VIDEO DISPLAY CORP
Form 10-Q
October 15, 2015
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q

x **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the Quarterly Period Ended August 31, 2015.

or

¨ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the Transition Period From __________ to __________

Commission File Number 0-13394

VIDEO DISPLAY CORPORATION

(Exact name of registrant as specified on its charter)

GEORGIA	**58-1217564**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

1868 TUCKER INDUSTRIAL ROAD, TUCKER, GEORGIA 30084

(Address of principal executive offices)

770-938-2080

(Registrant s telephone number including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant is a large accelerated filer, and accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Large accelerated filer ¨	Accelerated filer ¨
Non-accelerated filer ¨	Smaller reporting company x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

As of August 31, 2015, the registrant had 5,893,623 shares of Common Stock outstanding.

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ITEM 1 FINANCIAL STATEMENTS

Video Display Corporation and Subsidiaries

Interim Condensed Consolidated Balance Sheets (Unaudited)

(in thousands)

	August 31, 2015 (unaudited)	February 28, 2015
Assets		
Current assets		
Cash and cash equivalents	$ 454	$ 62
Trading investments, at fair value	907	2,516
Accounts receivable, less allowance for doubtful accounts of $12 and $52	839	1,504
Note receivable	129	32
Inventories, net	5,708	7,005
Income taxes refundable	4	720
Costs in excess of billings	346	
Prepaid expenses and other	43	61
Assets of discontinued operations	3,476	2,831
Total current assets	11,906	14,731
Property, plant, and equipment		
Land	154	154
Buildings	2,614	2,593
Machinery and equipment	7,300	7,282
	10,068	10,029
Accumulated depreciation and amortization	(8,770)	(8,658)
Net property, plant, and equipment	1,298	1,371
Note receivable	1023	1,070
Intangible assets, net	500	559
Other assets	29	29
Assets of discontinued operations	55	70
Total assets	$ 14,811	$ 17,830

The accompanying notes are an integral part of these interim condensed consolidated statements.

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Video Display Corporation and Subsidiaries

Interim Condensed Consolidated Balance Sheets (continued)

(in thousands)

	August 31, 2015 (unaudited)	February 28, 2015
Liabilities and Shareholders Equity		
Current liabilities		
Accounts payable	**$ 294**	$ 719
Accrued liabilities	**571**	603
Current maturities of long-term debt	**51**	50
Liabilities of discontinued operations	**1,709**	1,145
Total current liabilities	**2,625**	2,517
Long-term debt, less current maturities	**157**	183
Deferred rent	**360**	420
Total liabilities	**3,142**	3,120
Shareholders Equity		
Preferred stock, no par value 10,000 shares authorized; none issued and outstanding		
Common stock, no par value 50,000 shares authorized; 9,732 issued and 5,894 outstanding at August 31, 2015 and 9,732 issued and 5,962 outstanding at February 28, 2015	**7,293**	7,293
Additional paid-in capital	**176**	170
Retained earnings	**20,464**	23,399
Treasury stock, shares at cost; 3,839 at August 31, 2015 and 3,770 at February 28, 2015	**(16,264)**	(16,152)
Total shareholders equity	**11,669**	14,710
Total liabilities and shareholders equity	**$ 14,811**	$ 17,830

The accompanying notes are an integral part of these interim condensed consolidated statements.

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Video Display Corporation and Subsidiaries

Interim Condensed Consolidated Income Statements (Unaudited)

(in thousands, except per share data)

	Three Months Ended August 31,		Six Months Ended August 31,	
	2015	2014	**2015**	2014
Net sales	**$ 2,923**	$ 2,592	**$ 5,283**	$ 6,287
Cost of goods sold	**2,673**	2,578	**4,969**	5,296
Gross profit	**250**	14	**314**	991
Operating expenses				
Selling and delivery	**251**	267	**490**	543
General and administrative	**838**	773	**1,672**	1,583
	1,089	1,040	**2,162**	2,126
Operating loss	**(839)**	(1,026)	**(1,848)**	(1,135)
Other income (expense)				
Interest income	**7**	5	**10**	19
Investment income/(loss)	**(1,056)**	711	**(1,451)**	956
Other, net	**45**	398	**76**	411
Income (loss) from continuing operations before income taxes	**(1,843)**	88	**(3,213)**	251
Income tax expense/(benefit)		(61)		(37)
Net income (loss) from continuing operations	**(1,843)**	$ 149	**(3,213)**	$ 288
Income from discontinued operations, net of income tax effect	**477**		**278**	
Net income (loss)	**$ (1,366)**	149	**($ 2,935)**	288
Net income (loss) per share:				
From continuing operations-basic	**$ (0.31)**	$ 0.02	**$ (0.54)**	$ .04
From continuing operations-diluted	**$ (0.31)**	0.02	**$ (0.54)**	.04
From discontinued operations-basic	**$ 0.08**	$ 0.00	**$ 0.04**	$ 0

From discontinued operations-diluted	$	**0.08**	0.00	$	**0.04**	0
Basic weighted average shares outstanding		**5,894**	6,372		**5,925**	6,611
Diluted weighted average shares outstanding		**5,894**	6,447		**5,925**	6,626

The accompanying notes are an integral part of these interim condensed consolidated statements.

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Video Display Corporation and Subsidiaries

Interim Condensed Consolidated Statement of Shareholders Equity

Six Months Ended August 31, 2015 (unaudited)

(in thousands)

	Common Shares	Share Amount	Additional Paid-in Capital	Retained Earnings	Treasury Stock
Balance, February 28, 2015	5,962	$ 7,293	$ 170	$ 23,399	$ (16,152)
Net loss				(2,935)	
Repurchase of treasury stock	(68)				(112)
Share based compensation			6		
Balance, August 31, 2015	5,894	$ 7,293	$ 176	$ 20,464	$ (16,264)

The accompanying notes are an integral part of these interim condensed consolidated statements.

