SIMON PROPERTY GROUP INC /DE/
Form DEF 14A
March 27, 2019

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant ý

Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement

o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

ý Definitive Proxy Statement

o Definitive Additional Materials

o Soliciting Material under §240.14a-12

Simon Property Group, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

ý No fee required.

o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3)

Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

o Fee paid previously with preliminary materials.

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

March 27, 2019

Dear Fellow Shareholders,

Please join me and the Board of Directors at our 2019 Annual Meeting of Shareholders on May 8, 2019, at our headquarters in Indianapolis, Indiana. The business to be conducted at the meeting is explained in the attached Notice of Annual Meeting and Proxy Statement.

Simon Property Group continued its track record of posting the strongest financial results in our industry. I would like to thank our employees for their hard work and dedication and our shareholders for their continued interest and support of our Company.

We are pleased to furnish proxy materials to our shareholders over the Internet. We believe that this e-proxy process expedites shareholders' receipt of proxy materials, while also lowering the costs and reducing the environmental impact of our 2019 Annual Meeting.

Whether or not you plan to attend the meeting in person, please read the Proxy Statement and vote your shares. Instructions for voting by mail, Internet and telephone are included in your Notice of Internet Availability of Proxy Materials or proxy card (if you receive your materials by mail). We hope that after you have reviewed the Proxy Statement you will vote in accordance with the Board's recommendations. Your vote is important to us and our business.

Sincerely,

David Simon
Chairman of the Board, Chief Executive Officer and President

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

MAY 8, 2019	**8:30 A.M. (EDT)**	**Simon Property Group Headquarters 225 West Washington Street, Indianapolis, Indiana 46204**

ITEMS OF BUSINESS

1. Elect the thirteen director nominees named in this Proxy Statement, including three directors to be elected by the voting trustees who vote the Class B common stock;
2. Advisory vote to approve the compensation of our Named Executive Officers;
3. Ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for 2019;
4. Vote to approve the 2019 Stock Incentive Plan;
5. Shareholder Proposal, if properly presented; and
6. Other business as may properly come before the meeting or any adjournments or postponements of the meeting.

RECORD DATE

You can vote if you were a shareholder of record on March 15, 2019 (the "Record Date").

ANNUAL REPORT

Our 2018 Annual Report to Shareholders accompanies, but is not part of, or incorporated into, this Proxy Statement.

PROXY VOTING

On or about March 27, 2019, a Notice of Internet Availability of Proxy Materials and Notice of Annual Meeting of Shareholders (the "Notice") is first being mailed to our shareholders of record as of the Record Date and our proxy materials are first being posted on the website referenced in the Notice (***www.proxyvote.com***). As more fully described in the Notice, all shareholders may choose to access our proxy materials on the website referred to in the Notice or may request a printed set of our proxy materials. In addition, the Notice and website provide information regarding how you may request to receive proxy materials in printed form by mail or electronically by email on an ongoing basis. The Company will make a $1.00 charitable contribution to the **Simon Youth Foundation** (***www.syf.org***) on behalf of each shareholder who signs up for electronic delivery. For those shareholders who previously requested to receive proxy materials in printed form by mail or electronically by email on an ongoing basis, you will receive those materials as you requested.

Shareholders as of the Record Date are invited to attend the 2019 Annual Meeting, but if you cannot attend in person, please vote in advance of the meeting by using one of the methods described in the Proxy Statement. Shareholders may vote their shares (1) in person at the 2019 Annual Meeting, (2) by telephone, (3) through the Internet or (4) by completing and mailing a proxy card if you receive your proxy materials by mail. Specific instructions for voting by telephone or through the Internet are included in the Notice. If you attend and vote at the meeting, your vote at the meeting will replace any earlier vote you cast.

By order of the Board of Directors,

Steven E. Fivel
General Counsel and Secretary

March 27, 2019

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PLEASE VOTE

It is very important that you vote to play a part in the future of the Company. New York Stock Exchange ("NYSE") rules provide that if your shares are held through a broker, bank, or other nominee, they cannot vote on your behalf on non-discretionary matters without your instruction.

