

TAYLOR DEVICES INC
Form 10QSB
April 14, 2005

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10 QSB

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

For quarter ended February 28, 2005

Commission File Number 0 3498

TAYLOR DEVICES, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

NEW YORK
(State or other Jurisdiction of incorporation or
organization)

16 0797789
(I.R.S. Employer Identification Number)

90 TAYLOR DRIVE, NORTH TONAWANDA, NEW YORK 14120-0748
Address of principal executive offices

Registrant's Telephone Number - 716 694 0800

Check whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the last 12 months and (2) has been subject to the filing requirements for the past 90 days.

Yes No

State the number of shares outstanding of each of the Issuer's classes of common equity as of the latest practicable date.

<u>CLASS</u>	<u>Outstanding at April 13, 2005</u>
Common Stock (2 1/2 cents par value)	3,102,057

TAYLOR DEVICES, INC.

[Index to Form 10-QSB](#)

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PART I	FINANCIAL INFORMATION	PAGE NO.
	Item 1. Financial Statements	
	Condensed Consolidated Balance Sheets February 28, 2005 and May 31, 2004	3
	Condensed Consolidated Statements of Income for the three and nine months ended February 28, 2005 and February 29, 2004	4
	Condensed Consolidated Statements of Cash Flows for the nine months ended February 28, 2005 and February 29, 2004	5
	Notes to Condensed Consolidated Financial Statements	6
	Item 2. Management's Discussion and Analysis or Plan of Operation	7
	Item 3. Controls and Procedures	13
PART II	OTHER INFORMATION	
	Item 1. Legal Proceedings	14
	Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	14
	Item 3. Defaults upon Senior Securities	14
	Item 4. Submission of Matters to a Vote of Security Holders	15
	Item 5. Other Information	15
	Item 6. Exhibits	16
	REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM	17
	SIGNATURES	18

TAYLOR DEVICES, INC. AND SUBSIDIARY

Condensed Consolidated Balance Sheets

**(Unaudited)
February 28,
2005**

May 31,
2004

Assets

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Current assets:

Cash and cash equivalents	\$ 32,283	\$ 88,390
Accounts receivable, net	1,570,738	1,440,054
Inventory	5,229,899	4,560,755
Costs and estimated earnings in excess of billings	2,330,503	1,537,999
Other current assets	948,307	843,347
Total current assets	10,111,730	8,470,545
Maintenance and other inventory, net	514,468	464,985
Property and equipment, net	3,550,037	3,679,831
Investment in affiliate, at equity	444,943	435,321
Intangible and other assets	191,165	173,434
	\$ 14,812,343	\$ 13,224,116

Liabilities and Stockholders' Equity

Current liabilities:

Short-term borrowings and current portion of long-term debt	\$ 1,977,335	\$ 364,054
Payables - trade	729,068	904,179
Accrued commissions	473,675	488,236
Billings in excess of costs and estimated earnings	319,666	-
Other current liabilities	296,221	464,247
Total current liabilities	3,795,965	2,220,716
Long-term liabilities	1,041,267	1,220,838
Payables - affiliate	599,952	775,716
Minority stockholder's interest	441,968	418,723

Stockholders' Equity:

Common stock and additional paid-in capital	4,273,413	3,972,887
Retained earnings	5,552,747	5,508,205
	9,826,160	9,481,092
Treasury stock - at cost	(892,969)	(892,969)
Total stockholders' equity	8,933,191	8,588,123
	\$ 14,812,343	\$ 13,224,116

See notes to condensed consolidated financial statements.

