses increased 18% from last year. The Company reduced its reliance on outside manufacturers' representatives in FY22 and increased its internal sales force in an effort to increase profitable sales. This is the primary reason that the level of commissionable sales has decreased while the other SG&A expenses have increased.

The above factors resulted in operating income of $2,473,000 for the year ended May 31, 2022, showing significant improvement from the $2,352,000 operating loss in the prior year.

Other income during the prior period includes $2,972,000 of financial assistance provided by the U.S. federal government as part of the Coronavirus Aid, Relief and Economic Security (CARES) Act and the Consolidated Appropriations Act of 2021 (CAA): a.) $1,462,000 of income due to the forgiveness of the loan by the Small Business Administration (SBA) under the Paycheck Protection Program (PPP), and b.) $1,510,000 of Employee Retention Credit (ERC) income. Other income during the current period includes ERC income of $54,000.

The Company's effective tax rate (ETR) is calculated based upon current assumptions relating to the year's operating results and various tax related items. The ETR for the fiscal year ended May 31, 2022 is 12%, compared to the ETR for the prior year of -56%.

A reconciliation of provision for income taxes at the statutory rate to income tax provision at the Company's effective rate is as follows:

	2022	2021
Computed tax provision at the expected statutory rate	$ 538,000	$ 143,000
Tax effect of permanent differences:		
Research tax credits	(275,000)	(218,000)
Foreign-derived intangible income deduction	(12,000)	-
U.S. Government PPP loan forgiven	-	(307,000)
Other permanent differences	3,000	42,000
Other	63,000	(41,000)
	$ 317,000	$ (381,000)

The foreign-derived intangible income deduction is a tax deduction provided to corporations that sell goods or services to foreign customers. It became available through Public Law 115-97, known as the Tax Cuts and Jobs Act. The legislation that created the PPP and permitted the SBA to forgive loans made through the PPP also directed that the forgiven loan would not be taxable income to the recipient.

Stock Options

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

The Company measures compensation cost arising from the grant of share-based payments to employees at fair value and recognizes such cost in income over the period during which the employee is required to provide service in exchange for the award. The Company recognized $201,000 and $154,000 of compensation cost for the years ended May 31, 2022 and 2021.

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. The Company used a weighted average expected term. Expected volatility assumptions used in the model were based on volatility of the Company's stock price for the thirty-month period immediately preceding the granting of the options. The Company issued stock options in August 2021 and April 2022. The risk-free interest rate is derived from the U.S. treasury yield.

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

	August 2021	April 2022
Risk-free interest rate:	2.875%	2.25%
Expected life of the options:	4 years	4 years
Expected share price volatility:	32%	29%
Expected dividends:	zero	zero
These assumptions resulted in estimated fair-market value per stock option:	$3.42	$2.52

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 year ended May 31, 2022 is presented below.

	Number of Options	Weighted-Average Exercise Price
Options outstanding and exercisable at May 31, 2021:	267,750	$ 11.60
Options granted:	66,750	$ 10.69
Less: Options expired:	51,500	-
Options outstanding and exercisable at May 31, 2022:	283,000	$ 11.43
Closing value per share on NASDAQ at May 31, 2022:		$ 9.30

Capital Resources, Line of Credit and Long-Term Debt

The Company's primary liquidity is dependent upon its working capital needs. These are primarily inventory, accounts receivable, costs and estimated earnings in excess of billings, accounts payable, accrued commissions, billings in excess of costs and estimated earnings, and debt service. The Company's primary sources of liquidity have been operations and bank financing.

Capital expenditures for the year ended May 31, 2022 were $1,392,000 compared to $1,622,000 in the prior year. Current year capital expenditures included new manufacturing machinery, testing equipment, paint booths system, upgrades to technology equipment and assembly / test facility improvements. The Company has commitments to make capital expenditures of approximately $1,600,000 as of May 31, 2022. These capital expenditures will be primarily for new manufacturing and testing equipment.

The Company has a $10,000,000 demand line of credit from a bank, with interest payable at the Company's option of 30, 60 or 90 day LIBOR rate plus 2.25%. There is no outstanding balance at May 31, 2022 or May 31, 2021. The outstanding balance on the line of credit fluctuates as the Company's various long-term projects progress. The line is secured by a negative pledge of the Company's real and personal property. This line of credit is subject to the usual terms and conditions applied by the bank and is subject to renewal annually.

The bank is not committed to make loans under this line of credit and no commitment fee is charged.

Inventory and Maintenance Inventory

	May 31, 2022		May 31, 2021		Increase /(Decrease)	
Raw materials	$ 488,000		$ 503,000		$ (15,000)	*-3%*
Work-in-process	5,166,000		5,076,000		90,000	*2%*
Finished goods	200,000		256,000		(56,000)	*-22%*
Inventory	5,854,000	84%	5,835,000	78%	19,000	*0%*
Maintenance and other inventory	1,107,000	16%	1,613,000	22%	(506,000)	*-31%*
Total	$ 6,961,000	100%	$ 7,448,000	100%	$ (487,000)	*-7%*
Inventory turnover	3.1		2.1			

Inventory, at $5,854,000 as of May 31, 2022, is only slightly higher than at the prior year-end. Of this, approximately 88% is work in process, 4% is finished goods, and 8% is raw materials. All of the current inventory is expected to be consumed or sold within twelve months. The level of inventory will fluctuate from time to time due to the stage of completion of the non-project sales orders in progress at the time.

The Company continues to rework slow-moving inventory, where applicable, to convert it to product to be used on customer orders. During fiscal 2021, the Company began a thorough review of the inventory to identify and dispose of items that had not been used for several years and were unlikely to be used in the foreseeable future. The Company disposed of approximately $772,000 and $1,101,000 of obsolete inventory during the years ended May 31, 2022 and 2021, respectively.

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

	May 31, 2022	May 31, 2021	Increase /(Decrease)	
Accounts and other receivables	$ 4,467,000	$ 4,121,000	$ 346,000	*8%*
Less: Other receivable	-	741,000	(741,000)	*-100%*
Accounts receivable	4,467,000	3,380,000	1,087,000	*32%*
CIEB	3,336,000	1,500,000	1,836,000	*122%*
Less: BIEC	1,123,000	1,362,000	(239,000)	*-18%*
Net	$ 6,680,000	$ 3,518,000	$ 3,162,000	*90%*
Number of an average day's sales outstanding in accounts receivable (DSO)	42	42		

The Company combines the totals of accounts receivable, the asset CIEB, and the 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 $4,467,000 as of May 31, 2022 includes approximately $190,000 of amounts retained by customers on long-term construction projects. The Company expects to collect all of these amounts, including the retained amounts, during the next twelve months. The number of an average day's sales outstanding in accounts receivable (DSO) was 42 days at May 31, 2022 and May 31, 2021. The Company expects to collect the net accounts receivable balance, including the retainage, during the next twelve months.

Other receivable is an amount of ERC claimed by the Company for the second calendar quarter of 2021 and was received in the third calendar quarter of 2021.