PROPOSALS WHICH REQUIRE YOUR VOTE

PROPOSAL		MORE INFORMATION	BOARD RECOMMENDATION	BROKER NON-VOTES	ABSTENTIONS	VOTES REQUIRED FOR APPROVAL
1	Elect the ten (10) independent director nominees named in this Proxy Statement	Page 11	**FOR ALL NOMINEES**	Do not impact outcome.	Do not impact outcome.	More votes FOR than AGAINST. Under our By-Laws, a nominee who receives more AGAINST votes than FOR votes will be required to tender his or her resignation.
2	Advisory vote to approve the compensation of our Named Executive Officers	Page 21	**FOR**	Do not impact outcome.	Do not impact outcome.	Majority of votes cast.
3	Ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for 2019	Page 42	**FOR**	N/A	Do not impact outcome.	Majority of votes cast.

4	Vote to approve the 2019 Stock Incentive Plan	Page 44	**FOR**	Do not impact outcome.	Count as a vote against.	Majority of votes cast.
5	Shareholder Proposal requesting disclosure of political contributions	Page 51	**AGAINST**	Do not impact outcome.	Do not impact outcome.	Majority of votes cast.

BY INTERNET USING A COMPUTER	BY TELEPHONE	BY MAIL
Vote 24/7 **www.proxyvote.com**	Dial toll-free 24/7 **1-800-690-6903**	**Cast your ballot, sign your proxy card** and send by pre-paid mail

PLEASE VISIT annualmeeting.simon.com

Review and download easy to read versions of our Proxy Statement and Annual Report on Form 10-K for the fiscal year ended December 31, 2018 (the "Annual Report").

SIGN UP FOR FUTURE ELECTRONIC DELIVERY TO REDUCE THE IMPACT ON THE ENVIRONMENT.

The Company will make a $1.00 charitable contribution to the **Simon Youth Foundation** (***www.syf.org***) on behalf of each shareholder who signs up for electronic delivery. To sign up for electronic delivery, please follow the instructions above to vote "BY INTERNET USING A COMPUTER", and when prompted, indicate that you agree to receive or access proxy materials electronically in future years.

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PROXY SUMMARY

This proxy summary highlights information which may be contained elsewhere in this Proxy Statement. This summary does not contain all of the information that you should consider, and you should read the entire Proxy Statement carefully before voting. Page references are supplied to help you find further information in this Proxy Statement.

ELIGIBILITY TO VOTE (Page 55)

You can vote if you were a shareholder of record at the close of business on the Record Date (March 15, 2019).

HOW TO CAST YOUR VOTE (Page 55)

You can vote by any of the following methods: (i) Internet: Go to **www.proxyvote.com** until 11:59 P.M. EDT on May 7, 2019; (ii) Telephone: Call 1-800-690-6903 until 11:59 P.M. EDT on May 7, 2019; (iii) Mail: Complete, sign and return your proxy or voting instruction card; or (iv) In Person: Vote in person by ballot at the 2019 Annual Meeting.

GOVERNANCE OF THE COMPANY (Page 7)

We pride ourselves on continuing to observe and implement best practices in our corporate governance.

VOTING PROPOSALS		BOARD'S RECOMMENDATIONS
Proposal 1	Elect the ten (10) independent director nominees named in this Proxy Statement	**FOR ALL NOMINEES** (Page 11)
Proposal 2	Advisory vote to approve the compensation of our Named Executive Officers	**FOR** (Page 21)
Proposal 3	Ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for 2019	**FOR** (Page 42)
Proposal 4	Vote to approve the 2019 Stock Incentive Plan	**FOR** (Page 44)
Proposal 5	Shareholder Proposal requesting disclosure of political contributions	**AGAINST** (Page 51)

1. ELECTION OF DIRECTORS (Page 11)

NAME OF INDEPENDENT DIRECTOR	AGE	OCCUPATION	COMMITTEE MEMBERSHIPS
Glyn F. Aeppel	60	President and CEO of Glencove Capital	Governance and Nominating
Larry C. Glasscock	70	Former Chairman and CEO of Anthem, Inc.	Lead Independent Director, Audit, Governance and Nominating
Karen N. Horn, Ph.D.	75	Senior Managing Director of Brock Capital Group	Governance and Nominating (Chair)