Condensed Consolidated Statements of Income	(Unaudited)		(Unaudited)	
	For the three months ended		For the nine months ended	
	February 28, 2005	February 29, 2004	February 28, 2005	February 29, 2004
Sales, net	\$ 2,619,488	\$ 3,372,094	\$ 7,720,634	\$ 9,715,617
Cost of goods sold	1,937,083	2,297,773	5,387,173	7,178,943
Gross profit	682,405	1,074,321	2,333,461	2,536,674
Selling, general and administrative expenses	701,495	926,928	2,149,215	2,938,929
Operating income (loss)	(19,090)	147,393	184,246	(402,255)
Other expense, net	(35,719)	(21,275)	(104,781)	(36,936)
Income (loss) before provision for income taxes, equity in net income of affiliate and minority stockholder's interest	(54,809)	126,118	79,465	(439,191)
Provision for income taxes (benefit)	(16,700)	71,000	21,300	(156,500)
Income (loss) before equity in net income of affiliate and minority stockholder's interest	(38,109)	55,118	58,165	(282,691)
Equity in net income of affiliate	1,804	5,738	9,622	33,212
Income (loss) before minority stockholder's interest	(36,305)	60,856	67,787	(249,479)
Minority stockholder's interest	(6,240)	(4,994)	(23,245)	(13,233)
Net income (loss)	\$ (42,545)	\$ 55,862	\$ 44,542	\$ (262,712)
Basic and diluted earnings (loss) per common share	\$ (0.01)	\$ 0.02	\$ 0.01	\$ (0.09)

See notes to condensed consolidated financial statements.

TAYLOR DEVICES, INC. AND SUBSIDIARY

Condensed Consolidated Statements of Cash Flows

	(Unaudited)	
For the nine months ended	February 28, 2005	February 29, 2004
Cash flows from operating activities:		
Net income (loss)	\$ 44,542	\$ (262,712)
Adjustments to reconcile net income (loss) to net cash flows from operating activities:		
Depreciation and amortization	266,292	259,148
Bad debts expense	16,000	-
Equity in net income of affiliate	(9,622)	(33,212)
Gain on settlement of officer life insurance policies	-	(53,720)
Minority stockholder's interest	23,245	13,233
Changes in other assets and liabilities:		
Accounts receivable	(146,684)	1,909,413
Inventory	(718,627)	631,508
Costs and estimated earnings in excess of billings	(792,504)	2,702,145
Other current assets	(112,406)	(336,294)
Payables - trade	(175,111)	(518,430)
Accrued commissions	(14,561)	(1,066,609)
Billings in excess of costs and estimated earnings	319,666	(126,730)
Other current liabilities	(168,026)	(519,077)
Net cash flows from (for) operating activities	(1,467,796)	2,598,663
Cash flows from investing activities:		
Acquisition of property and equipment	(130,198)	(58,671)
Proceeds from settlement of officer life insurance policies	-	263,398
Other investing activities	(16,585)	157,506
Net cash flows from (for) investing activities	(146,783)	362,233
Cash flows from financing activities:		
Net short-term borrowings and repayments		
on long-term debt	1,433,710	(3,771,012)
Payables - affiliate	(175,764)	297,464
Proceeds from issuance of common stock	300,526	178,805
Acquisition of treasury stock	-	(11,586)
Net cash flows from (for) financing activities	1,558,472	(3,306,329)
Net decrease in cash and cash equivalents	(56,107)	(345,433)
Cash and cash equivalents - beginning	88,390	417,166
Cash and cash equivalents - ending	\$ 32,283	\$ 71,733

See notes to condensed consolidated financial statements.

TAYLOR DEVICES, INC.

Notes to Condensed Consolidated Financial Statements

1. The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-QSB and Regulation S-B. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of the Company, the accompanying unaudited condensed consolidated financial statements contain all adjustments (consisting of only normal recurring accruals) necessary to present fairly the financial position as of February 28, 2005 and May 31, 2004, the results of operations for the three and nine months ended February 28, 2005 and February 29, 2004, and cash flows for the nine months ended February 28, 2005 and February 29, 2004. These financial statements should be read in conjunction with the audited financial statements and notes thereto contained in the Company's Annual Report to Shareholders for the year ended May 31, 2004.
2. There is no provision nor shall there be any provisions for profit sharing, dividends, or any other benefits of any nature at any time for this fiscal year.
3. For the three and nine month period ended February 28, 2005, the net income or loss was divided by 3,033,761, which is net of the Treasury shares, to calculate the net income per share. For the three and nine month period ended February 29, 2004, the loss was divided by 2,939,923, which is net of the Treasury shares, to calculate the loss per share.
4. The results of operations for the nine month period ended February 28, 2005 are not necessarily indicative of the results to be expected for the full year.
5. Significant Equity Investee: The Company owns approximately a 23% equity investment in Tayco Developments, Inc. (Developments). For the nine months ended February 28, 2005, Tayco Developments, Inc. had revenues of \$332,000 and net income of \$50,000. For the nine months ended February 29, 2004, Tayco Developments, Inc. had revenues of \$443,000 and net income of \$74,000. The carrying amount of the investment in Tayco Developments, Inc. as of February 28, 2005 and May 31, 2004 was \$445,000 and \$435,000.
6. The May 31, 2004 financial statements have been reclassified to conform with the presentation adopted for the February 28, 2005 financial statements.