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Interim Condensed Consolidated Statements of Cash Flows (unaudited)

(in thousands)

	Six Months Ended August 31,	
	2015	2014
Operating Activities		
Net income (loss)	**(2,935)**	288
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Income from discontinued operations, net of tax	**(278)**	
Depreciation and amortization	**171**	195
Provision for doubtful accounts	**26**	1
Provision for inventory reserve	**183**	173
Non-cash charge for share based compensation	**6**	4
Deferred income taxes		(26)
Deferred rental income	**(60)**	(60)
Gain on the sale of an Asset		(364)
Realized/unrealized (gain) loss on investments	**1,716**	(776)
Other		(10)
Changes in working capital items:		
Accounts receivable	**651**	70
Note receivable	**(62)**	(733)
Inventories	**1,137**	1,003
Prepaid expenses and other assets	**18**	55
Accounts payable and accrued liabilities	**(460)**	(633)
Cost, estimated earnings and billings on uncompleted contracts	**(346)**	
Income taxes refundable/payable	**716**	(24)
Net cash provided by (used in) operating activities	**483**	(837)
Investing Activities		
Capital expenditures	**(63)**	(44)
Cash advance repayment from discontinued operations	**215**	
Proceeds from sale of property, plant & equipment		500
Purchases of investments	**(5,098)**	(48,904)
Sales of investments	**7,393**	46,632
Net cash provided by/(used in) investing activities	**2,447**	(1,816)
Financing Activities		
Proceeds from related party loans	**80**	

Repayments from related party loans	**(80)**	
Repayments of long-term debt	**(25)**	(24)
Purchase of treasury stock	**(112)**	(2,275)
Repayment/proceeds of marginal float	**(2,401)**	3,875
Net cash provided by/(used in) financing activities	**(2,538)**	1,576
Discontinued Operations		
Operating activities	**(6)**	
Investing activities	**(45)**	
Net cash used in discontinued operations	**(51)**	
Net change in cash and cash equivalents	**341**	(1,077)
Cash and cash equivalents, beginning of year	**172**	3,499
Cash and cash equivalents, end of period	**513**	2,422
Cash and cash equivalents, discontinued operations	**59**	
Cash and cash equivalents, continuing operations	**454**	2,422

The accompanying notes are an integral part of these interim condensed consolidated statements.

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Video Display Corporation and Subsidiaries

August 31, 2015

Note 1. Summary of Significant Accounting Policies

The interim condensed consolidated financial statements include the accounts of Video Display Corporation and its majority-owned subsidiaries (the Company) after elimination of all significant intercompany accounts and transactions.

As contemplated by the Securities and Exchange Commission (the SEC or Commission) instructions to Form 10-Q, the following footnotes have been condensed and, therefore, do not contain all disclosures required in connection with annual consolidated financial statements. Reference should be made to the Company s year-end consolidated financial statements and notes thereto, including a description of the accounting policies followed by the Company, contained in its Annual Report on Form 10-K for the fiscal year ended February 28, 2015, as filed with the Commission. There are no material changes in accounting policy during the six months ended August 31, 2015.

The consolidated financial information included in this report has been prepared by the Company, without audit. In the opinion of management, the interim condensed consolidated financial information included in this report contains all adjustments (all of which are normal and recurring) necessary for a fair presentation of the results for the interim periods. Nevertheless, the results shown for interim periods are not necessarily indicative of results to be expected for the full year. The February 28, 2015 consolidated balance sheet data was derived from the audited consolidated financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America (U.S. GAAP).

Note 2. Banking & Liquidity

The Company is currently operating using cash from operations and investing activities. The Company has a $9.3 million working capital balance at August 31, 2015, including $1.4 million in liquid assets, and $12.2 million working capital balance at February 28, 2015, including $2.6 million in liquid assets.

The Company believes it can continue to operate the Company with existing cash flows for the current level of business. The Company continually monitors its cash and financing positions in order to find ways to lower its costs and to produce positive operating cash flow. The Company examines possibilities to grow its business through internal sales or niche acquisitions. There could be an impact on working capital requirements to fund this growth. As in the past, the intent is to finance such projects with operating cash flows; however, more permanent sources of capital may be required in certain circumstances.

The accompanying interim condensed consolidated financial statements were prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company generated $0.5 million in operating cash flows for the six months ended August 31, 2015, while utilizing $0.8 million in operating cash flows during the same period in 2014. The Company has a $9.3 million working capital balance at August 31, 2015, including $1.4 million in liquid assets and management believes that this is adequate to fund the current level of business for a reasonable period of time. The Company held $0.9 million in outside investments at August 31, 2015 in equities and mutual funds and $2.5 million in outside investments at February 28, 2015. There is risk involved in owning these investments and the Company has sustained losses over the last year in the outside investments. The Company s strategy is to own dividend producing stocks in the energy sector of the market. The Company believes the energy sector of the market has reached the bottom for this current cycle and plans to maintain its current positions. These funds are available for operations should the need arise. The Company is working with two banks towards obtaining a line of credit to assist with any operation needs that might arise. The Company continues to hold negotiations to sell its Lexel Imaging subsidiary. In addition to its current position, the Company is examining possibilities to improve operations through reduced overhead costs by co-locating certain operations and through improved revenues with an enhanced sales strategy.

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Note 3. Fair Value Measurements and Financial Instruments

The Financial Accounting Standards Board s (FASB s) fair value measurement guidance establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The guidance describes three levels of inputs that may be used to measure fair value:

Level 1	Quoted prices in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis.
Level 2	Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
Level 3	Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Assets measured at fair value on a recurring basis by the Company consist of investment securities held for trading using Level 1 inputs. The following table sets forth our financial assets and liabilities that were accounted for at fair value on a recurring basis as of August 31, 2015 and February 28, 2015 (in thousands):

	August 31, 2015	Level 1 Assets and Liabilities	Level 2 Assets and Liabilities	Level 3 Assets and Liabilities
Current trading investments:				
Stocks, options, and ETF (long)	2,472	2,472		
Mutual Funds	46	46		
Total value of investments	$ 2,518	$ 2,518		
Current Liabilities:				
Stocks, options, and ETF (short)	(5)	(5)		
Margin balance	(1,606)	(1,606)		
Total value of liabilities	(1,611)	(1,611)		
Total	$ 907	$ 907		

