Dear Shareholders,

It is with great honor and pleasure that I have accepted the position of President of Taylor Devices and now have the opportunity to address all shareholders in this Annual Report. My career with the Company began in March 1988 and we have seen many changes that have accompanied that period of more than 30 years. In fiscal year 1988, Taylor recorded annual sales of $4.7 million. The Company has come a long way. Incorporated in 1955, we are now in our 64th year of operation. I follow our two previous presidents, Paul H. Taylor (1955-1991) and Dougal P. Taylor (1991-2018). We thank Doug and Richard Hill, who both retired as of May 31, 2018 for their outstanding service to the Company and for their many contributions that have enabled the Company to succeed for many years. On June 1, 2018, both Doug and Rick were presented retirement awards in the presence of all employees. While maintaining that same level of high expectation, I personally look forward to many more years here at Taylor Devices and will strive to maintain and improve on the previous successes that the Company has enjoyed.

Sales for the fiscal year ending May 31, 2018 were $24,363,967 compared to last year’s sales of $25,536,996. Operating income was $647,633 compared to $643,370 in 2017. Net income was $443,370 compared to $2,330,577 in 2017. As stated in a recent press release, the Tax Cuts and Jobs Act became law in December 2017. Due to changes in corporate tax rates, the Company was required to record a non-cash write down of deferred tax assets and recognized incremental deferred tax expense of $164,000 during fiscal year 2018. Although this one-time adjustment hurt our overall annual income, the long-term reduction in corporate tax rates will benefit the Company.

Taylor Devices’ firm order backlog at the end of the 2018 fiscal year was $23.1 million compared to $21.6 million at the close of the 2017 fiscal year. The backlog product mix is approximately 33% aerospace and defense, 65% seismic products, and 2% commercial/industrial products.

As stated in last year’s Annual Report, the Company completed the expansion of the seismic assembly and test facilities in fiscal year 2017. Throughout fiscal year 2018, new test equipment was successfully integrated into the facility and this has allowed us to build and test many large seismic dampers with unique characteristics for several major projects. Among them are the 104 seismic dampers for the new Loma Linda University Medical Center (LLUMC) that is the subject of this year’s centerpiece featured project.

A challenging aspect of the Medical Center to the design team was its proximity to seismic faults. In fact, it is adjacent to the intersection of the San Jacinto fault zone and the Loma Linda Fault, and is just a few miles from the famous San Andreas Fault. In order to meet the stringent performance required during large earthquakes, the Medical Center sits on a base isolation system that allows significant movement during an earthquake.

This system allows the ground to effectively move underneath while the building remains “isolated” from most of the harmful earthquake energy. This system is similar to what was used for the Arrowhead Regional Medical Center, which was Taylor Devices’ first major project for supplying seismic dampers in the mid-1990’s. However, the dampers that were recently delivered for the LLUMC require 75% more deflection capability than those previously used for Arrowhead, partially due to the near-fault location. Additionally, the combination of the output force and the rated velocity experienced during large earthquakes was higher than the Company had tested to previously.

Therefore, our new test facilities were put to immediate good use and allowed us to demonstrate near perfect performance for all 104 dampers. This new test capability is second to none and will provide the Company with years of service to our customers world-wide.

Our second featured project is NASA’s Space Launch System (SLS) shown on the cover of this Report. The SLS Program consists of three major elements; the SLS Launch Vehicle itself, the manned Orion Space Capsule, and Exploration Ground Systems that will provide the infrastructure and manage the launch facilities at Pad 39B at the Kennedy Space Center in Florida. When complete, no other space launch vehicle will have the same lift capability combined with the ability to carry astronauts to the Moon, Mars and beyond. Other deep space destinations for SLS include Europa, one of Jupiter’s moons. The first launch is now being planned for early 2020. The recently passed federal budget provides continued funding for the Program and the future looks bright. Indeed, after meeting with several members of Congress recently at a Lockheed Martin sponsored SLS Suppliers Conference, I can personally report that this Program is receiving significant bi-partisan support.