TAYLOR DEVICES, INC.

Item 2. Management's Discussion and Analysis or Plan of Operation

Cautionary Statement

The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for forward-looking statements. Information in this Item 2, "Management's Discussion and Analysis or Plan of Operation," and elsewhere in this 10-QSB that does not consist of historical facts, are "forward-looking statements." Statements accompanied or qualified by, or containing, words such as "may," "will," "should," "believes," "expects," "intends," "plans," "projects," "estimates," "predicts," "potential," "outlook," "forecast," "anticipates," "presume," and "assume" constitute forward-looking statements, and as such, are not a guarantee of future performance. The statements involve factors, risks and uncertainties, the impact or occurrence of which can cause actual results to differ materially from the expected results described in such statements. Risks and uncertainties can include, among others, fluctuations in general business cycles and changing economic conditions; 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.

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:

Comparison of the nine months ended February 28, 2005 and February 29, 2004

	Increase / (Decrease)
Sales, net	\$ (1,995,000)
Cost of goods sold	\$ (1,792,000)
Selling, general and administrative expenses	\$ (790,000)
Other expense, net	\$ 68,000
Income (loss) before provision for income taxes, equity in net income of affiliate and minority stockholder's interest	\$ 519,000
Provision (benefit) for income taxes	\$ 178,000
Income (loss) before equity in net income of affiliate and minority stockholder's interest	\$ 341,000
Equity in net income of affiliate	\$ (24,000)
Net income (loss)	\$ 307,000

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

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

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

For the nine months ended February 28, 2005 (All figures being discussed are for the nine months ended February 28, 2005 as compared to the nine months ended February 29, 2004.)

	Nine months ended		Change	
	February 28, 2005	February 29, 2004	Increase / (Decrease)	Percent Change
Net Revenue	\$7,721,000	\$9,716,000	\$(1,995,000)	-21%
Cost of sales	5,387,000	7,179,000	(1,792,000)	-25%
Gross profit	\$2,334,000	\$2,537,000	\$ (203,000)	-8%

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...as a percentage of net revenues 30% 26%

The Company's consolidated results of operations showed a 21% decrease in net revenues with an increase in net income to \$45,000 from a net loss of \$263,000. Gross profit decreased by 8%. Revenues recorded in the current period for long-term construction projects dropped by 28% of the level recorded in the prior year. However, the current year's projects contributed a gross profit margin of 30% as compared to 21% in the prior year's period. The overall gross profit as a percentage of net revenues for the period was 30% as compared to 26% for the same period in the prior year. Management continues to reduce spending on the overhead portion of cost-of-sales, as the level of sales has decreased, in its effort to improve profitability.

Selling, General and Administrative Expenses

	Nine months ended		Change	
	February 28, 2005	February 29, 2004	Increase / (Decrease)	Percent Change
Outside Commissions	\$ 305,000	\$ 695,000	\$(390,000)	-56%
Royalties	122,000	205,000	(83,000)	-40%
Other SG&A	1,722,000	2,039,000	(317,000)	-16%
Total SG&A	\$2,149,000	\$2,939,000	\$(790,000)	-27%

...as a percentage of net revenues 28% 30%

Selling, general and administrative expenses decreased by approximately 27% from the prior year primarily due to lower levels of commission expense, which is directly related to the level of sales for the period. Commission expense was also higher in the prior year period due to higher commission rates on a few of the large, long-term construction projects in production at that time. Royalty expense is just over half of the amount recorded in the prior year period. There were fewer long-term construction projects that are subject to the royalty during the current year. These reductions, combined with decreases in expenses for personnel by \$151,000, consulting by \$93,000, insurance by \$39,000 and advertising by \$26,000, contributed to the savings over the prior year.