February 28, 2015

		Level 1 Assets and Liabilities		Level 2 Assets and Liabilities	Level 3 Assets and Liabilities
Current trading investments:					
Stocks, options, and ETF (long)		6,308		6,308	
Mutual Funds		226		226	
Total value of investments	$	6,534	$	6,534	
Current Liabilities:					
Stocks, options, and ETF (short)		(10)		(10)	
Margin balance		(4,008)		(4008)	
Total value of liabilities		(4,018)		(4,018)	
Total	$	2,516	$	2,516	

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Video Display Corporation and Subsidiaries

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The Company s financial instruments which are not measured at fair value on the consolidated balance sheets include cash, accounts receivable, short-term liabilities, and debt. The estimated fair value of these financial instruments were determined using Level 2 inputs and approximate cost due to the short period of time to maturity. Recorded amounts of long-term debt are considered to approximate fair value due to either rates that fluctuate with the market or are otherwise commensurate with the current market.

Note 4. Recent Accounting Pronouncements

In August 2014, the FASB issued Accounting Standards Update No. (ASU) 2014-15, *Presentation of Financial Statements. Going Concern* (Subtopic 205-40): *Disclosure of Uncertainties about an Entity s Ability to continue as a Going Concern* . Prior to its issuance, there was no guidance in U.S. GAAP about management s responsibility to evaluate whether there is substantial doubt about an entity s ability to continue as a going concern or to provide related footnote disclosures. This update requires that an entity s management should evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity s ability to continue as a going concern within one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued when applicable).

This update is effective for the annual period ending after December 15, 2016, and for annual periods and interim periods thereafter. The Company is still evaluating the effects that the adoption of this update will have on the Company s consolidated financial position or results of operations.

In May, 2014, the FASB issued ASU 2014-09 *Revenue with Contracts from Customers* . ASU 2014-09 clarifies the principles for recognizing revenue and develops a common revenue standard for U.S. GAAP and International Financial Reporting Standards (IFRS). The new guidance (i) removes inconsistencies, and weaknesses in revenue requirements, (ii) provides a more robust framework for addressing revenue issues, (iii) improves comparability of revenue recognition practices across entities, industries, jurisdictions, and capital markets, (iv) provides more useful information to users of financial statements through improved disclosure requirements, and (v) simplifies the preparation of financial statements by reducing the number of requirements to which an entity must refer.

The guidance is effective for annual reporting periods beginning after December 15, 2017 including interim periods within that reporting period. The Company is still evaluating the effects that the adoption of this update will have on the Company s consolidated financial position or results of operations.

In April 2014, the FASB issued (ASU 2014-08), *Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity* . ASU 2014-08 changes the criteria for determining which disposals can be presented as discontinued operations and modified related disclosure requirements. Under the new guidance, a discontinued operation is defined as: (i) a disposal of a component or group of components that is disposed of or is classified as held for sale that represents a strategic shift that has or will have a major effect on an entity s operations and financial results or (ii) an acquired business or nonprofit activity that is classified as held for sale on the date of acquisition. The guidance states that a strategic shift could include a disposal of (i) a major geographical area of operations, (ii) a major line of business, (iii) a major equity method investment, or (iv) other major parts of an entity. Under the current U.S. GAAP, an entity is prohibited from reporting a discontinued operation if it has certain continuing cash flows or involvement component after the disposal. The new guidance eliminates these criteria.

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The standard expands the disclosures for discontinued operations and requires new disclosures related to individually material disposals that do not meet the definition of a discontinued operation, an entity s continuing involvement with a discontinued operation following the disposal date and retained equity method investments in a discontinued operation. The guidance is effective for annual periods beginning on or after December 15, 2014 and interim periods within that year. The Company adopted this pronouncement effective with the quarter ending May 31, 2015 and it did not have a significant effect on the Company s consolidated financial position or results of operations.

Note 5. Inventories

Inventories are stated at the lower of cost (first in, first out) or market.

Inventories consisted of the following (in thousands):

	August 31, 2015	February 28, 2015
Raw materials	**$ 4,270**	$ 5,309
Work-in-process	**176**	438
Finished goods	**1931**	1,751
	6,377	7,498
Reserves for obsolescence	**(669)**	(493)
	$ 5,708	$ 7,005

Note 6. Costs and Estimated Earnings Related to Billings on Uncompleted Contracts

Information relative to contracts in progress consisted of the following:

	August 31, 2015	February 28, 2015
Costs incurred to date on uncompleted contracts	**$ 844**	$
Estimated earnings recognized to date on these contracts	**481**	
	1,325	
Billings to date	**(979)**	

Costs and estimated earnings in excess of billings, net	**$**	**346**	$
Costs and estimated earnings in excess of billings	**$**	**346**	$
Billings in excess of costs and estimated earnings			
	$	**346**	$

Costs and estimated earnings in excess of billings are the results of contracts in progress (jobs) in completing orders to customers specifications on contracts accounted for under FASB Accounting Standards Codification Topic No. ASC 605-35, *Revenue Recognition: Construction-Type and Production-Type Contracts*. Costs included are material, labor, and overhead. These jobs require design and engineering effort for a specific customer purchasing a unique product. The Company records revenue on these fixed-price and cost-plus contracts on the percentage of completion basis using the ratio of costs incurred to estimated total costs at completion as the measurement basis for progress toward completion and revenue recognition. Any losses identified on contracts are recognized immediately. Contract

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accounting requires significant judgment relative to assessing risks, estimating contract costs and making related assumptions for schedule and technical issues. With respect to contract change orders, claims, or similar items, judgment must be used in estimating related amounts and assessing the potential for realization. These amounts are only included in contract value when they can be reliably estimated and realization is probable. Billings are generated based on specific contract terms, which might be a progress payment schedule, specific shipments, etc. None of the above contracts in progress contain post-shipment obligations.