Allan Hubbard	71	Co-Founder, Chairman and Partner of E&A Companies	Compensation, Governance and Nominating
Reuben S. Leibowitz	71	Managing Member of JEN Partners	Compensation (Chair), Audit
Gary M. Rodkin	66	Retired Chief Executive Officer and Director of ConAgra Foods, Inc.	Governance and Nominating
Stefan M. Selig	56	Founder of BridgePark Advisors LLC	Audit, Compensation
Daniel C. Smith, Ph.D.	61	President and CEO of the Indiana University Foundation and Clare W. Barker Professor of Marketing, Indiana University, Kelley School of Business	Compensation
J. Albert Smith, Jr.	78	Chairman, Chase Bank in Central Indiana and Managing Director of J.P. Morgan Private Bank	Audit (Chair), Compensation
Marta R. Stewart	61	Retired Executive Vice President and Chief Financial Officer of Norfolk Southern Corporation	Audit

NAME OF CLASS B DIRECTOR	AGE	OCCUPATION	COMMITTEE MEMBERSHIPS
David Simon	57	Chairman of the Board, Chief Executive Officer and President of the Company	None
Richard S. Sokolov	69	Vice Chairman of the Company	None
Herbert Simon	84	Chairman Emeritus of the Board of the Company	None

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PROXY SUMMARY

2. **ADVISORY VOTE TO APPROVE THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS (Page 21)**

3. **COMPENSATION DISCUSSION AND ANALYSIS (Page 22)**

The Compensation Committee of the Board believes that the Company's rigorous performance-based compensation programs operated to align shareholders' interests with the compensation of our Named Executive Officers ("NEOs") in 2018. The Compensation Committee is confident that our executive compensation program is appropriately designed to incent strong performance over the longer term.

4. **RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM (Page 42)**

5. **VOTE TO APPROVE THE 2019 STOCK INCENTIVE PLAN (Page 44)**

6. **SHAREHOLDER PROPOSAL (Page 51)**

This Proxy Statement and accompanying proxy card are being made available to shareholders on or about March 27, 2019, in connection with the solicitation by the Board of Directors (the "Board") of Simon Property Group, Inc. ("Simon", "SPG", "we", "us", "our" or the "Company") of proxies to be voted at the 2019 Annual Meeting of Shareholders (the "2019 Annual Meeting") to be held at the corporate headquarters of the Company located at 225 West Washington Street, Indianapolis, Indiana 46204, on May 8, 2019, at 8:30 a.m. (EDT). As required by rules adopted by the U.S. Securities and Exchange Commission (the "SEC"), the Company is making this Proxy Statement and its Annual Report available to shareholders electronically via the Internet. In addition, SPG is using the SEC's "Notice and Access" rules to provide shareholders with more options for receipt of these materials. Accordingly, on March 27, 2019, the Company will begin mailing the Notice of Internet Availability of Proxy Materials (the "Notice") to shareholders containing instructions on how to access this Proxy Statement and the Company's Annual Report via the Internet, how to vote online or by telephone, and how to receive paper copies of the documents and a proxy card.

SUMMARY OF 2018 FINANCIAL PERFORMANCE

This summary provides highlights of certain information in this Proxy Statement. This summary does not contain all of the information that you should consider, and therefore you should read the entire Proxy Statement before voting. For more complete information regarding the Company's 2018 performance you should review the Company's Form 10-K for

the year ended December 31, 2018 and Form 8-K furnished to the SEC on February 1, 2019.

In 2018, the Company continued to deliver consistent strong growth across our key financial metrics.

In 2018, we generated funds from operations ("FFO") of $12.13 per share, the highest we have ever reported. See "Where do I find reconciliation of Non-GAAP terms to GAAP terms?" in the section of this Proxy Statement titled "Frequently Asked Questions and Answers" on page 57. Our FFO compound annual growth rate ("CAGR") for the period from 2010 through 2018 was 11.7%.