The Company has already delivered several custom ground-based energy absorbers for use during launch. These products are direct adaptations of products that had been developed for the Space Shuttle Program beginning in the 1970’s and successfully used for every Space Shuttle launch over 30 years from 1981 through 2011.

Additionally, the Company has recently been developing a unique vibration isolation system for protecting certain components near the top portion of the SLS Launch Vehicle and the Orion Capsule during flight. Initial testing of the system has been very successful, and we look forward to providing these isolators for every launch of the SLS for years to come.

Sincerely,

TAYLOR DEVICES, INC.

Alan Klembczyk
President
It is an exciting time at Taylor Devices, with countless challenges and opportunities in front of us, none of which would be possible without the years of service, guidance, and expertise passed on from our retired executive officers, Mr. Douglas P. Taylor and Mr. Richard G. Hill. All of us owe them a debt of gratitude for their stewardship of the Company and the transition planning that has been many years in the making. Both of them have been instrumental in guiding my 20 year career with the company. I now accept and look forward to the challenges put before me since my appointment to Vice President of Operations on October 1, 2017.

Operations at the Company consists of all of the internal activities, both strategic and tactical, to deliver the best possible product and performance to our customers around the globe. While internal coordination is much of our focus on items like manufacturing costs and schedules, it is imperative that Alan and I continue to make all facets of the organization work toward the common goals of our shareholders for many years to come.

Fiscal 2018 was a disappointing year at Taylor Devices, Inc. for both sales and profits. Sales were down 5% from fiscal 2017 while profits were only 15% of last year’s level. In the United States, sales were down 12%. While domestic sales are generally more profitable than exports, costs were higher and margins were slimmer than the prior year. Asian sales were up 57% over last year but at significantly lower margins as competition increased for many of the projects we completed for shipment there. Sales volume to customers for seismic/wind protection dropped 12%. This was somewhat offset by small increases in sales to aerospace/defense customers and industrial customers. Selling, general and administrative expenses were up slightly from the prior year while operating income fell to 20% of last year’s level. Earnings per share was 13 cents for fiscal 2018 compared to 67 cents for the prior year.

The Company’s backlog of sales orders at May 31, 2018 is $23.3 million, up $1.5 million from the backlog at the end of the prior year. Almost two-thirds of the sales order backlog is for customers building or retrofitting bridges and buildings and one-third is for customers in aerospace/defense. Approximately 92% is for domestic customers while 8% will be shipped to Asia. We are encouraged by continued new sales order activity in the early months of the 2019 fiscal year. Based on this sales order backlog at year end and new order activity in the early stages of the new fiscal year, we are optimistic that we will achieve profitable growth fiscal 2019. We are dedicated to become more efficient throughout our organization in the coming year as we strive to increase customer interest in our products.

We will continue to work with our advisors to keep abreast of changes in the regulations and to remain in compliance with them in order to ensure that accurate, reliable financial and business information is provided to investors and other users of this annual report and our interim reports.

From the Aerospace/Defense Products
John C. Metzger
Chief Engineer

Fiscal year 2018 aerospace/defense sector represented 42% of the Company sales compared to 39% for fiscal year 2017. Sales were slightly up from $10,086,000 in FY17 to $10,205,900 in FY18. Revenue has been bolstered by recurring orders for drone landing gears, submarine deck isolators, helicopter machined spring elements for U.S. Army/Navy main rotors and KC-46 Aircraft refueling boom shock absorbers. Looking forward, these programs are contributing to a healthy backlog for this year as well.

Follow on orders remain strong for the U.S. Navy standard missile canister isolators. The U.S. Navy announced new plans this spring to change the mission of the Zumwalt Class Destroyers to use extended range versions of the Navy’s standard missile, each containing four Taylor vertical shock isolators. This Destroyer was featured in last year’s Annual Report. This program will last for many years.

The Company received an order for 235 systems used by the U.S. Navy after developing a high frequency vibration isolator using our machined spring technology within a ring laser gyroscope used for shipboard navigation. This technology can be adapted for many new applications.