The status of the projects in-progress at the end of the current and prior fiscal years have changed in the factors affecting the year-end balances in the asset CIEB, and the liability BIEC:

	2022	2021
Number of projects in progress at year-end	19	14
Aggregate percent complete at year-end	47%	32%
Average total value of projects in progress at year-end	$795,000	$963,000
Percentage of total value invoiced to customer	35%	30%

There are 5 more projects in-process at the end of the current fiscal year as compared with the prior year end and the average value of those projects has decreased by 17% between those two dates.

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 $3,336,000 balance in this account at May 31, 2022 is a 122% increase from the prior year-end. This increase reflects the higher aggregate level of the percentage of completion of these Projects as of the current year end as compared with the Projects in process at the prior year end. Generally, if progress billings are permitted under the terms of a project sales agreement, then the more complete the project is, the more progress billings will be permitted. The Company expects to bill the entire amount during the next twelve months. 58% of the CIEB balance as of the end of the last fiscal quarter, February 28, 2022, was billed to those customers in the current fiscal quarter ended May 31, 2022. The remainder will be billed as the projects progress, in accordance with the terms specified in the various contracts.

The year-end balances in the CIEB account are comprised of the following components:

	May 31, 2022	May 31, 2021
Costs	$ 3,250,000	$ 2,362,000
Estimated earnings	2,642,000	410,000
Less: Billings to customers	2,556,000	1,272,000
CIEB	$ 3,336,000	$ 1,500,000
Number of projects in progress	11	9

As noted above, BIEC represents billings to customers in excess of revenues recognized. The $1,123,000 balance in this account at May 31, 2022 is in comparison to a $1,362,000 balance at the end of the prior year. 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 year-end balances in this account are comprised of the following components:

	May 31, 2022	May 31, 2021
Billings to customers	$ 2,711,000	$ 2,741,000
Less: Costs	1,019,000	1,011,000
Less: Estimated earnings	569,000	368,000
BIEC	$ 1,123,000	$ 1,362,000
Number of projects in progress	8	5

Accounts payable, at $1,427,000 as of May 31, 2022, is 20% less than the prior year-end. This decrease is normal fluctuation of this account and is not considered to be unusual. The Company expects the current accounts payable amount to be paid during the next twelve months.

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 May 31, 2022 are $85,000. This is 68% less than the $269,000 accrued at the prior year-end. This decrease is generally due to the decrease in the level of commissionable sales, discussed above. The Company expects the current accrued amount to be paid during the next twelve months.

Other accrued expenses of $3,329,000 increased 94% from the prior year level of $1,715,000. This increase is due to increases in customer prepayments on projects not yet started along with an increase in accrued incentive compensation resulting from increased earnings and sales order bookings.

Management believes that the Company's cash on hand, cash flows from operations, and borrowing capacity under the bank line of credit will be sufficient to fund ongoing operations and capital improvements for the next twelve months.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
Taylor Devices, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Taylor Devices, Inc. and Subsidiary (the Company) as of May 31, 2022 and 2021, and the related consolidated statements of income, stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively referred to as the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial condition of the Company as of May 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Cost Estimates for Long-Term Contracts and Related Revenue Recognition

Description of the Matter

As more fully described in Note 1 to the consolidated financial statements, the Company recognizes revenue over time for long-term contracts as goods are produced. The Company uses costs incurred as the method for determining progress, and revenue is recognized based on costs incurred to date plus an estimate of margin at completion. The process of estimating margin at completion involves estimating the costs to complete production of goods and comparing those costs to the estimated final revenue amount. Long-term contracts are inherently uncertain in that revenue is fixed while the estimates of costs required to complete these contracts are subject to significant variability. Due to the technical performance requirements in many of these contracts, changes to cost estimates could occur, resulting in higher or lower margins when the contracts are completed.

Given the inherent uncertainty and significant judgments necessary to estimate future costs at completion, auditing these estimates involved a focused audit effort and a high degree of auditor judgment.

How We Addressed the Matter in Our Audit

Our auditing procedures related to the cost estimates for long-term contracts and related revenue recognition included the following, among others:

- We evaluated the appropriateness and consistency of management's methods used to develop its estimates.
- We evaluated the reasonableness of judgments made and significant assumptions used by management relating to key estimates.
- We selected a sample of executed contracts to understand the contract, perform an independent assessment of the appropriate timing of revenue recognition, and test the mathematical accuracy of revenue recognized based on costs incurred to date relative to total estimated costs at completion.
- We performed inquiries of the Company's project managers and others directly involved with the contracts to evaluate project status and project challenges which may affect total estimated costs to complete. We also observed the project work site when key estimates related to tangible or physical progress of the project.
- We tested the accuracy and completeness of the data used in developing key estimates, including material, labor, overhead, and sub-contractor costs.
- We performed retrospective reviews of prior year long-term contracts, comparing actual performance to estimated performance and the related financial statement impact, when evaluating the thoroughness and precision of management's estimation process in previous years.

Valuation of Inventory

Description of the Matter

As of May 31, 2022, the Company's inventory balance was $5.9 million, net of a $100,000 allowance for obsolescence, its maintenance and other inventory balance was $1.1 million, net of an approximate $1.2 million allowance for obsolescence. As discussed in Note 5, maintenance and other inventory represents certain items that are estimated to have a product life-cycle in excess of twelve months the Company is required to maintain for service of products sold and items that are generally subject to spontaneous ordering. The Company evaluates its inventory for obsolescence on an ongoing basis by considering historical usage as well as requirements for future orders.

Given the inherent uncertainty and significant judgments necessary to estimate potential inventory obsolescence, auditing management's estimates involved a high degree of auditor judgment.

How We Addressed the Matter in Our Audit

Our auditing procedures related to valuation of inventory included the following, among others:

- We evaluated the appropriateness and consistency of management's methods used to develop its estimates.
- We evaluated the reasonableness of judgments made and significant assumptions used by management relating to key estimates.
- We inquired of management relative to write-offs of inventory during the year.
- We tested the completeness and accuracy of management's schedule of inventory.
- We developed an independent expectation of the obsolescence reserve based on our knowledge of the Company's inventory, including analysis of slow-moving items and historical usage and compared it to actual.
- We examined management's lower of cost or net realizable value analysis and performed procedures to test its completeness and accuracy.
- We selected a sample of material purchases made during the year to ensure they were included in inventory at the proper value.
- During our physical inventory observation, we toured the Company's warehouses and examined inventory on hand for any indications of obsolescence.

Lumsden & McCormick, LLP

We have served as the Company's auditor since 1998.