Changes in job performance, manufacturing efficiency, final contract settlements, and other factors affecting estimated profitability may result in revisions to costs and income and are recognized in the period in which the revisions are determined.

As of August 31, 2015, there were no production costs that exceeded the aggregate estimated cost of all in process and delivered units relating to long-term contracts. Additionally, there were no claims outstanding that would affect the ultimate realization of full contract values. As of August 31, 2015, there were no progress payments that had been netted against inventory.

Note 7. Intangible Assets

Intangible assets consist of the unamortized value of customer lists. Intangible assets are amortized over the period of their expected lives, generally ranging from 5 to 15 years. Amortization expense related to intangible assets was approximately $59 thousand for the six months ended August 31, 2015 and $63 thousand for the six months ended August 31, 2014.

The cost and accumulated amortization of intangible assets was as follows (in thousands).

	August 31, 2015		February 28, 2015	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Customer lists	**$ 2,863**	**$ 2,363**	$ 2,863	$ 2,304
	$ 2,863	**$ 2,363**	$ 2,863	$ 2,304

Note 8. Long-Term Debt and Other Obligations

Long-term debt consisted of the following (in thousands):

	August 31,	February 28,

	2015	2015
Mortgage payable to bank; interest rate at Community Bank base rate plus 0.5% (3.75% as of August 31, 2015); monthly principal and interest payments of $5 thousand payable through October 2021; collateralized by land and building of Teltron Technologies, Inc.	**208**	233
	208	233
Less current maturities	**(51)**	(50)
	$ 157	$ 183

The Company had outstanding margin account borrowing of $1.6 million as of August 31, 2015 and $4.0 million as of February 28, 2015. The margin account borrowings are used to purchase marketable equity securities and are netted

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against the investments in the balance sheet to show net trading investments. The gross investments were $2.5 million leaving net investments of $0.9 million after the margin account borrowings of $1.6 million for the period ending August 31, 2015 and $6.5 million leaving net investments of $2.5 million after the margin account borrowings of $4.0 million for the period ending February 28, 2015, respectively. The margin interest rate is 2%.

Note 9. Supplemental Cash Flow Information

Supplemental cash flow information is as follows (in thousands):

	Six Months Ended August 31, 2015	2014
Cash paid for:		
Interest	**$ 40**	$ 28
Income taxes, net of refunds	**$ (718)**	$ 13

Note 10. Shareholder s Equity

Earnings (Loss) Per Share

Basic earnings (loss) per share is computed by dividing income or loss available to common shareholders by the weighted average number of common shares outstanding during each period. Shares issued during the period are weighted for the portion of the period that they were outstanding. Diluted earnings (loss) per share is calculated in a manner consistent with that of basic earnings (loss) per share while giving effect to all potentially dilutive common shares that were outstanding during the period.

The following table sets forth the computation of basic and diluted earnings (loss) per share for the three and six month periods ended August 31, 2015 and 2014 (in thousands, except per share data):

	Net Income (Loss)	Weighted Average Common Shares Outstanding	Earnings (Loss) Per Share
Six months ended August 31, 2015			
Basic-continuing operations	$ (3,213)	5,925	$ (0.54)
Basic-discontinued operations	278	5,925	0.04

Effect of dilution:					
Diluted-continuing operations					
Diluted-discontinued operations					
Diluted	$	(2,935)	5,925	$	(0.50)
Six months ended August 31, 2014					
Basic-continuing operations	$	288	6,611	$	0.04
Basic-discontinued operations					
Effect of dilution:					
Options			15		
Diluted	$	288	6,626	$	0.04
Three months ended August 31, 2015					
Basic-continuing operations	$	(1,843)	5,894	$	(0.31)
Basic-discontinued operations		477	5,894		0.08
Effect of dilution:					
Diluted-continuing operations					
Diluted-discontinued operations					
Diluted	$	(1,366)	5,894	$	(0.23)
Three months ended August 31, 2014					
Basic-continuing operations	$	149	6,372	$	0.02
Effect of dilution:					
Options			75		
Diluted	$	149	6,447	$	0.02

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August 31, 2015

Stock-Based Compensation Plans

For the six-month period ended August 31, 2015 and 2014, the Company recognized general and administrative expenses of $6.8 thousand and $4.5 thousand, respectively, related to share-based compensation. The liability for the share-based compensation recognized is presented in the consolidated balance sheet as part of additional paid in capital. As of August 31, 2015, total unrecognized compensation costs related to stock options granted was $8.8 thousand. The unrecognized stock option compensation cost is expected to be recognized over a period of approximately 1 year.

The Company estimates the fair value of stock options granted using the Black-Scholes option-pricing model, which requires the Company to estimate the expected term of the stock option grants and expected future stock price volatility over the term. The term represents the expected period of time the Company believes the options will remain outstanding based on historical information. Estimates of expected future stock price volatility are based on the historic volatility of the Company s common stock, which represents the standard deviation of the differences in the weekly stock closing price, adjusted for dividends and stock splits.

Ten thousand options were granted during the six month periods ended August 31, 2015 and 2014, respectively.

Stock Repurchase Program

The Company has a stock repurchase program, pursuant to which it had been authorized to repurchase up to 2,632,500 shares of the Company s common stock in the open market. On January 20, 2014 the Board of Directors of the Company approved a one-time continuation of the stock repurchase program, and authorized the Company to repurchase up to 1,500,000 additional shares of the Company s common stock in the open market. There is no minimum number of shares required to be repurchased under the program.

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August 31, 2015

For the six months ended August 31, 2015, the Company purchased 68,531 shares at an average price of $1.63 per share. For the six months ended August 31, 2014, the Company purchased 626,740 shares at an average price of $3.63 per share. Under the Company s stock repurchase program, an additional 505,519 shares remain authorized to be repurchased by the Company at August 31, 2015.