We have continued toward the qualification of many devices for NASA space programs for manned and unmanned flight. These devices include flight hardware with many recurring orders expected in the years to come. In addition, design work has begun for numerous ground support shock absorbers for yet another Space Program for the next generation un-manned launch vehicle. This vehicle’s mission is to greatly reduce the cost to launch satellites into orbit.

The supply of components for drone landing gear continues to be a strong market for Taylor Devices. In the second half of the fiscal year 2018, the Company was awarded a fast-track contract to design and qualify new landing gear struts for the U.S. Air Force. Taylor Devices has established a strong relationship with the aircraft manufacturer to be able to perform this activity in a short amount of time.

The Company continues to work with large defense contractors on many projects to collaborate and develop solutions that could utilize our technology. These discussions involve cutting edge technology while designing and building our products as part of the final design. These early development efforts can lead to long term future orders.

To continue to increase our presence in the aerospace/defense sector, we have added an additional sales representative to aggressively seek out new opportunities for the Company.

FROM THE CHIEF FINANCIAL OFFICER
Mark V. Mcdonald
Chief Financial Officer

FROM THE CHIEF ENGINEER
John C. Metzger
Chief Engineer

FROM OPERATIONS
Benjamin M. Kujawinski
Vice President of Operations

Benjamin M. Kujawinski
Vice President of Operations

Sincerely,

Benjamin M. Kujawinski
Vice President of Operations
Fiscal Year 2018 did not produce the results we were anticipating one year earlier. Overall, Taylor Devices’ industrial product lines sales decreased this year by approximately 8% to $14,158,022, with a 12% decrease for our crane buffers and other catalog items. The total for both product lines represents 58% of the Company’s sales for the year. Sales in some portions of Asia have increased, while other portions have decreased, but the net result is a substantial increase in Asian sales for FY 18. The increase in Asian sales along with increased crane buffer and catalog sales helped to offset the decrease in sales for our seismic and wind control products within the USA. Our industrial product diversity, mixed with our other product lines, helps to keep us going strong when other segments of our business are facing challenges.

A major challenge we face is related to the new tariffs on imported steel and aluminum. Taylor Devices prefers to use steel produced in the USA when it is available in the shapes and sizes needed to produce our products, but due to domestic supply/demand, we are seeing increased material prices for the steel we buy from US mills. This is forcing us to control our costs in other ways since raising prices will make it difficult to compete with other damper manufacturers in other countries that are not faced with the increase in raw material prices. On the other hand, the tariffs seem to be spurring new activity at the US steel mills and that should result in additional demand for our energy absorbers used on the overhead cranes and other applications in the steel and aluminum mills.

Although sales are somewhat down, we are optimistic about the future. Our overall company backlog at the end of FY 18 was 23.1M, approximately 7% higher than at this same period last year which was 21.6M. Of the 23.1M in backlog, 67% is for our industrial products and the remaining 33% is for our military and aerospace products.

New sales efforts have been initiated to increase sales of our damper used for seismic and wind protection of structures. It was identified that competing technologies have made it easier to implement their products by providing assistance with design of the structure to help save the structural engineer time. Taylor Devices is in the final stages of producing a new comprehensive guide to assist structural engineers with implementing viscous dampers in their structure. We have also expanded our direct sales team by hiring a new Western US Technical Sales Manager. With more than 10 years of experience as a structural engineer, Aaron Malatesta will be able to enhance the level of support that we provide to our customers along the west coast.

During FY18, new orders for our seismic and wind damping technology remained nearly the same as past years, with 34 new projects, of varying sizes. This puts our total number of seismic and wind projects over the 700 mark. Many of these new orders along with some existing multi-year projects are scheduled to ship after the end of FY18, so our FY19 looks promising, despite the current apparent lag.

A notable project won during FY18 includes 96 dampers for the San Francisco - Oakland Bay Bridge. Due to significant changes in the requirements for these specialized devices, the Taylor Devices’ seismic dampers that were originally installed in 2001 are now being replaced by upgraded devices. New and proprietary features that have recently been tested and qualified to meet specific requirements of the California State Department of Transportation (CalTrans) have been incorporated into the design.