The above factors resulted in operating income of \$184,000 for the nine months ended February 28, 2005 as compared to an operating loss of \$402,000 in the same period of the prior year.

Interest expense increased by \$20,000 from the same period of the prior year. Included in this year's interest expense is \$25,000 on an unsecured promissory note payable to Developments. The average level of use of the Company's operating line of credit remained the same when comparing this year to last; however, the interest rates on the line increased from 3.75% to 5.25% between the periods. The line of credit is used primarily to fund the production of larger projects that do not allow for advance payments or progress payments. Interest rates on some of the long-term debt has similarly increased. The principal balance on this debt has reduced during the periods, as scheduled.

Other expense, net of \$105,000 in the current year is primarily interest expense. Other expense, net of \$37,000 in the prior year period includes interest expense of \$98,000 and income of \$54,000 for the excess of proceeds from the life insurance policies on the Company's founder, Paul H. Taylor, over the net of the cash surrender value of the policies and loans against the policies.

For the three months ended February 28, 2005 (All figures being discussed are for the three months ended February 28, 2005 as compared to the three months ended February 29, 2004.)

	Three months ended		Change	
	February 28, 2005	February 29, 2004	Increase / (Decrease)	Percent Change
Net Revenue	\$2,619,000	\$3,372,000	\$ (753,000)	-22%
Cost of sales	1,937,000	2,298,000	(361,000)	-16%
Gross profit	\$ 682,000	\$1,074,000	\$ (392,000)	-36%

...as a percentage of net revenues 26% 32%

The Company's consolidated results of operations showed a 22% decrease in net revenues with a decrease in net income from \$56,000 to a net loss of \$43,000. Gross profit decreased by 36%. Revenues recorded in the current period for long-term construction projects dropped by 13% of the level recorded in the prior year. These current year's projects contributed a gross profit margin of 24% as compared to 34% in the prior year's period. The overall gross profit as a percentage of net revenues for the quarter was 26% as compared to 32% for the same period in the prior year. The Company continues to reduce spending on the overhead portion of cost-of-sales, as the level of sales has decreased, in its effort

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to improve profitability. The level of sales during that last three quarters has been consistently lower than the comparative quarters in the prior fiscal year. As discussed below, the Company's backlog of sales orders is up 15% over the prior year-end. Management is optimistic that this will have a positive impact on the level of sales in the fourth quarter.

Selling, General and Administrative Expenses

	Three months ended		Change	
	February 28, 2005	February 29, 2004	Increase / (Decrease)	Percent Change
Outside Commissions	\$ 124,000	\$ 227,000	\$ (103,000)	-45%
Royalties	30,000	44,000	(14,000)	-32%
Other SG&A	547,000	656,000	(109,000)	-17%
Total SG&A	\$ 701,000	\$ 927,000	\$ (226,000)	-24%

...as a percentage of net revenues 27% 27%

Selling, general and administrative expenses decreased by approximately 24% from the prior year primarily due to lower levels of commission expense, which is directly related to the level of sales for the period. Commission expense was also higher in the prior year period due to higher commission rates on a few of the large, long-term construction projects in production at that time. Royalty expense is 32% less than the amount recorded in the prior year period. There were fewer long-term construction projects that are subject to the royalty during the current quarter. These reductions, combined with decreases in expenses for personnel by \$56,000 and consulting by \$18,000, contributed to the savings over the prior year.

The above factors resulted in an operating loss of \$19,000 for the three months ended February 28, 2005 as compared to operating income of \$147,000 in the same period of the prior year.