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SUMMARY OF 2018 FINANCIAL PERFORMANCE

In 2018, we paid dividends per share of $7.90, the highest ever paid by the Company. The CAGR for our annual dividend payments for the period from 2010 through 2018 was 14.9%. The Company has a track record of returning funds to shareholders not only in the form of dividends, but over the last four years through a share repurchase program as well. In 2018, aggregating the Company's dividend payments and share repurchase program, the Company returned approximately $3.2 billion to its shareholders. Over the last nine years we have returned more than $18.8 billion to our shareholders.

Our Return on Equity increased from 13.4% in 2010 to 74.3% in 2018.

CORPORATE GOVERNANCE OF THE COMPANY

BOARD LEADERSHIP STRUCTURE

In March of 2014, Larry C. Glasscock was appointed by our independent directors to serve as our Lead Independent Director. The Lead Independent Director performs the duties specified in the Governance Principles described below and such other duties as are assigned from time to time by the independent directors of the Board. We believe that our Lead Independent Director is performing his duties in an effective manner. Under our Governance Principles, the Lead Independent Director is empowered to:

- preside at all meetings of the Board at which the Chairman of the Board ("Chairman") is not present, including executive sessions of the independent directors;
- serve as a liaison between the Chairman and the independent directors, including by facilitating communication and sharing of views between the independent directors and the Chairman;
- approve materials sent to the Board and advise on such information;
- approve meeting agendas for the Board and coordinate with the Chairman with respect to developing such agendas;
- approve meeting schedules for the Board to assure there is sufficient time for discussion of all agenda items and coordinate with the Chairman with respect to developing such schedules;
- call meetings of the independent directors;
- if requested by major shareholders, ensure that he or she is available for consultation and direct communication; and
- retain outside advisors and consultants to report directly to the Board on Board-wide matters.

Mr. David Simon has served since 2007 as the Chairman and Chief Executive Officer ("CEO") and since February 15, 2019, also as our President. The Board believes that having Mr. David Simon fill these leadership roles is an appropriate and efficient leadership structure. Together, our Lead Independent Director and the CEO deliver clear leadership, responsibility and accountability, effective decision-making and a cohesive corporate strategy.

Ten of our director nominees are independent under the requirements set forth in the NYSE Listed Company Manual. All of the members of the Audit Committee, Governance and Nominating Committee, and Compensation Committee are independent directors under the listing requirements and rules of the NYSE and other applicable laws, rules, and regulations.

We recognize the importance of refreshing our Board. Consistent with this belief, in the last five years we have appointed four new directors, including two new directors in the last two years.

Today 40% of our independent directors have been on the Board for fewer than five years compared to 12.5% in 2015.

SUMMARY OF BOARD EXPERIENCE

OCK	K. HORN	A. HUBBARD	R. LEIBOWITZ	G. RODKIN	S. SELIG	A. SMITH	D. SMITH	M. STEWART	D. SIMON
	X		X	X	X	X		X	X
	X	X	X	X		X	X		X
			X			X			X
	X			X	X		X		X
		X		X			X		

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CONSENT OF INDEP
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To The

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We hereby consent to the i
Report on Form 10-K (Con
Devices Inc. of our report
thereto in the Annual Repor
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Statement Nos. 333-69705,
333-155284 of Taylor Devi
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/s/Lumsd

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REPORT OF INDEPE
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The Board of

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We have audited the accon
Taylor Devices, Inc. and Su
the related consolidated sta
and cash flows for the years
the responsibility of the Com
to express an opinion on t

We conducted our audits
Public Company Accountin
standards require that w
reasonable assurance about w
material misstatement. The C
we engaged to perform, an a
reporting. Our audit includ
financial reporting as a basi
appropriate in the circumstan

an opinion on the effectivene
financial reporting. Accordin
also includes examining,
amounts and disclosures in
accounting principles us
management, as well as ev
presentation. We believe tha

In our opinion, the financi
fairly, in all material respects
Inc. and Subsidiary as of Ma
operations and its cash flow
with accounting principles g

/s/Lumsde

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TAYLOR DEVICES, INC. AND SUBSIDIARY

Consolidated Balance Sheets

May 31, 2

Assets

Current assets:

Cash and cash equivalents

Accounts receivable, net (Note 2)

Inventory (Note 3)

Prepaid expenses

Prepaid income taxes

Costs and estimated earnings in excess of billings (Note 4)

Deferred income taxes (Note 10)

Total current assets

Maintenance and other inventory, net (Note 5)

Property and equipment, net (Note 6)

Cash value of life insurance, net

Liabilities and Stockholders' Equity

Current liabilities:

Short-term borrowings (Note 7)

Current portion of long-term debt

(Note 8)
Accounts payable
Accrued commissions
Other accrued expenses
Billings in excess of costs and estimated earnings (Note 4)
Accrued income taxes
Total current liabilities

Long-term debt (Note 8)
Deferred income taxes (Note 10)

Stockholders' Equity:
Common stock, $.025 par value, authorized 8,000,000 shares, issued 3,839,819 and 3,732,842 shares
Paid-in capital
Retained earnings

Treasury stock - 530,143 and 501,643 shares at cost
Total stockholders' equity

See notes to consolidated financial statements.

TAYLOR DEVICES, INC. AND SU

Consolidated Statements of Income

For the years ended May 31,

Sales, net (Note 9)

Cost of goods sold

Gross profit

Selling, general and administrative e

Operating income

Other income (expense):
Interest, net
Miscellaneous
Total other income (expense)

Income before provision for inco

Provision for income taxes (Note 10

Net income

Basic and diluted earnings per comn

See notes to consolidated financial s

TAYLOR DEVICES, INC. AND SUBSIDIARY

Consolidated Statements of Stockholders' Equity

For the years ended May 31, 2012 and 2011

	Common Stock	Pa C
Balance, May 31, 2010	$ 93,137	6,
Net income for the year ended May 31, 2011	-	-
Common stock issued for employee stock option plan (Note 14)	125	16
Common stock issued for employee stock purchase plan (Note 13)	59	
Company buy-back of Treasury shares	-	-
Stock options issued for services	-	80
Balance, May 31, 2011	93,321	6,

Net income for the year ended May 31, 2012	-	-
Common stock issued for employee stock option plan (Note 14)	2,637	52
Common stock issued for employee stock purchase plan (Note 13)	37	
Company buy-back of Treasury shares	-	-
Stock options issued for services	-	
Balance, May 31, 2012	$ 95,995	

See notes to consolidated financial statements.

TAYLOR DEVICES, INC. A
SUBSIDIARY

Consolidated Statements of C
Flows

For the years ended May 31,

Operating activities:
Net income
Adjustments to reconcile ne
to net cash flows from
operating activities:
Depreciation and amortizat
Stock options issued for se
Provision for inventory
obsolescence
Deferred income taxes
Changes in other current as
liabilities:
Accounts receivable
Inventory
Prepaid expenses
Prepaid income taxes
Costs and estimated earni
excess of billings
Accounts payable
Accrued commissions
Other accrued expenses
Billings in excess of costs
estimated earnings
Accrued income taxes
Net operating activities

Investing activities:
Acquisition of property and
equipment
Increase in cash value of life
insurance
Net investing activities

Financing activities:

Net short-term borrowings

Payments on long-term debt

Proceeds from issuance of c
stock

Acquisition of treasury stoc

Net financing activities

Net change in cash and
equivalents

Cash and cash equivalents -
beginning

Cash and cash equivale
ending

See notes to consolidated fin
statements.

TAYLOR DEVIC

Notes to Consolid

1. Summary of Si

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Taylor Devices, Inc. (the C
group of very similar produ
for customers. These sim
categories; namely, Seism
Industrial Buffers, Self-A
Springs, and Vibration Damp
equipment and structures, p
throughout the United St
products are manufactured a
the United States where all c
Management does not trac
down

39% of the Company's 20
customers in the United State
Asia. Remaining sales were
America, Europe

40% of the Company's 20
customers in the United State
Asia. Remaining sales were
America, Eu

Princip

The accompanying conso
accounts of the Company
Realty Corporation (Realt
balances have be

Sub

The Company has evaluat
recognition or disclosure in
the financia

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The preparation of financial
principles gene