Other projects worth mentioning include protection of a new pedestrian bridge located outside of the Kennedy Center in Washington, D.C. from excessive vibrations resulting from wind and people walking and running across the bridge. There are now several retrofit projects in buildings located in Los Angeles and San Francisco. These projects are a result of the new ordinances implemented by Los Angeles and San Francisco that require certain building types to be strengthened against earthquakes. Taylor Devices was also awarded a contract to supply 108 large dampers for the seismic upgrade of the St. Bernardine Medical Center located in Southern California. The dampers will be installed outside of the existing structure and will allow the hospital to remain functional during the retrofit process.

A very strong backlog of existing orders at the end of FY18 as well as new and retrofit construction projects in current development throughout the world provide a good outlook for FY19 expectations. Our recognized ability to suit the customer’s needs with special products and the flexibility to continually adapt to the requirements of the market, remain our most valuable assets.

PHOTO COURTESY
Aaron Malatesta | Taylor Devices
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 2018 and fiscal year 2017 were obtained from NASDAQ.

As of May 31, 2018, the number of issued and outstanding shares of Common Stock was 3,466,267 and the approximate number of record holders of the Company’s Common Stock was 531. Due to a substantial number of shares of the Company’s Common Stock held in street name, the Company believes that the total number of beneficial owners of its Common Stock exceeds 2,000. No cash or stock dividends have been declared during the fiscal year ended May 31, 2018.

**FISCAL 2018**

- **First Quarter**
  - High: $14.12
  - Low: $10.62

- **Second Quarter**
  - High: $14.00
  - Low: $10.84

- **Third Quarter**
  - High: $15.14
  - Low: $11.01

- **Fourth Quarter**
  - High: $12.23
  - Low: $9.70

**FISCAL 2017**

- **First Quarter**
  - High: $20.45
  - Low: $16.10

- **Second Quarter**
  - High: $20.00
  - Low: $13.10

- **Third Quarter**
  - High: $15.69
  - Low: $14.25

- **Fourth Quarter**
  - High: $14.52
  - Low: $12.84

**NOTICE OF ANNUAL MEETING**

The annual meeting of the shareholders of the Company will be held on Friday, November 2, 2018 at 11 a.m. This year’s meeting will be held at the Millennium Buffalo, 2040 Walden Avenue, Buffalo, New York. Shareholders desiring accommodations may call the Millennium Buffalo at 716-681-2400.
THE BUILDING

104 Taylor Devices Seismic Dampers were installed, each damper rated at 400 tons of force.

Dampers are part of a base isolation system that separates the new Medical Center from the ground, thereby isolating it from the severe earthquakes that may occur since the center sits near the intersection of 2 faults and is near the San Andreas Fault.

Dampers are capable of very large motions, 42 inches in each direction from their installed length.

Taylor Devices provided dynamic testing to full force, full stroke, and full static proof pressure tests for every damper, the only test lab in the world capable of performing all required tests.

OWNER
Loma Linda University

STRUCTURAL ENGINEER
Arup

ARCHITECT
NBBJ Architects

GENERAL CONTRACTOR
McCarthy Builders

Aaron Malatesta, Taylor Devices’ Western US Technical Sales Manager, inspecting one of the dampers that were recently installed on-site. In this type of isolation system, one end of the damper is connected to a steel/concrete ground node and one end is connected to the building above through a friction pendulum bearing assembly capable of moving with the damper.
Mr. Burgess gained his international strategy, manufacturing operations and organizational development expertise from his more than 40 years 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 Divisions before leading the buyout of the Ophthalmic Division and formation of Reichert, Inc.

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 that 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 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 focus on the aerospace and defense sectors and was recognized as one of The 100 Best Companies to Work For in America by Fortune Magazine.

Mr. Burgess earned a Bachelor of Science in engineering from Bath University in England, and a Masters of Business Administration from Canisius College. Currently Mr. Burgess is an operating partner of Summer Street Capital LLC and director of Bird Technologies Corporation of Solon, Ohio.

Mr. Klembczyk has spent most of his career managing the Taylor Devices Engineering Department along with designing and developing shock and vibration mitigating products for a diverse customer base. These include hundreds of applications to improve performance under wind, seismic, shock and vibration for many aerospace, industrial and structural applications.