Note 11. Income Taxes

The effective tax rate for the six months ended August 31, 2015 and 2014 was 0% and (14.7)%, respectively. The Company lost $2.9 million dollars for the six months ending August 31, 2015 which resulted in a tax benefit of approximately $1.1 million. Due to the recent losses by the Company, a full valuation allowance was allocated to the deferred tax asset created by the loss. The net effect of this allowance was to have zero tax expense for the quarter. As of August31, 2015 and February 28, 2015 the Company has established a valuation allowance of $5.7 million and $4.3 million, respectively, on the Company s current and non-current deferred tax assets.

Note 12. Discontinued Operations

On March 26, 2014 with an effective date of February 28, 2014, the Company completed the sale of the Company s wholly-owned subsidiary, Lexel Imaging, Inc. to Citadal Partners, LLC for approximately $3.9 million, consisting of $1.0 million cash payable over 180 days in the form of a note receivable and a guarantee to purchase $2.9 million in inventory over a five year period. The inventory was adjusted to its net realizable value as part of the sale. The Company recognized a loss on the sale of $4.4 million pre-tax during the year ended February 28, 2014. Lexel Imaging, Inc. had net sales of $ 7.6 million and a pre-tax net loss of $0.8 million for the twelve months ending February 28, 2014.

On November 17, 2014 Video Display reacquired Lexel Imaging, Inc. when Citadal Partners, LLC defaulted on two notes payable to Video Display Corporation owed as financing on the original sale of the Lexel Imaging. Lexel Imaging is still presented as discontinued operations as Video Display Corporation is still considering offers for the sale of the entity.

Lexel s net sales, expenses, net profits, operating income and cash flows, are being shown as discontinued operations per ASC 205-20-45 *Reporting Discontinued Operations* for all periods presented. The Company has reclassified results that were previously included in continuing operations as discontinued operations for this business.

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The summarized financial information for discontinued operations for the three months and six months ended August 31, 2015, is as follows:

	Three months ending August 31, 2015	Six months ending August 31, 2015
Net sales	2,454	3,549
Cost of goods sold	1,721	2,805
Gross profit	733	744
Operating expenses		
Selling and delivery	27	27
General and administrative	229	468
Total operating expenses	256	495
Operating profit from discontinued operations	477	249
Other income (expense)		29
Interest expense		
Other, net		29
Income from discontinued operations before income taxes	477	278
Income tax expense		
Income from discontinued operations	477	278

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ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the attached interim condensed consolidated financial statements of Video Display Corporation and subsidiaries (the Company) and with the Company s 2015 Annual Report to Shareholders, which included audited consolidated financial statements and notes thereto for the fiscal year ended February 28, 2015, as well as Management s Discussion and Analysis of Financial Condition and Results of Operations.

Overview

The Company is a leader in the manufacturing and distribution of a wide range of display devices, encompassing, among others, industrial, military, medical, and simulation display solutions. The Company is comprised of one segment - the manufacturing and distribution of displays and display components. The Company is organized into four interrelated operations aggregated into one reportable segment pursuant to the aggregation criteria of FASB ASC 280 *Segment Reporting* :

Simulation and Training Products offers a complete range of projection display systems for use in training and simulation, military, medical, entertainment and industrial applications.

Data Display CRTs offers a wide range of CRTs for use in data display screens, including computer terminal monitors and medical monitoring equipment.

Broadcast and Control Center Products offers high-end visual display products for use in video walls and command and control centers.

Cyber Secure Products offers advanced TEMPEST technology, also known as Emanation Security EMSEC, products and custom engineering solutions to include extreme environmental performance and survivability technologies.

During fiscal 2016, management of the Company is focusing key resources on strategic efforts to grow its business through internal sales or through niche acquisitions that enhance the profitability and sales of the Company s more profitable product lines. Challenges facing the Company during these efforts include:

Liquidity As of August 31, 2015, the Company is operating using cash from operations and investing activities. The Company believes it can operate the Company with existing cash flows for the current level of business. Should business increase dramatically or an acquisition candidate be found, the Company may need to find more permanent sources of capital to fund the growth.

Inventory management The Company s business units utilize different inventory components than the divisions had in the past. The Company has a monthly reserve at each of its divisions to offset any obsolescence although most purchases are for current orders, which should reduce the amount of obsolescence in the future. The Company still has

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CRT inventory in stock and, although it believes the inventory will be sold in the future, will continue to reserve for any additional obsolescence. Management believes the adequacy of its inventory reserves at August 31, 2015 and February 28, 2015 to be adequate.

Results of Operations

The following table sets forth, for the three and six months ended August 31, 2015 and 2014, the percentages that selected items in the Statements of Operations bear to total sales:

	Three Months Ended August 31,		**Six Months Ended August 31,**	
	2015	2014	**2015**	2014
Sales				
Simulation and Training (VDC Display Systems)	**58.0%**	57.6%	**57.4%**	56.1
Data Display CRT	**17.6**	23.4	**20.2**	19.6
Broadcast and Control Centers (AYON Visual)	**7.2**	3.0	**4.5**	7.6
Cyber Secure Products (AYON Cyber Security)	**17.2**	16.0	**17.9**	16.7
Total Company	**100.0%**	100.0%	**100.0%**	100.0
Costs and expenses				
Cost of goods sold	**91.4%**	99.5%	**94.1%**	84.2
Selling and delivery	**8.6**	10.3	**9.3**	8.6
General and administrative	**28.7**	29.8	**31.6**	25.2
	128.7%	139.6%	**135.0%**	118.0
Operating loss	**(28.7)%**	(39.6)%	**(35.0)%**	(18.0)
Interest income/expense	**0.2%**	0.2%	**0.2%**	0.3
Other income, net	**(34.6)**	42.8	**(26.0)**	21.7
Income/(loss) before income taxes	**(63.1)%**	3.4%	**(60.8)%**	4.0
Income tax benefit	**(3.3)**	(2.4)	**(1.8)**	(0.6)
Net income/ (loss) from continuing operations	**(59.8)**	5.8	**(59.0)**	4.6
Income from discontinued operations, net of income tax	**13.1**		**3.5**	
Net income	**(46.7)%**	5.8%	**(55.5)%**	4.6

Net sales

Consolidated net sales were up 12.8% for the three months ended August 31, 2015 compared to the three months ended August 31, 2014. All the divisions posted increases except for the Data Display CRT division. The broadcast and control center business is up 172.4% on low sales volume due to the completion of the sale of a video wall to a major corporation this quarter. The Cyber Secure Products division was up 21.9% for the quarter due to increased sales across all of its customer base. The Company expects this trend to continue. The Simulation and Training Products division was

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up 13.6% or $203 thousand primarily due to the work on a contract with a major military supplier. The only division with a decrease in sales for the comparative quarters was the Data Display CRT division, which had some last time buy sales last year in the same quarter that did not repeat.