Buffalo, New York
August 19, 2022

Consolidated Balance Sheets

May 31,	2022	2021
Assets		
Current assets:		
Cash and cash equivalents	$ 22,517,038	$ 20,581,604
Short-term investments	1,097,450	1,097,012
Accounts and other receivables, net (Note 2)	4,466,686	4,120,564
Inventory (Note 3)	5,854,935	5,835,596
Prepaid expenses	468,489	522,747
Prepaid income taxes	235,947	454,778
Costs and estimated earnings in excess of billings (Note 4)	3,336,474	1,499,604
Total current assets	37,977,019	34,111,905
Maintenance and other inventory, net (Note 5)	1,107,309	1,612,839
Property and equipment, net (Note 6)	9,854,759	9,816,594
Cash value of life insurance, net	205,359	200,538
Deferred income taxes (Note 10)	74,615	190,115
	$ 49,219,061	$ 45,931,991
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	1,426,830	1,787,325
Accrued commissions	84,907	269,064
Other accrued expenses	3,329,407	1,715,409
Billings in excess of costs and estimated earnings (Note 4)	1,122,763	1,361,985
Total current liabilities	5,963,907	5,133,783
Stockholders' Equity:		
Common stock, $.025 par value, authorized 8,000,000 shares, issued 4,056,771 and 4,055,275 shares	101,342	101,305
Paid-in capital	10,227,916	10,010,430
Retained earnings	35,840,898	33,601,475
	46,170,156	43,713,210
Treasury stock – 558,834 shares at cost	(2,915,002)	(2,915,002)
Total stockholders' equity	43,255,154	40,798,208
	$ 49,219,061	$ 45,931,991

See notes to consolidated financial statements.

TAYLOR DEVICES, INC. AND SUBSIDIARY

Consolidated Statements of Income

For the years ended May 31,	**2022**	2021
Sales, net (Note 9)	**$ 30,866,582**	$ 22,509,641
Cost of goods sold	**22,239,070**	19,334,950
Gross profit	**8,627,512**	3,174,691
Selling, general and administrative expenses	**6,154,735**	5,526,774
Operating income (loss)	**2,472,777**	(2,352,083)
Other income		
Interest, net	**4,543**	53,654
Paycheck Protection Program loan forgiveness (Note 20)	**-**	1,461,500
Employee Retention Credit (Note 20)	**53,508**	1,510,131
Miscellaneous	**25,595**	8,693
Total other income	**83,646**	3,033,978
Income before provision for income taxes	**2,556,423**	681,895
Provision for income taxes (benefit) (Note 10)	**317,000**	(381,000)
Net income	**$ 2,239,423**	$ 1,062,895
Basic and diluted earnings per common share (Note 11)	**$ 0.64**	$ 0.30

See notes to consolidated financial statements.

TAYLOR DEVICES, INC. AND SUBSIDIARY

Consolidated Statements of Shareholders' Equity

For the years ended May 31,	**2022**	2021
Common Stock		
Beginning of period	**$ 101,305**	$ 100,943
Issuance of shares for employee stock purchase plan	**37**	37
Issuance of shares for employee stock option plan	**-**	325
End of period	**101,342**	101,305
Paid-in Capital		
Beginning of period	**10,010,430**	9,759,063
Issuance of shares for employee stock purchase plan	**16,208**	14,954
Issuance of shares for employee stock option plan	**-**	82,070
Stock options issued for services	**201,278**	154,343
End of period	**10,227,916**	10,010,430
Retained Earnings		
Beginning of period	**33,601,475**	32,538,580
Net income	**2,239,423**	1,062,895
End of period	**35,840,898**	33,601,475
Treasury Stock		
Beginning of period	**(2,915,002)**	(2,861,032)
Issuance of shares for employee stock option plan	**-**	(53,970)
End of period	**(2,915,002)**	(2,915,002)
Total stockholders' equity	**$ 43,255,154**	$ 40,798,208

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

For the years ended May 31,	2022	2021
Operating activities:		
Net income	$ 2,239,423	$ 1,062,895
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation	1,347,442	1,212,713
Stock options issued for services	201,278	154,343
Bad debt expense	-	134,000
Gain on disposal of property and equipment	(1,530)	-
Provision for inventory obsolescence	-	1,500,000
Deferred income taxes	115,500	(20,000)
Paycheck Protection Program loan forgiveness	-	(1,461,500)
Changes in other current assets and liabilities:		
Accounts and other receivables	(346,122)	1,564,907
Inventory	486,191	2,038,052
Prepaid expenses	54,258	(62,535)
Prepaid income taxes	218,831	(404,630)
Costs and estimated earnings in excess of billings	(1,836,870)	254,969
Accounts payable	(360,495)	417,150
Accrued commissions	(184,157)	(36,821)
Other accrued expenses	1,613,998	51,495
Billings in excess of costs and estimated earnings	(239,222)	625,119
Net operating activities	3,308,525	7,030,157
Investing activities:		
Acquisition of property and equipment	(1,391,577)	(1,621,817)
Proceeds from disposal of property and equipment	7,500	-
Increase in short-term investments	(438)	(25,062)
Increase in cash value of life insurance	(4,821)	(4,917)
Net investing activities	(1,389,336)	(1,651,796)
Financing activities:		
Proceeds from issuance of common stock	16,245	43,416
Net change in cash and cash equivalents	1,935,434	5,421,777
Cash and cash equivalents - beginning	20,581,604	15,159,827
Cash and cash equivalents - ending	$ 22,517,038	$ 20,581,604

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies:

Nature of Operations:

Taylor Devices, Inc. (the Company) manufactures and sells a single group of very similar products that have many different applications for customers. These similar products are included in one of eight categories; namely, Seismic Dampers, Fluidicshoks®, Crane and Industrial Buffers, Self-Adjusting Shock Absorbers, Liquid Die Springs, Vibration Dampers, Machined Springs and Custom Actuators for use in various types of machinery, equipment and structures, primarily to customers which are located throughout the United States and several foreign countries. The products are manufactured at the Company's sole operating facility in the United States where all of the Company's long-lived assets reside. Management does not track or otherwise account for sales broken down by these categories.

76% of the Company's 2022 revenue was generated from sales to customers in the United States and 14% was from sales to customers in Asia. Remaining sales were to customers in other countries in North America, Europe, Australia, and South America.

68% of the Company's 2021 revenue was generated from sales to customers in the United States and 20% was from sales to customers in Asia. Remaining sales were to customers in other countries in North America, Europe and South America.

Principles of Consolidation:

The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Tayco Realty Corporation (Realty). All inter-company transactions and balances have been eliminated in consolidation.

Subsequent Events:

The Company has evaluated events and transactions for potential recognition or disclosure in the financial statements through the date the financial statements were issued.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and Cash Equivalents:

The Company includes all highly liquid investments in money market funds in cash and cash equivalents on the accompanying balance sheets.

Cash and cash equivalents in financial institutions may exceed insured limits at various times during the year and subject the Company to concentrations of credit risk.

Short-term Investments:

At times, the Company invests excess funds in liquid interest earning instruments. Short-term investments at May 31, 2022 and May 31, 2021 include “available for sale” corporate bonds stated at fair value, which approximates cost. The bonds (16) mature on various dates during the period December 2022 to November 2026. Unrealized holding gains and losses would be presented as a separate component of accumulated other comprehensive income, net of deferred income taxes. Realized gains and losses on the sale of investments are determined using the specific identification method.

The bonds are valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

Accounts and Other Receivables:

Accounts and other receivables are stated at an amount management expects to collect from outstanding balances. Management provides for probable uncollectible accounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to the receivable.

Inventory:

Inventory is stated at the lower of average cost or net realizable value. Average cost approximates first-in, first-out cost.