Mr. Klembczyk has been 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 has been an integral part of the team that managed upgrades to the Quality System and obtaining 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 (SAVIAAC) and the Shock and Vibration Exchange (SAVE). Additionally, he has been a tutorial and course instructor for various organizations internationally and has participated in technical conferences and symposia.

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, SAVIAAC, the Society for Experimental Mechanics (SEM) and the Applied Technology Council (ATC).

Mr. Armenat has more than 37 years of business experience across a myriad of industries both private and public. He is currently the 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 and 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.

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 Airforce.

Mr. Clark holds a Bachelor of Arts degree from the University of Pennsylvania, and earned his Masters of Business Administration from the Wharton School of Finance and Commerce. He is and has been the Chairman of Dunn Tire LLC since 1996. From 1992 to 1996, Mr. Clark was executive vice president and chief operating officer of Pratt & Lambert, until it was purchased by Sherwin-Williams.

Mr. Clark has been employed in the tire industry for many years. He was named president of the Dunlop Tire Corporation in 1980, was appointed to the Board of Directors in 1983 and named president and chief executive officer in 1984. He was one of seven chief executives of operating companies appointed to the Group Management Board of Dunlop Holdings, PLC., and was chairman of the board and chief executive officer of Dunlop Tire Corporation in North America from 1985 to 1991. In 2012 he was inducted into the Tire Industry Association Hall of Fame.

From 1977 to 1980, Mr. Clark was vice president of marketing for the Dunlop Tire Division. From 1973 to 1977, he was employed by Dunlop as Director of marketing at the company’s Buffalo, NY headquarters. From 1966 to 1973, Mr. Clark was employed by the B.F. Goodrich Company.

Mr. Clark is currently a director of Merchants Mutual Insurance Company. He recently retired as a director of Computer Task Group, a publicly traded company, and The Ten Eleven Group. He is a past president of the International Trade Council of Western New York, past chairman of the Buffalo Chamber of Commerce, and past chairman of Invest Buffalo Niagara. He is also a past chairman of AAA of Western and Central New York. Mr. Clark was appointed by Governor George Pataki and served on the Council for the State University of New York at Buffalo. Recently, he retired from the Board of Trustees of the University at Buffalo Foundation.
The new Space Launch System, including the SLS Launch Vehicle which will be the world’s most powerful rocket and the Orion Space Capsule, is NASA’s new program that will provide the capability for deep space exploration for humans. SLS will pave the way to return astronauts to the Moon, Mars, and beyond.

No other launch vehicle or spacecraft will have the lift and volume capacity or capabilities to safely carry humans to the moon and other destinations in deep space.

The SLS will launch from Pad 39B at the Kennedy Space Center, Florida.

**Reginald B. Newman II 1937–2018**

It is with great sadness that the Company announces the passing of Reginald B. Newman II, Taylor Devices’ Board Member and Secretary since 2006. Mr. Newman’s contributions to the Company can never be measured. He brought a vast wealth of wisdom and experience to the Board and was an even keel providing guidance to the Company’s management for many years. The Company’s management and employees are eternally grateful to Mr. Newman for his contributions.

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 financial management of various Western New York manufacturing organizations for over twenty-five years. He has extensive experience in international operations coupled with a long history of implementing systems of internal controls. 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.

**MARK V. MCDONOUGH**

Board Member and Chief Financial Officer

**BOARD OF DIRECTORS AND EXECUTIVE OFFICERS CONTINUED**

**SPACE LAUNCH SYSTEM**

**PHOTO COURTESY**

SLS Rocket Launch | iStock

**IN MEMORIAM**

**SLS TEAM**

More than 1,000 US Companies

**HEIGHT**

322 Feet

**THRUST**

SLS Block 1: 8.8 Million Lbs. (15% more than Saturn V from Apollo Program)

SLS Block 2: 11.9 Million Lbs.

**LAUNCH CAPACITY**

SLS Block 2: 99,000 Lbs of cargo to deep space

**CREW**

Up to 4 astronauts

**NOTES**

---

---

---

---

---