Consolidated net sales were down 16.0% for the six months ended August 31, 2015 compared to the six months ended August 31, 2014. The Company s sales are down in all of its divisions. The broadcast and control centers business, AYON Visual Solutions is down 50.0% for the six months ended August 31, 2015 or $240 thousand. Their business is project driven. The division has significant quoting opportunities, ranging from $20 thousand to $3.5 million for upcoming projects later this year and next year. We expect this division to improve over last year s results by the end of the fiscal year based on the opportunities in the marketplace. The Simulation and Training division, (Display Systems), was down by 14.0% for the year thus far or $494 thousand, due primarily to delays on a contract they are working and budget constraints with major customers. Management believes the obstacles have been cleared and they expect the second half of the year to have increases that will allow them to surpass last year s sales. The Cyber Secure Products division, (AYON Cyber Security), sales decreased by 10.1% due to a slowdown in sales to one of its Canadian customers. This issue has been addressed and they are now receiving orders again. Management expects this division to exceed last year s results due to the increases in two new customers and increased government orders. The Data Display division showed a decrease of 13.2% due to decreases throughout their customer base and some one-time orders last year that will not repeat this year.

Gross margins

Consolidated gross margins increased to 8.6% for the three months ended August 31, 2015 compared to 0.5% for the three months ended August 31, 2014. and decreased to 5.9% for the six months ended August 31, 2015 compared to 15.8% for the six months ended August 31, 2014.

For the three months ending August 31, 2015, the gross margins improved at all of the divisions for the quarter due primarily to the increase in sales while controlling fixed and variable costs. The Company expects gross margins will continue to improve due to increases in the revenue base and tighter controls on costs. The past three months were an improvement over the first three months of the fiscal year. The Company expects the trend continuing for the remainder of the year.

For the six months ending August 31, 2015, the overall trend for all the divisions was lower gross margins due to lower sales and not absorbing fixed costs as well. The Company is working towards combining its two Florida businesses, VDC Display Systems and AYON Cyber Security in one location by the end of the fiscal year, with VDC Display Systems being moved in by December 1, 2015. This will significantly decrease costs for both businesses. This move, along with the expected increase in sales for both divisions over the next six months should greatly increase their gross margins. AYON Visual Solutions (AVS) gross margins are up on a percentage basis, but their sales have been so sporadic that the comparison is not meaningful. The yearly comparison of actual gross margin dollars is flat. The Company expects AVS to improve upon their first half performance. The Data Display CRT divisions gross margins have improved over last year due to product mix differences and selling to their core remaining businesses, primarily simulation market which have higher margins.

Operating expenses

Operating expenses as a percentage of sales decreased from 40.1% for the three months ending August31, 2014 to 37.3 % for the three months ending August 31, 2015 and increased from 33.8% for the six months ended August 31, 2014 to 40.9% for the six months ended August 31, 2015. The Company s percentage decline in expenses for the three month period was due to the increased revenue, actual expenses were up $50 thousand for the quarter and $36 for the six month period. The Company was able to control fixed costs, such as rent and other administrative costs, on declining sales volumes. The Company expects to continue to contain these costs while increasing revenues.

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Interest expense

Interest expense was $18.0 thousand for the three months and $40.3 thousand for the six months ending August 31, 2015 compared to $18.6 thousand for the three months and $27.9 thousand for the six months ending August 31, 2014. The Company also earned $50.5 thousand in interest income for six months ending August 31, 2015. The interest expense (approximately $3.0 thousand per month) is related to the balance owed on a building the Company owns in Pennsylvania and the interest on the margin balance in the Company s investment account, which is a 2% rate.

Other expense

For the three months and six months ended August 31, 2015, the Company experienced a loss of $1.0 million and $1.3 million, respectively. For the three months ended August 31, 2015 the losses were due to net investment losses offset by $44 thousand in rental income. The Company was invested heavily in energy stocks, which fared poorly due to the decline in the price of oil. For the six months ended August 31, 2015 the losses were due primarily to losses in the investment account of $1.7 million offset by dividend income of $0.3 million and rental income of $0.1 million. For the three months and six months ended August 31, 2014, the Company earned $1.1 million and $1.4 million, respectively. For the three months ended August 31, 2014, the Company earned $0.6 million on investment gains, $0.1 million on dividend and rental income and $0.4 million on the gain on the sale of property. For the six months ended August 31, 2014, the Company had investment gains of $0.8 million, dividend and rental income totaling $0.2 million and a gain on the sale of property of $0.4 million.

Income taxes

The effective tax rate for the three months and six months ended August 31, 2015 was 0% and the effective rate for the three months and six months ending August 31, 2014 was (68.5)% and (14.7)%, respectively. The Company lost $1.4 million and $2.9 million dollars for the three months and six months ending August 31, 2015, respectively which resulted in a tax benefit of approximately $0.6 million and $1.1 million for the three and six months ended August 31, 2015, respectively. Due to the recent losses by the Company, a full valuation allowance was allocated to the deferred tax asset created by the loss. The net effect of this allowance was to have zero tax expense for the quarter.

Discontinued operations

On March 26, 2014 with an effective date of February 28, 2014, the Company completed the sale of the Company s wholly-owned subsidiary, Lexel Imaging, Inc. to Citadal Partners, LLC for approximately $3.9 million, consisting of $1.0 million cash payable over 180 days in the form of a note receivable and a guarantee to purchase $2.9 million in inventory over a five-year period. The inventory was adjusted to its net realizable value as part of the sale. The Company recognized a loss on the sale of $4.4 million pre-tax during the year ended February 28, 2014. Lexel Imaging, Inc. had net sales of $ 7.6 million and a pre-tax net loss of $0.8 million for the twelve months ending February 28, 2014.