Due to higher interest rates, a higher level of use of the Company's operating line of credit during the quarter and interest on an unsecured promissory note payable to Developments, interest expense increased by approximately \$21,000 from the same period of the prior year. The line of credit is used primarily to fund the production of larger projects that do not allow for advance payments or progress payments. Interest expense is included in other income (expense), net.

Capital Resources, Line of Credit and Long-Term Debt

The Company's primary liquidity relates to the 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 from operations and from bank financing.

Capital expenditures for the nine months ended February 28, 2005 were \$130,000 compared to \$59,000 in the same period of the prior year. Approximately \$90,000 of the current year expenditures was for production, assembly and testing equipment and improvements; approximately \$30,000 was for engineering software and hardware upgrades. There are no material commitments for capital expenditures as of February 28, 2005.

The Company has reduced the amount of its line of credit from \$7,500,000 to \$5,000,000 during the year as the excess amount was not being utilized. There is a \$1,749,000 balance outstanding as of February 28, 2005. This is up from the \$144,000 balance outstanding as of May 31, 2004. The outstanding balance on the line of credit will fluctuate as the Company's various long-term projects progress.

Principal maturities of long-term debt for the remainder of the current fiscal year and the subsequent five years are as follows: 2005 - \$49,000; 2006 - \$231,000; 2007 - \$241,000; 2008 - \$232,000; 2009 - \$138,000; and 2010 - \$72,000.

Inventory and Maintenance Inventory

	February 28, 2005		May 31, 2004		Increase	
Raw Materials	\$ 485,000		\$ 291,000		\$ 194,000	67%
Work in process	4,357,000		3,946,000		411,000	10%
Finished goods	389,000		324,000		65,000	20%
Inventory	5,231,000	91%	4,561,000	91%	670,000	15%
Maintenance and other inventory	514,000	9%	465,000	9%	49,000	11%
Total	\$5,745,000	100%	\$5,026,000	100%	\$ 719,000	14%

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The Company paid \$204,000 to Developments during the nine months ended February 28, 2005 to reduce the principal balance on the note payable.

Goodwill represents the excess of purchase price paid over fair value of net assets acquired. In accordance with Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets", the Company stopped amortizing goodwill effective June 1, 2002. The Company assesses for the potential impairment of goodwill at least annually by determining whether its carrying amount exceeds its implied fair value. The Company completed its assessment of goodwill for the year ended May 31, 2004 and determined that an impairment charge was not warranted.

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

TAYLOR DEVICES, INC.

Item 3. Controls and Procedures

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

The Company's principal executive officer and principal financial officer have evaluated the Company's disclosure controls and procedures as of February 28, 2005 and have concluded that as of the evaluation date, the disclosure controls and procedures were adequate to ensure that material information relating to the Company was made known to the officers by others within the Company.

(b) *Changes in internal controls.*

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

TAYLOR DEVICES, INC.

Part II - Other Information

ITEM 1 Legal Proceedings

None except for routine litigation incidental to the Company's business.

ITEM 2 Unregistered Sales of Equity Securities and Use of Proceeds

(a) The Company sold no equity securities during the fiscal quarter ended February 28, 2005 that were not registered under the Securities Act.

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

Not Applicable

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(c) Repurchases of Equity Securities

<i>Period</i>	<i>(a) Total Number of Shares Purchased</i>	<i>(b) Average Price Paid Per Share</i>	<i>(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</i>	<i>(d) Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs</i>
December 1, 2004 - December 31, 2004	-	-	-	
January 1, 2005 - January 31, 2005	-	-	-	
February 1, 2005 - February 28, 2005	-	-	-	
Total	-	-	-	\$160,802 (1)

(1) In 1998, the Company initiated a plan to purchase shares of its outstanding common stock through open market purchases, with an initial deposit to the program of \$225,000. Additional deposits of \$435,000 have been made to the plan, with expenditures of \$499,198. To date, a total of 164,696 shares have been purchased at an average price per share of \$3.03.