Property and Equipment:

Property and equipment is stated at cost net of accumulated depreciation. Depreciation is provided primarily using the straight-line method for financial reporting purposes and accelerated methods for income tax reporting purposes. Maintenance and repairs are charged to operations as incurred; significant improvements are capitalized.

Cash Value of Life Insurance:

Cash value of life insurance is stated at the surrender value of the contracts.

Revenue Recognition:

Revenue is recognized (generally at fixed prices) when, or as, the Company transfers control of promised products or services to a customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for transferring those products or services.

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer, and is the unit of account. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. The majority of our contracts have a single performance obligation as the promise to transfer the individual goods or services is not separately identifiable from other promises in the contracts which are, therefore, not distinct. Promised goods or services that are immaterial in the context of the contract are not separately assessed as performance obligations.

For contracts with customers in which the Company satisfies a promise to the customer to provide a product that has no alternative use to the Company and the Company has enforceable rights to payment for progress completed to date inclusive of profit, the Company satisfies the performance obligation and recognizes revenue over time (generally less than one year), using costs incurred to date relative to total estimated costs at completion to measure progress toward satisfying our performance obligations. Incurred cost represents work performed, which corresponds with, and thereby best depicts, the transfer of control to the customer. Contract costs include labor, material and overhead. Adjustments to cost estimates are made periodically, and losses expected to be incurred on contracts in progress are charged to operations in the period such losses are determined. Other sales to customers are recognized upon shipment to the customer based on contract prices and terms. In the year ended May 31, 2022, 60% of revenue was recorded for contracts in which revenue was recognized over time while 40% was recognized at a point in time. In the year ended May 31, 2021, 43% of revenue was recorded for contracts in which revenue was recognized over time while 57% was recognized at a point in time.

Progress payments are typically negotiated for longer term projects. Payments are otherwise due once performance obligations are complete (generally at shipment and transfer of title). 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.

If applicable, the Company recognizes an asset for the incremental material costs of obtaining a contract with a customer if the Company expects the benefit of those costs to be longer than one year and the costs are expected to be recovered. As of May 31, 2022 and 2021, the Company does not have material incremental costs on any open contracts with an original expected duration of greater than one year, and therefore such costs are expensed as incurred. These incremental costs include, but are not limited to, sales commissions incurred to obtain a contract with a customer.

Shipping and Handling Costs:

Shipping and handling costs on incoming inventory items are classified as a component of cost of goods sold, while shipping and handling costs on outgoing shipments to customers are classified as a component of selling, general and administrative expenses. The amounts of these costs classified as a component of selling, general and administrative expenses were $238,536 and $146,878 for the years ended May 31, 2022 and 2021. Shipping and handling activities that occur after the customer has obtained control of the product are considered fulfillment activities, not performance obligations.

Research and Development Costs:

Research and development costs are classified as a component of cost of sales. The amounts of these costs were $1,213,000 and $924,000 for the years ended May 31, 2022 and 2021.

Income Taxes:

The provision for income taxes provides for the tax effects of transactions reported in the financial statements regardless of when such taxes are payable. Deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the tax and financial statement basis of assets and liabilities. Deferred taxes are based on tax laws currently enacted with tax rates expected to be in effect when the taxes are actually paid or recovered.

The Company's practice is to recognize interest related to income tax matters in interest income / expense and to recognize penalties in selling, general and administrative expenses. The Company did not have any accrued interest or penalties included in its consolidated balance sheets at May 31, 2022 and 2021. The Company recorded no interest expense or penalties in its consolidated statements of income during the years ended May 31, 2022 and 2021.

The Company believes it is no longer subject to examination by federal and state taxing authorities for years prior to May 31, 2019.

Sales Taxes:

Certain jurisdictions impose a sales tax on Company sales to nonexempt customers. The Company collects these taxes from customers and remits the entire amount as required by the applicable law. The Company excludes from revenues and expenses the tax collected and remitted.

Stock-Based Compensation:

The Company measures compensation cost arising from the grant of share-based payments to employees at fair value and recognizes such cost in income over the period during which the employee is required to provide service in exchange for the award. The stock-based compensation expense for the years ended May 31, 2022 and 2021 was $201,278 and $154,343.

New Accounting Standards:

Any recently issued Accounting Standards Codification (ASC) guidance has either been implemented or are not significant to the Company.

2. Accounts and Other Receivables:

	2022	2021
Customers	**$ 4,292,300**	$ 3,184,970
Customers – retention	**190,492**	200,956
	4,482,792	3,385,926
Less allowance for doubtful accounts	**16,106**	6,781
Add other receivables	**-**	741,419
	$ 4,466,686	$ 4,120,564

Retention receivable from customers represents amounts invoiced to customers where payments have been partially withheld pending completion of the project. All amounts are expected to be collected within the next fiscal year.

Other receivable was an amount of Employee Retention Credit claimed by the Company for the second calendar quarter of 2021 and received in the third calendar quarter of 2021.

3. Inventory:

	2022	2021
Raw materials	$ 488,393	$ 503,344
Work-in-process	5,166,271	5,076,377
Finished goods	300,271	355,875
	5,954,935	5,935,596
Less allowance for obsolescence	100,000	100,000
	$ 5,854,935	$5,835,596

4. Costs and Estimated Earnings on Uncompleted Contracts:

	2022	2021
Costs incurred on uncompleted contracts	$ 4,268,608	$ 3,372,276
Estimated earnings	3,211,392	778,011
	7,480,000	4,150,287
Less billings to date	5,266,289	4,012,668
	$ 2,213,711	$ 137,619

Amounts are included in the accompanying balance sheets under the following captions:

	2022	2021
Costs and estimated earnings in excess of billings	$ 3,336,474	$ 1,499,604
Billings in excess of costs and estimated earnings	1,122,763	1,361,985
	$ 2,213,711	$ 137,619

The following summarizes the status of Projects in progress as of May 31, 2022 and 2021:

	2022	2021
Number of Projects in progress	19	14
Aggregate percent complete	47%	32%
Aggregate amount remaining	$7,627,234	$9,333,701
Percentage of total value invoiced to customer	35%	30%

The Company expects to recognize the entire remaining revenue on all open projects during the May 31, 2023 fiscal year.

Revenue recognized during the years ended May 31, 2022 and 2021 for amounts included in billings in excess of costs and estimated earnings as of the beginning of the year amounted to $1,420,000, and $736,866.

5. Maintenance and Other Inventory:

	2022	2021
Maintenance and other inventory	$ 2,334,889	$ 3,612,000
Less allowance for obsolescence	1,227,580	1,999,161
	$ 1,107,309	$ 1,612,839

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 technical 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. Therefore, management of the Company has recorded an allowance for potential inventory obsolescence.

During fiscal 2021, the Company began a thorough review of the facilities including the flow of inventory through the factory and warehouse areas to determine the most efficient utilization of available space. This review continued through fiscal 2022. Inventory purchasing practices and stocking levels were also evaluated and it was determined that a significant portion of the older items would be disposed of while the allowance for potential inventory obsolescence would be increased as more items are identified for disposal. $772,000 and $1,101,000 of inventory was disposed of during the years ended May 31, 2022 and 2021. The provision for potential inventory obsolescence was zero and $1,500,000 for the years ended May 31, 2022 and 2021.