States of America requir
assumptions that a

financial statements and ac
differ f

Cash an

The Company includes all h
funds in cash and cash eq

Cash and cash equivalents in
limits at various times dur
concent

Acc

Accounts receivable are sta
collect from outstanding bal
uncollectible accounts throu
valuation allowance based
individual accounts. Ba
management has used reas
through a charge to the valu

Inventory is stated at the lo
cost approxin

Proper

Property and equipmen
depreciation. Deprecation is
method for financial reporti
income tax reporting purpose
operations as incurred; sig

Cash Val

Cash value of life insuranc

Reve

Sales are recognized wh
performed. Sales under fixed
are made at the contract sale
certain fixed-price contract
several periods prior to comn
under the percentage-of-co
revenues are recognized base
a ratio of cost to total estim
and direct and indirect cha
expenses are charged to ope
for each of the contracts a
historical costs of manufac
quotes from vendors for s
completion of the manuf

estimates are made periodica
contracts in progress are c
losses are determined. If tota
manufacturing process in th
than the estimated total cost
in a prior period, then the rev
be lower than if the estimated
were equal to the actual total
ended May 31, 2012, 77% o
for using the percentage-of-
the remaining 23% of reven
to our customers. In the fisc
revenue recogniz
percentage-of-completion m
39% of revenue was rec

For financial statement pr
progress billings against t
contracts. The asset, "cos
billings," represents revenue
The liability, "billings in e
represents billings i

Shipping

Shipping and handling cost

I

The provision for incom
transactions reported in the
such taxes are payable.
recognized for the expecte
differences between the tax a
liabilities. Deferred taxes are
tax rates expected to be in e

The Company's practice is t
matters in interest income
selling, general and admini
have any accrued interest
balance sheets at May 31, 2
interest expense or penalties
during the years e

The Company's tax returns fo
will be subject to examina
During 2012, the Company
2007 through 2011 were exa
examinations resulted in no
Accordingly, no f

returns is permitted. Additio
subject to examination by st
to

Certain jurisdictions im
nonexempt customers. T
customers and remits the en
law. The Company exclu
colle

Stock-B

The Company measures co
share-based payments to em
cost in income over the peri
to provide service in exc
compensation expense for th
$116

New Ac

In May 2011, the FASB issu
Value Measurement. This a
fair value measurement
statements prepared in acco
Financial Reporting Standa
required during interim and
15, 2011. We do not expec
have a signif

Other recently issued ASC
are not sign

2. Acc

Customers
Customers - retention
Other

Less allowance for doubtf

Raw materials
Work-in-process
Finished goods

Less allowance for obsol

4. Costs and Estimated

Costs incurred on uncompl
Estimated earnings

Less billings to date

Amounts are included in the
fol

Costs and estimated earnings
billings
Billings in excess of costs an
earnings

5. Maintenan

Maintenance and other
Less allowance for obso

Maintenance and other inve
have a product life-cycle
represents certain items th
service of products sold,
spon

This inventory is particularly
near term due to its use in in
introduction of new produc
product obsolescence. Ther
recorded an allowance

The provision for potential i
each of the years

6. Prope

Land
Buildings and improve
Machinery and equipn

Office furniture and ec
Autos and trucks

Less accumulated depr

Depreciation expense was $4
May 3

7. Short

The Company has a credit f
credit from a bank, with int
30, 60, 90 or 180 day LIBO
less .25%. The line is secu
inventory, general intangible
real property. This line of
conditions applied by the

The total amount outstandin
$258,000. There is no amou
N

The Company uses a cash m
draws against the available l
payment on a daily basis. O
totaled $226,413 and $354,
amounts are in

8. L

Total
Less current p

The aggregate maturities o
2012

The Company manufacture
products that have many di
similar products are included
Dampers, Fluidicshoks®, Cr
Shock Absorbers, Liquid
Management does not trac
down by these categories. S
to three general groups of
aerospace / defense. A bro
groups of

Construction
Aerospace / Def
Industrial

Sales to three customers
respectively) of net sal
approximated 37% (21%, 9

10.