	(d)	Under the terms of the Company's credit arrangements with its major lender, the Company is prohibited from issuing cash dividends. In addition, the credit arrangements require the Company to maintain net working capital of at least \$2,000,000 and tangible net worth of at least \$6,000,000, as such terms are defined in the credit documents. On February 28, 2005, under such definitions the Company's net working capital and tangible net worth were significantly in excess of such limits.
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ITEM 3 Defaults Upon Senior Securities

None

ITEM 4 Submission of Matters to Vote of Securities Holders

None

ITEM 5	(a)	The total number of shares of the Company outstanding during the quarter increased by 80,054 due to the exercise of stock options by Directors and key employees under the 2001 Taylor Devices, Inc. Stock Option Plan.
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	(b)	<p>Material changes to the procedures by which Security Holders may recommend nominees to the Registrant's Board of Directors</p> <p>On February 9, 2005, the Board of Directors of the Company established a standing Nominating Committee comprised of three Directors, Messrs. Randall L. Clark, Donald B. Hofmar, Chairman, and Joseph P. Gastel, all of whom are independent within the meaning of the applicable NASD rules. The Nominating Committee is responsible for recommending candidates to fill any vacancy, or newly created directorship on the Board, and for recommending the slate of nominees to stand for election by shareholders at each annual meeting. The Board also adopted a Nominating Committee Charter ("Charter") to guide the Nominating Committee in its deliberations and its selection of qualified nominees, including any candidates proposed by shareholders. The Nominating Committee is required to meet as a body when and as needed to discharge its function under the Charter, and to report and make recommendations to the entire Board as to proposed nominees. The report, at minimum, must include the name of each candidate, his or her qualifications, and the reasons for selection.</p> <p>The Charter requires that in order to be considered by the Nominating Committee as a nominee, every candidate, including any candidate proposed by shareholders, must meet certain qualification criteria, including, among other things, financial literacy, "independence" within the meaning of the NASD rules, satisfactory business experience, and the highest level of integrity and ethical character. Recommendations must be supported by a detailed background of the suggested candidate, demonstrating how the individual meets the criteria for selection. A full description of the independence standard and other director qualification criteria are set forth in the Charter attached to this Report as an Exhibit.</p> <p>Shareholders desiring to propose candidates for election to the Board should carefully review the requirements set forth in the Charter and direct their communications and supporting information to:</p> <p>Taylor Devices, Inc. Corporate Secretary 90 Taylor Drive PO Box 748 North Tonawanda, New York 14120-0748</p> <p>The Corporate Secretary's Office will forward any recommendation as to a director nominee, together with supporting documentation, to the Chairman of the Nominating Committee.</p>
ITEM 6	Exhibits	

20	News from Taylor Devices, Inc. Shareholder Letter, Spring 2005.
31(i)	Rule 13a-14(a) Certification of Chief Executive Officer.
31(ii)	Rule 13a-14(a) Certification of Chief Financial Officer.
32(i)	Section 1350 Certification of Chief Executive Officer
32(ii)	Section 1350 Certification of Chief Financial Officer
99	Nominating Committee Charter

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Taylor Devices, Inc.

We have reviewed the accompanying condensed consolidated balance sheet of Taylor Devices, Inc. and Subsidiary as of February 28, 2005, the related condensed consolidated statements of income for the three and nine months ended February 28, 2005 and February 29, 2004 and cash flows for the nine months ended February 28, 2005 and February 29, 2004. These interim financial statements are the responsibility of the Company's management.

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

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

We have previously audited, in accordance with standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet as of May 31, 2004, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated August 4, 2004, we expressed an unqualified opinion on those financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of May 31, 2004 is fairly stated, in all material respects, in relation to the balance sheet from which it has been derived.

Lumsden & McCormick, LLP
Buffalo, New York
March 25, 2005

TAYLOR DEVICES, INC.

Signatures

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

TAYLOR DEVICES, INC.
(Registrant)

By: s/Douglas P. Taylor
Douglas P. Taylor
President
Chairman of the Board of Directors
(Principal Executive Officer)

Date: April 13, 2005

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AND

By: s/Mark V. McDonough
Mark V. McDonough
Chief Financial Officer

Date: April 13, 2005