6. Property and Equipment:

	2022	2021
Land	$ 195,220	$ 195,220
Buildings and improvements	9,821,812	9,584,087
Machinery and equipment	12,824,696	12,366,569
Office furniture and equipment	2,744,400	2,536,688
Autos and trucks	24,818	24,818
Land improvements	483,929	476,429
	26,094,875	25,183,811
Less accumulated depreciation	16,240,116	15,367,217
	$ 9,854,759	$ 9,816,594

Depreciation expense was $1,347,442 and $1,212,713 for the years ended May 31, 2022 and 2021.

The Company has commitments to make capital expenditures of approximately $1,600,000 as of May 31, 2022.

7. Short-Term Borrowings:

The Company has available a $10,000,000 demand line of credit from a bank, with interest payable at the Company's option of 30, 60 or 90 day LIBOR rate plus 2.25%. The line is secured by a negative pledge of the Company's real and personal property. This line of credit is subject to the usual terms and conditions applied by the bank and subject to renewal annually.

There is no amount outstanding under the line of credit at May 31, 2022 or May 31, 2021.

The Company uses a cash management facility under which the bank draws against the available line of credit to cover checks presented for payment on a daily basis. Outstanding checks under this arrangement totaled $193,478 and $366,209 as of May 31, 2022 and 2021. These amounts are included in accounts payable.

8. Other Accrued Expenses:

	2022	2021
Customer deposits	$ 1,347,709	$ 867,652
Personnel costs	1,587,271	659,623
Other	394,427	188,134
	$ 3,329,407	$ 1,715,409

9. Sales:

The Company manufactures and sells a single group of very similar products that have many different applications for customers. These similar products are included in one of eight categories; namely, Seismic Dampers, Fluidicshoks®, Crane and Industrial Buffers, Self-Adjusting Shock Absorbers, Liquid Die Springs, Vibration Dampers, Machined Springs and Custom Actuators. Management does not track or otherwise account for sales broken down by these categories. Sales of the Company's products are made to three general groups of customers: industrial, structural and aerospace / defense. A breakdown of sales to these three general groups of customers is as follows:

	2022	2021
Structural	**$ 16,267,162**	$ 10,137,468
Aerospace / Defense	**12,440,687**	10,183,399
Industrial	**2,158,733**	2,188,774
	$ 30,866,582	$ 22,509,641

Sales to a single customer approximated 15% of net sales for 2022. Sales two customers approximated 21% (11% and 10%, respectively) of net sales for 2021.

10. Income Taxes:

	2022	2021
Current tax provision (benefit):		
Federal	**$ 200,100**	$ (361,000)
State	**1,400**	-
	201,500	(361,000)
Deferred tax provision (benefit):		
Federal	**115,500**	(20,000)
State	**-**	-
	115,500	(20,000)
	$ 317,000	$ (381,000)

A reconciliation of provision for income taxes at the statutory rate to income tax provision at the Company's effective rate is as follows:

	2022	2021
Computed tax provision at the expected statutory rate	**$ 536,800**	$ 143,200
State income tax - net of Federal tax benefit	**1,100**	-
Tax effect of permanent differences:		
Research tax credits	**(275,400)**	(218,000)
Foreign-derived intangible income deduction	**(12,200)**	-
PPP loan forgiveness	**-**	(306,900)
Other permanent differences	**3,100**	41,500
Other	**63,600**	(40,800)
	$ 317,000	$ (381,000)
Effective income tax rate	**12.4%**	(55.9%)

Significant components of the Company's deferred tax assets and liabilities consist of the following:

	2022	2021
Deferred tax assets:		
Allowance for doubtful receivables	$ 3,400	$ 1,400
Tax inventory adjustment	92,200	22,900
Allowance for obsolete inventory	278,800	440,800
Accrued vacation	84,300	81,400
Accrued commissions	7,000	5,900
Warranty reserve	48,800	23,900
R&D tax credit	84,000	-
Stock options issued for services	277,600	238,500
	876,100	814,800
Deferred tax liabilities:		
Excess tax depreciation	(801,485)	(624,685)
Net deferred tax assets	$ 74,615	$ 190,115

Realization of the deferred tax assets is dependent on generating sufficient taxable income at the time temporary differences become deductible. The Company provides a valuation allowance to the extent that deferred tax assets may not be realized. A valuation allowance has not been recorded against the deferred tax assets since management believes it is more likely than not that the deferred tax assets are recoverable. The Company considers future taxable income and potential tax planning strategies in assessing the need for a potential valuation allowance. The amount of the deferred tax assets considered realizable however, could be reduced in the near term if estimates of future taxable income are reduced. The Company will need to generate approximately $4.2 million in taxable income in future years in order to realize the deferred tax assets recorded as of May 31, 2022 of $876,100.

The Company and its subsidiary file consolidated Federal and State income tax returns. As of May 31, 2022, the Company had State investment tax credit carryforwards of approximately $389,000 expiring through May 2027.

11. Earnings Per Common Share:

Basic earnings per common share is computed by dividing income available to common stockholders by the weighted-average common shares outstanding for the period. Diluted earnings per common share reflects the weighted-average common shares outstanding and dilutive potential common shares, such as stock options.

A reconciliation of weighted-average common shares outstanding to weighted-average common shares outstanding assuming dilution is as follows:

	2022	2021
Average common shares outstanding	3,497,345	3,490,213
Common shares issuable under stock option plans	2,208	1,674
Average common shares outstanding assuming dilution	3,499,553	3,491,887

12. Related Party Transactions:

The Company had no related party transactions for the years ended May 31, 2022 and 2021.

13. Employee Stock Purchase Plan:

In March 2004, the Company reserved 295,000 shares of common stock for issuance pursuant to a non-qualified employee stock purchase plan. Participation in the employee stock purchase plan is voluntary for all eligible employees of the Company. Purchase of common shares can be made by employee contributions through payroll deductions. At the end of each calendar quarter, the employee contributions will be applied to the purchase of common shares using a share value equal to the mean between the closing bid and ask prices of the stock on that date. These shares are distributed to the employees at the end of each calendar quarter or upon withdrawal from the plan. During the years ended May 31, 2022 and 2021, 1,496 ($9.90 to $11.83 price per share) and 1,470 ($9.20 to $11.40 price per share) common shares, respectively, were issued to employees. As of May 31, 2022, 217,287 shares were reserved for further issue.

14. Stock Option Plans:

In 2018, the Company adopted a stock option plan which permits the Company to grant both incentive stock options and non-qualified stock options. The incentive stock options qualify for preferential treatment under the Internal Revenue Code. Under this plan, 160,000 shares of common stock have been reserved for grant to key employees and directors of the Company and 136,250 shares have been granted as of May 31, 2022. Under the plan, the option price may not be less than the fair market value of the stock at the time the options are granted. Options vest immediately and expire ten years from the date of grant.

Using the Black-Scholes option pricing model, the weighted average estimated fair value of each option granted under the plan was \$3.02 during 2022 and \$3.27 during 2021. The pricing model uses the assumptions noted in the following table. Expected volatility is based on the historical volatility of the Company's stock. The risk-free interest rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of the grant. The expected life of options granted is derived from previous history of stock exercises from the grant date and represents the period of time that options granted are expected to be outstanding. The Company uses historical data to estimate option exercise and employee termination assumptions under the valuation model. The Company has never paid dividends on its common stock and does not anticipate doing so in the foreseeable future.