On November 17, 2014 Video Display reacquired Lexel Imaging, Inc. when Citadal Partners, LLC defaulted on two notes payable to Video Display Corporation owed as financing on the original sale of the Lexel Imaging. Lexel

Imaging is still presented as discontinued operations as Video Display Corporation is still considering offers for the sale of the entity.

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Lexel Imaging earned $0.2 million for the six months ended August 31, 2015 primarily due to a strong second quarter in which they were able to improve production yields and ship more product. Management believes they can sustain the yield improvements and have a profitable second half of the fiscal year. The subsidiary has a backlog in excess of $7.8 million.

Liquidity and Capital Resources

The Company is currently operating using cash from operations and investing activities. The Company has a $9.3 million working capital balance at August 31, 2015 including $1.4 million in liquid assets and $12.2 million working capital balance at February 28, 2015, including $2.6 million in liquid assets.

The Company believes it can continue to operate the Company with existing cash flows for the current level of business for a reasonable period of time. The Company held $0.9 million in outside investments at August 31, 2015 in equities and mutual funds and $2.5 million in outside investments at February 28, 2015. There is risk involved in owning these investments and the Company has sustained losses over the last year in the outside investments. The Company s strategy is to own dividend producing stocks in the energy sector of the market. The Company believes the energy sector of the market has reached the bottom for this current cycle and plans to maintain its current positions. These funds are available for operations should the need arise. The Company is in negotiations for a new banking partner, which can work with the Company on its current needs and as opportunities present themselves.

The Company continually monitors its cash and financing positions in order to find ways to lower its costs and to produce positive operating cash flow. The Company examines possibilities to grow its business through internal sales or niche acquisitions. There could be an impact on working capital requirements to fund this growth. As in the past, the intent is to finance such projects with operating cash flows; however, more permanent sources of capital may be required in certain circumstances.

Cash provided by operations for the six months ended August 31, 2015 was $0.5 million. The net loss from operations was $2.9 million and adjustments to reconcile net loss to net cash were $1.8 million including realized and unrealized loss on investments of $1.7 million, a gain from discontinued operations of $0.3 million and depreciation and reserves change of $0.4 million. Changes in working capital provided $1.7 million, primarily due to a decrease in prepaid taxes due to a $0.7 million refund from the federal government and states, a decrease in inventories of $1.1 million, and a decrease in accounts receivable of $0.7 million offset by a decrease in payables of $0.5 million and smaller adjustments totaling $0.2 million. Cash used in operations for the six months ended August 31, 2014 was $0.8 million.

Investing activities provided cash of $2.4 million due to the net sales of $2.3 million from the sale of investments, cash advance repayment from discontinued operations of $0.2 million and capital expenditures of $0.1 million during the six months ended August 31, 2015, compared to $2.3 million used for the purchase of investments and proceeds of $0.5 million from the sale of a building during the six months ended August 31, 2014.

Financing activities used cash of $2.5 million, primarily for the repayment of marginal float on the investment account of $2.4 and the repurchase of treasury stock and used cash of $0.1 million for the six months ended August 31, 2015. The Company received $1.6 million in financing activities for the six months ended August 31, 2014.

The Company has a stock repurchase program, pursuant to which it has been authorized to repurchase up to 2,632,500 shares of the Company s common stock in the open market. On January 20, 2014, the Board of Directors of the Company approved a one-time continuation of the stock repurchase program, and authorized the Company to repurchase up to 1,500,000 additional shares of the Company s common stock on the open market, depending on the market price of

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the shares. There is no minimum number of shares required to be repurchased under the program. For the six months ended August 31, 2015, the Company repurchased 68,531 shares at an average price of $1.63 per share. For the six months ended August 31, 2014, the Company purchased 626,740 shares at an average price of $3.63 per share. Under the Company s stock repurchase program, an additional 505,519 shares remain authorized to be repurchased by the Company at August 31, 2015.

The Company borrowed $80 thousand from the Company s Chief Executive Officer in May 2015 with a zero interest rate. This was borrowed on a short term basis and repaid in June 2015. There was no balance of this loan at August 31, 2015.

Critical Accounting Estimates

Management s Discussion and Analysis of Financial Condition and Results of Operations are based upon the Company s interim condensed consolidated financial statements. These interim condensed consolidated financial statements have been prepared in accordance with U.S. GAAP. These principles require the use of estimates and assumptions that affect amounts reported and disclosed in the interim condensed consolidated financial statements and related notes. The accounting policies that may involve a higher degree of judgments, estimates, and complexity include reserves on inventories, revenue recognition, the allowance for bad debts and warranty reserves. The Company uses the following methods and assumptions in determining its estimates:

Reserves on Inventories

Reserves on inventories result in a charge to operations when the estimated net realizable value declines below cost. Management regularly reviews the Company s investment in inventories for declines in value and establishes reserves when it is apparent that the expected net realizable value of the inventory falls below its carrying amount. Management reviews inventory levels on a quarterly basis. Such reviews include observations of product development trends of the original equipment manufacturers, new products being marketed, and technological advances relative to the product capabilities of the Company s existing inventories. Management believes the adequacy of its inventory reserves at August 31, 2015 and February 28, 2015 to be adequate.

Revenue Recognition

Revenue is recognized on the sale of products when the products are shipped, all significant contractual obligations have been satisfied, and the collection of the resulting receivable is reasonably assured. The Company s delivery term typically is F.O.B. shipping point.

In accordance with ASC 605-45 *Revenue Recognition: Principal Agent Considerations* , shipping and handling fees billed to customers are classified in net sales in the consolidated income statements. Shipping and handling costs incurred are classified in selling and delivery in the consolidated income statements.