Current tax provision (

Federal
State

Deferred tax provision
Federal
State

A reconciliation of provisio
income tax provision at the

Computed tax provision at th
statutory rate
State income tax - net of Fed
Tax effect of permanent diffe
Research tax credits
Other permanent differences
Other

Effective income tax rate

Significant components of
liabilities c

Deferred tax assets:
Allowance for doubtful
Tax inventory adjustme
Allowance for obsolete
Accrued vacation
Accrued commissions
Warranty reserve
Stock options issued for

Deferred tax liabilities:
Excess tax depreciation
Net deferred tax assets

Realization of the deferre
sufficient taxable income a
deductible. The Company pr
that deferred tax assets may r
not been recorded against th
believes it is more likely t
recoverable. The Compan
potential tax planning strate
valuation allowance. The am
realizable however, could b
future taxable income are red
approximately $2.8 million
to realize the deferred tax

The Company and its subsi
income tax returns. As of
investment tax credit car
expiring

11. Earnin

Basic earnings per commo
available to common stockh

shares outstanding for the pe
reflects the weighted-averag
potential commo

A reconciliation of weighte
weighted-average common s

Average common shares outs
Common shares issuable und
Average common shares outs
dilution

12. Relate

The Company had no relat
May

13. Employ

In March 2004, the Compa
stock for issuance pursu
purchase plan. Participatio
voluntary for all eligible e
common shares can be m
payroll deductions. At the e
contributions will be applied
share value equal to the me
of the stock on that date. The
at the end of each calendar
During the years ended M
$10.19 price per share) and
common shares, respective
31, 2012, 232,739 sha

14. St

In 2008, the Company adop
Company to grant both incen
options. The incentive stock
under the Internal Revenue
common stock have been r
directors of the Company an
May 31, 2012. Under the pl
the fair market value of the
Options vest immediately an

Using the Black-Scholes op
estimated fair value of each
during 2012 and $2.00 du
assumptions noted in the fol
on the historical volatility
interest rate for periods wi
based on the U.S. Treasur
grant. The expected life of
history of stock exercises fro
of time that options grant
Company uses historica
employee termination assu
Company has never paid div
anticipate doing

Risk-free int
Expected lif
Expected vo
Expected div

The following is a s

	Shares
Outstanding - May 31, 2010	193,75
Options granted	40,25 5,00

Less: options exercised	
Outstanding - May 31, 2011	229,00
Options granted	40,25
Less: options exercised	105,50
Outstanding - May 31, 2012	163,75

We calculated intrinsic val
price lower than the mark
balance sheet dates. The a
options as of the end of each
between the exercise price
price of our common shares
that date (138,750 at May 31
Company's closing stock p
2012 and 2011. As of May 3
for future grants under th
$16,250 was received from
fiscal years ended Ma

The following table summ
outstand

Outstanding and Exer

Range of Exercise Prices	Numbe of Options
$2.00-$3.00	20,000
$3.01-$4.00	750
$5.01-$6.00	71,500
$6.01-$7.00	46,500
$11.01-$12.00	25,000
$2.00-$7.00	163,75

The following table summ
outstand

Outstanding and Exer

Range of Exercise Prices	Number of Options	W F o
$2.00-$3.00	30,000	7
$3.01-$4.00	17,250	7
$5.01-$6.00	115,250	7
$6.01-$7.00	66,500	7
$2.00-$7.00	229,000	7

15.

The Company has 2,000,
preferred stock which may
series shall have such rights
fixed by t

16.

During the year ended May 3
shares of its common stock f
fees, under a share repur
purchases. Purchase price

During the year ended May
shares of its common stock f
fees, under a share repur
purchases. Purchase price

17.

The Company maintain
employees pursuant to Sect
The Company matches a p
deferrals subject to limit
discretionary contributions a
Board of Directors. The amo
and $55,003 for the ye

18. Fair Value

The carrying amounts o
receivable, accounts paya
borrowings approximate fa
the

The carrying amount of l
because the fixed rates ar
Company for debt w

19. Cash

Interest paid

Income taxes paid

20. L

There are no legal proceedin
t