	2022	2021
Risk-free interest rate	**2.59%**	2.31%
Expected life in years	**4.0**	4.0
Expected volatility	**31%**	33%
Expected dividend yield	**0%**	0%

The following is a summary of stock option activity:

	Shares	Weighted Average Exercise Price	Intrinsic Value
Outstanding - May 31, 2020	**252,250**	\$ 11.52	\$ 209,835
Options granted	**47,250**	\$ 11.26	
Less: options exercised	**13,000**	\$ 6.34	
Less: options expired	**18,750**	\$ 13.31	
Outstanding - May 31, 2021	**267,750**	\$ 11.60	\$ 271,426
Options granted	**66,750**	\$ 10.69	
Less: options expired	**51,500**	-	
Outstanding - May 31, 2022	**283,000**	\$ 11.43	\$ 28,248

We calculated intrinsic value for those options that had an exercise price lower than the market price of our common shares as of the balance sheet dates. The aggregate intrinsic value of outstanding options as of the end of each fiscal year is calculated as the difference between the exercise price of the underlying options and the market price of our common shares for the options that were in-the-money at that date (29,250 at May 31, 2022 and 137,750 at May 31, 2021.) The Company's closing stock price was \$9.30 and \$11.85 as of May 31, 2022 and 2021. As of May 31, 2022, there are 23,750 options available for future grants under the 2018 stock option plan. No options were exercised in the fiscal year ended May 31, 2022. \$28,425 was received from the exercise of share options during the fiscal year ended May 31, 2021.

The following table summarizes information about stock options outstanding at May 31, 2022:

Outstanding and Exercisable			
Range of Exercise Prices	Number of Options	Weighted Average Remaining Years of Contractual Life	Weighted Average Exercise Price
$ 7.01-$ 8.00	10,000	0.9	$ 7.74
$ 8.01-$ 9.00	19,250	1.5	$ 8.64
$ 9.01-$10.00	55,000	9.0	$ 9.67
$10.01-$11.00	26,500	7.3	$10.14
$11.01-$12.00	112,250	7.8	$11.72
$12.01-$13.00	28,750	3.9	$12.39
$13.01-$14.00	10,000	4.9	$13.80
$16.01-$17.00	10,000	3.9	$16.40
$19.01-$20.00	11,250	4.2	$19.26
$ 7.01-$20.00	283,000	6.5	$11.43

The following table summarizes information about stock options outstanding at May 31, 2021:

Outstanding and Exercisable			
Range of Exercise Prices	Number of Options	Weighted Average Remaining Years of Contractual Life	Weighted Average Exercise Price
$ 7.01-$ 8.00	15,000	1.6	$ 7.74
$ 8.01-$ 9.00	24,250	2.1	$ 8.71
$ 9.01-$10.00	30,000	7.6	$ 9.85
$10.01-$11.00	32,250	7.2	$10.17
$11.01-$12.00	91,250	7.4	$11.71
$12.01-$13.00	33,750	4.3	$12.36
$13.01-$14.00	15,000	4.2	$13.80
$16.01-$17.00	15,000	3.6	$16.40
$19.01-$20.00	11,250	5.2	$19.26
$ 7.01-$20.00	267,750	5.7	$11.60

15. Preferred Stock:

The Company has 2,000,000 authorized but unissued shares of preferred stock which may be issued in series. The shares of each series shall have such rights, preferences, and limitations as shall be fixed by the Board of Directors.

16. Treasury Stock:

Treasury shares are 558,834 at both May 31, 2022 and 2021.

17. Retirement Plan:

The Company maintains a retirement plan for essentially all employees pursuant to Section 401(k) of the Internal Revenue Code. The Company matches a percentage of employee voluntary salary deferrals subject to limitations. The Company may also make discretionary contributions as determined annually by the Company's Board of Directors. The amount expensed under the plan was $313,269 and $288,470 for the years ended May 31, 2022 and 2021.

18. Fair Value of Financial Instruments:

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable, and accrued liabilities approximate fair value because of the short maturity of these instruments.

The fair values of short-term investments were determined as described in Note 1.

19. Cash Flows Information:

	2022	2021
Interest paid	**none**	none
Income taxes paid	**none**	$ 43,630

20. Risks and Uncertainties:

On January 31, 2020, the United States Secretary of Health and Human Services (HHS) declared a public health emergency related to the global spread of coronavirus COVID-19, and a pandemic was declared by the World Health Organization in February 2020. Efforts to fight the widespread disease included limiting or closing many businesses and resulted in a severe disruption of operations for many organizations. Financial markets also fluctuated significantly during this time. The extent of the impact of COVID-19 on the Company's operational and financial performance was significant in fiscal 2021. The use of vaccinations world-wide have apparently slowed spread of the disease, the extent of the impact of COVID-19 on the Company's operational and financial performance in fiscal 2022 was minimal. The effect on the Company's operational and financial performance in fiscal 2023 is not expected to be significant however it will depend on further developments, including the duration and spread of the outbreak, impact on customers, employees, and vendors, all of which cannot be predicted.

As a result of the pandemic described above, the Company applied for, and received, financial assistance from the U.S. federal government as part of the CARES Act and the Consolidated Appropriations Act of 2021 (CAA) including: a.) $1,461,500 of income due to the forgiveness of the PPP loan by the SBA (all in fiscal 2021), and b.) $1,563,639 of Employee Retention Credit income ($53,508 in fiscal 2022 and $1,510,131 in fiscal 2021). These amounts are included in Other income on the Consolidated Statements of Income.

21. Legal Proceedings:

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

MARKET **INFORMATION**

The Company's Common Stock trades on the NASDAQ Capital Market of the National Association of Securities Dealers Automated Quotation ("NASDAQ") stock market under the symbol TAYD. The high and low sales information noted below for the quarters of fiscal year 2022 and fiscal year 2021 were obtained from NASDAQ.

HOLDERS

As of May 31, 2022, the number of issued and outstanding shares of Common Stock was 3,497,937 and the number of record holders of the Company's Common Stock was 461. A substantial number of shares of the Company's Common Stock are held in street name. The Company believes that the total number of beneficial owners of its Common Stock is less than 1,300.

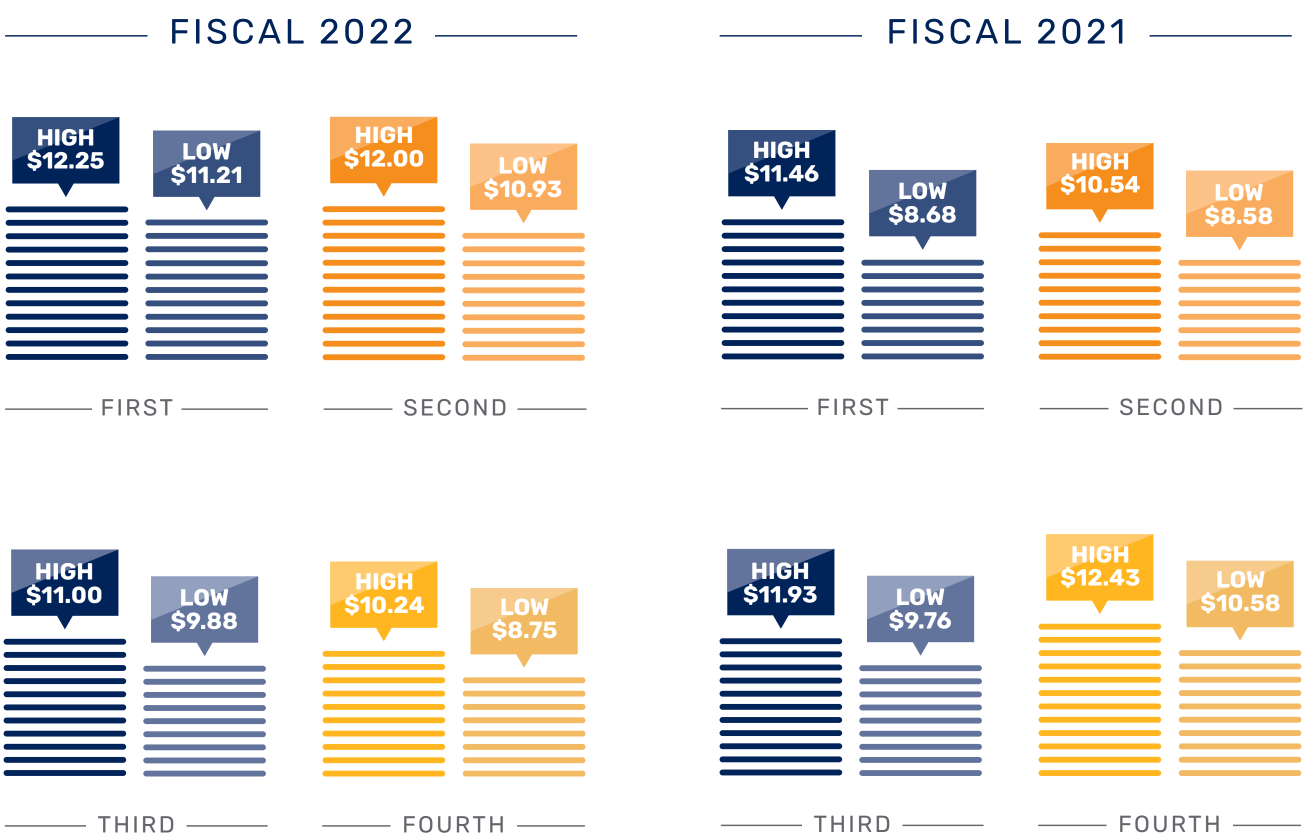
No cash or stock dividends have been declared during the last two fiscal years. The Company plans to retain cash in the foreseeable future to fund working capital needs.

NOTICE OF 2022 ANNUAL SHAREHOLDERS MEETING

Taylor Devices' Annual Shareholders Meeting will be held virtually on **Friday, October 21, 2022, at 11:00 a.m.**

All shareholders who wish to attend the 2022 Virtual Annual Shareholders Meeting **MUST PRE-REGISTER** for this event. The online shareholder pre-registration will close promptly on Thursday, October 20, 2022 at 12:00 p.m.

Go to the link provided below for the mandatory, on-line pre-registration form and the virtual meeting information: www.taylordevices.com/annual-shareholders-meeting/



FEATURED **PROJECTS**

300 LAKESIDE

OWNER
TMG Partners

STRUCTURAL ENGINEER
Magnusson Klemencic Associates

GENERAL CONTRACTOR
Plant Construction Company, L.P

STEEL SUBCONTRACTOR
Olson Steel

Taylor damper finished and on full display with building space ready for full occupancy.

300 Lakeside, also known as the Kaiser Center, is a commercial office and retail building in Oakland, CA. Purchased by San Francisco developer TMG Properties in 2020, the space is the future home of PG&E's new headquarters.

Originally developed in 1960 for Kaiser Industries, this Pre-Northridge Steel Moment Frame structure required major renovations before new tenants could move in, including facade upgrades, safety improvements, and a significant seismic upgrade using Fluid Viscous Dampers.

Flexibility in damper placement floor-to-floor allowed for dampers to be staggered, preventing the disturbance of costly architectural finishes and reducing demands on existing columns. Drift and force reductions were made without placing dampers on the upper stories, saving time and money on the project. Additionally, flexible installation time allowed for completion and occupancy of floors as needed.

A total of 272 Taylor Dampers ranging in size from 330 to 550 kips (1500 kN to 2500 kN) are being used for this building.

Taylor Devices' Nathan Canney, PhD, PE, Director of Structural Engineering oversees the installation of the damper at 300 Lakeside. (Far Left)

Taylor Devices' 550 kip damper is shown here in its completed state within one of 300 Lakeside building's open spaces. (Left)

ARTEMIS

NASA's Apollo Program flew astronauts to the Moon between 1968 and 1972. Taylor Devices was chosen during the development phase of the Program to create specialized Umbilical Swing Arm Energy Absorbers for the Apollo launch pad. Now, more than 50 years after that first Moon landing, we are excited to be a part of humanity's return to the Moon through the Artemis program. This time, our products will be flying on the Space Launch System (SLS) Rocket.

Taylor Devices supplies a series of 6 highly specialized isolators for each launch which are installed between the launch abort motor ogive (fairing) and the Orion Crew Capsule, right near the top of the SLS Rocket. This isolation system protects the Crew Capsule from the harsh shock and vibration that occurs during launch. Additionally, several different energy absorbers similar to those used during the Space Shuttle Program will be used for various systems on the launch pad.

STARLINER

In addition to the Artemis Program, Taylor Devices is proud to supply flight hardware for the Boeing Starliner Program. Our products, installed on the CST-100 Crew Capsule, will accommodate opening of the hatch for the astronauts and enable proper deployment of the Service Module during re-entry to Earth.

The Starliner Program transports crews to the International Space Station, successfully flying its first crewed mission in May, 2022. The Crew Capsule is reusable and can carry up to 7 astronauts, or a combination of cargo and crew to low-Earth orbit. It is able to land on its airbags on land, or in water in case of an emergency.

After Starliner's CST-100 Crew Capsule landed at White Sands Space Harbor in May 2022, Boeing's team is shown here opening the Side Hatch. Note the long black strut, designed and manufactured by Taylor Devices. (Top Right)

BOARD OF **DIRECTORS AND EXECUTIVES**

ALAN R. KLEMBCZYK
President and Board Member

Since graduating from the University of Buffalo in 1987 with a degree in Mechanical Engineering, Mr. Klembczyk has held key positions in Sales, Engineering, and Executive Management at Taylor Devices. Over the last 34 years, he has held titles such as Design Engineer, Assistant Chief Engineer, Chief Engineer, and Vice President of Sales & Engineering. He later went on to be appointed President of the Company and Member of the Board of Directors in June 2018.

Mr. Klembczyk is responsible for establishing new Sales & Marketing policies and has been directly involved with defining internal Company policy and strategic direction in cooperation with all levels of Taylor Devices' Management. He was an integral part of the team that managed upgrades to the Quality System and obtained 3rd party certification to International Standards ISO 9001, ISO 14000 and Aerospace Standard AS9100.

Mr. Klembczyk has served for many years on the Technical Advisory Group for the US Shock and Vibration Information & Analysis Center (SAVIAC) and the Shock and Vibration Exchange (SAVE). In 2019, he received the Distinguished Service Award from SAVE. Additionally, he has been a tutorial and course instructor for various organizations internationally and has participated in many technical conferences and symposia. He is a founding member and first co-chair of the Industry Partner Committee of the US Resilience Council.

Mr. Klembczyk has participated in many research projects for products for military & aerospace, industrial, and structural applications. He has served as Program Manager for many of these projects and has worked with academia including the University at Buffalo's MCEER: Earthquake Engineering to Extreme Events, among others.

He has published several papers describing unique applications for structural dampers, tuned mass dampers, vibration isolators, shock absorbers, and shock isolators, and holds US Patents for some of these components. These papers have been published by SAVE, SAVIAC, the Society for Experimental Mechanics (SEM) and the Applied Technology Council (ATC).

TIMOTHY J. SOPKO
Chief Executive Officer
and Board Member

Mr. Sopko's business experience spans more than thirty years in Aerospace (Military and Civil), Industrial, as well as Commercial markets with a primary focus on Engineering, Product Development, Program Management, Operations, and Business Management.

Prior to joining Taylor Devices as CEO in April 2019, Mr. Sopko was Vice President and General Manager of Carleton Technologies Inc. (d.b.a. Cobham Mission Systems) in Orchard Park, New York, a Department of Defense Contractor. While there, he also held the positions of General Manager, Director of Engineering and Programs, Director of Engineering, and Director of Business Development. Under Mr. Sopko's leadership as VP and GM, Carleton successfully grew its annual sales from $110m to over $200m.

After nine years of Design Engineering and Program Management in industry (1988-1997), Mr. Sopko co-founded Comprehensive Technical Solutions Inc., a New York State S-corporation that provides product design engineering services to companies across the United States, as well as produces and supports a portfolio of internally funded products.

Mr. Sopko is a Mechanical Engineering graduate of The State University of New York at Buffalo where he was also a member of The University's Mechanical and Aerospace Dean's Advisory Board for over 10 years. Mr. Sopko is also an author and/or co-author of several US Patents.

MARK V. McDONOUGH
Chief Financial Officer and
Corporate Secretary

Mr. McDonough, who joined Taylor Devices in June 2003, is a Certified Public Accountant in New York State and holds a BBA degree from Niagara University, awarded in 1982. He has been involved in the financial management of various Western New York manufacturing organizations for over thirty years. He has extensive experience in international operations coupled with a long history of implementing internal controls systems. From 1986 to 1989 he was an auditor with the Buffalo office of Ernst & Young, LLP.

Mr. McDonough is a member of the New York State Society of Certified Public Accountants and the American Institute of Certified Public Accountants.

Mr. Armenat's career has spanned more than 40 years in a variety of middle market organizations both public and privately owned. Mr. Armenat most recently served as President and Chief Executive officer of Multisorb Filtration Group, which he successfully spearheaded the sale of in early 2018 from a private equity owner. Multisorb is the world leader in the active packaging industry, solving complex technical challenges in the pharmaceutical, food, and industrial markets.

From 2012 to 2016, Mr. Armenat served as President and Chief Executive Officer for several companies owned by private equity. These companies included healthcare delivery, medical waste collection and disposal, as well as active packaging. He was responsible for the successful business improvement and eventual divestiture of the companies.

F. ERIC ARMENAT
Board Member

From 2009 to 2012, Mr. Armenat served as Chief Operating Officer of Avox Systems (Zodiac Aerospace), a leading supplier of aircraft oxygen systems. From 1994 to 2009, he served as Vice President of Operations and then President and General Manager of Carleton Technologies (Cobham Mission Systems), a global leader of technology for the military and commercial aviation markets. Mr. Armenat also worked as an Operations Management Consultant with Ernst and Young beginning in 1984.

Mr. Armenat earned his Bachelor of Science Degree in Industrial Engineering from Southern Illinois University and his MBA in Finance and Accounting from St. Bonaventure University. He also proudly served in the United States Air Force.

Mr. Carey brings over 45 years of experience ranging from general management to consultative work to the Company. He was the General Manager of the Reichert Analytical Instruments group from 2001 to 2009. The company manufactures and internationally sells a variety of analytical measurement instruments for use in medicine, food processing, and biotechnology research.

Mr. Carey was the Principal at CMA, Ltd from 1990 to 2001. CMA, Ltd provides consulting services to the manufacturing sector in the areas of organization, operational change and strategic planning. Mr. Carey was also a Partner in Decision Processes International (DPI) from 1999 to 2001. DPI is an international strategic planning consultancy working with companies of all sizes.

ROBERT M. CAREY
Board Member

In 1979, Mr. Carey joined Wilson Greatbatch Ltd. (now Integer Holdings) as North American Sales Manager. Mr. Greatbatch held the patents for the implantable pacemaker. The eponymously named company is the world's leader in implantable power sources. In 1981 Mr. Carey was named Vice President of Wilson Greatbatch and General Manager of the Electrochem Division. Electrochem manufactures and internationally sells high energy batteries used in rugged or remote environments such as space, oil and gas drilling, the military, and the ocean.

He earned a Bachelor of Science in Microbiology from the State University of California, Long Beach and a Master of Business Administration from the State University of New York at Buffalo. Mr. Carey served in the U.S. Army, achieving the rank of Captain.

Mr. Burgess gained his international strategy, manufacturing operations, and organizational development expertise from his more than 40 years of experience with middle market public and privately-owned companies. Mr. Burgess served as President and CEO of Reichert, Inc., a leading provider of ophthalmic instruments, and spearheaded the acquisition of the company from Leica Microsystems in 2002, leading the company until its sale in January 2007. Prior to the acquisition, Mr. Burgess served as President of Leica's Ophthalmic and Educational Division before leading the buyout of the Ophthalmic Division and formation of Reichert, Inc.

JOHN BURGESS
Chairman of the Board of Directors

From 1996 to 1999, Mr. Burgess was COO of International Motion Controls (IMC), a $200 million diversified manufacturing firm. During his tenure there, he led a significant acquisition strategy which resulted in seven completed acquisitions and sixteen worldwide businesses in the motion control market. Previously, Mr. Burgess operated a number of companies for Moog, Inc. and Carleton Technologies, including six years spent as President of Moog's Japanese subsidiary, Nihon Moog K.K. located in Hiratsuka, Japan. Moog, Inc. is the global leader in electro-hydraulic servo control technology with a focus on the aerospace and defense sectors. It was recognized as one of The 100 Best Companies to Work For in America by Fortune Magazine.

Mr. Burgess earned a BS in Engineering from Bath University in England, and an MBA from Canisius College. Currently, Mr. Burgess is a Director of Bird Technologies Corporation of Solon, Ohio.

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