A portion of the Company s revenue is derived from contracts to manufacture simulation systems to a buyers specification. These contracts are accounted for under the provisions of ASC 605-35 *Revenue Recognition*:

Construction-Type and Production-Type Contracts . These contracts are fixed-price and cost-plus contracts and are recorded on the percentage of completion basis using the ratio of costs incurred to estimated total costs at completion as the measurement basis for progress toward completion and revenue recognition. Any losses identified on contracts are recognized immediately. Contract accounting requires significant judgment relative to assessing risks, estimating contract costs and making related assumptions for schedule and technical issues. With respect to contract change orders, claims, or similar items, judgment must be used in estimating related amounts and assessing the potential for realization. These amounts are only included in contract value when they can be reliably estimated and realization is probable.

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Allowance for Doubtful Accounts

The allowance for doubtful accounts is determined by reviewing all accounts receivable and applying credit loss experience to the current receivable portfolio with consideration given to the current condition of the economy, assessment of the financial position of the creditors as well as past payment history and overall trends in past due accounts compared to established thresholds. The Company monitors credit exposure and assesses the adequacy of the allowance for doubtful accounts on a regular basis. Historically, the Company s allowance has been sufficient for any customer write-offs. Although the Company cannot guarantee future results, management believes its policies and procedures relating to customer exposure are adequate.

Warranty Reserves

The warranty reserve is determined by recording a specific reserve for known warranty issues and a general reserve based on claims experience. The Company considers actual warranty claims compared to net sales, then adjusts its reserve liability accordingly. Actual claims incurred could differ from the original estimates, requiring adjustments to the reserve. Management believes that its procedures historically have been adequate and does not anticipate that its assumptions are reasonably likely to change in the future.

Other Loss Contingencies

Other loss contingencies are recorded as liabilities when it is probable that a liability has been incurred and the amount of the loss is reasonably estimable. Disclosure is required when there is a reasonable possibility that the ultimate loss will exceed the recorded provision. Contingent liabilities are often resolved over long time periods. Estimating probable losses requires analysis of multiple factors that often depend on judgments about potential actions by third parties.

Intangible and Other Long-Term Assets

If the Company determines it is more likely than not that the fair value of an intangible asset is less than the carrying value, then it applies the processes prescribed in ASC 350 *Intangible Assets* and ASC 360 *Property, Plant, and Equipment* . We make certain estimates and projections in connection with impairment analyses for intangible assets. If these estimates or projections change or prove incorrect, we may be required to record impairment charges. If these impairment charges were significant, our consolidated financial position or results of operations would be adversely affected. Management has assessed the Company s intangible assets and has not recognized any impairment of assets for the six months ended August 31, 2015.

Income Taxes

Deferred income taxes are provided to reflect the tax consequences in future years of differences between the tax bases of assets and liabilities and their financial reporting amounts based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. As of August 31, 2015 and February 28, 2015 the Company has established a valuation allowance of $5.7 million and $4.3 million, respectively on the Company s current and non-current deferred tax assets.

The Company accounts for uncertain tax positions under the provisions of ASC 740, which contains a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates it is more likely than not, that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount, which is more than 50% likely of being realized upon ultimate settlement. The Company considers many factors when evaluating and estimating the Company s tax positions and tax benefits, which may require periodic adjustments. At August 31, 2015, the Company did not record any liabilities for uncertain tax positions.

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Recent Accounting Pronouncements

In August 2014, the FASB issued ASU 2014-15, *Presentation of Financial Statements. Going Concern* (Subtopic 205-40): *Disclosure of Uncertainties about an Entity s Ability to continue as a Going Concern* . Prior to its issuance there was no guidance in U.S. GAAP about management s responsibility to evaluate whether there is substantial doubt about an entity s ability to continue as a going concern or to provide related footnote disclosures. This update requires that an entity s management should evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity s ability to continue as a going concern within one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued when applicable.) This update is effective for the annual period ending after December 15, 2016, and for annual periods and interim periods thereafter. The Company is still evaluating the effects that the adoption of this update will have on the Company s consolidated financial position or results of operations.

In May, 2014, the FASB issued ASU 2014-09 *Revenue with Contracts from Customers* . ASU 2014-09 clarifies the principles for recognizing revenue and develops a common revenue standard for U.S. GAAP and IFRS. The new guidance(i) removes inconsistencies, and weaknesses in revenue requirements, (ii) provides a more robust framework for addressing revenue issues, (iii) improves comparability of revenue recognition practices across entities, industries, jurisdictions, and capital markets, (iv) provides more useful information to users of financial statements through improved disclosure requirements, and (v)simplifies the preparation of financial statements by reducing the number of requirements to which an entity must refer.

The guidance is effective for annual reporting periods beginning after December 15, 2017 including interim periods within that reporting period. The Company is still evaluating the effects that the adoption of this update to have a significant effect on the Company s consolidated financial position or results of operations.

In April 2014, the FASB issued ASU 2014-08, *Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity* . ASU 2014-08 changes the criteria for determining which disposals can be presented as discontinued operations and modified related disclosure requirements. Under the new guidance, a discontinued operation is defined as: (i) a disposal of a component or group of components that is disposed of or is classified as held for sale that represents a strategic shift that has or will have a major effect on an entity s operations and financial results or (ii) an acquired business or nonprofit activity that is classified as held for sale on the date of acquisition. The standard states that a strategic shift could include a disposal of (i) a major geographical area of operations, (ii) a major line of business, (iii) a major equity method investment, or (iv) other major parts of an entity. Under the current U.S. GAAP, an entity is prohibited from reporting a discontinued operation if it has certain continuing cash flows or involvement component after the disposal. The new guidance eliminates these criteria.

The standard expands the disclosures for discontinued operations and requires new disclosures related to individually material disposals that do not meet the definition of a discontinued operation, an entity s continuing involvement with a discontinued operation following the disposal date and retained equity method investments in a discontinued operation. The guidance is effective for annual periods beginning on or after December 15, 2014 and interim periods within that year. The Company adopted this pronouncement effective with the quarter ending May 31, 2015 and it did not have a significant effect on the Company s consolidated financial position or results of operations.

Subsequent Events

The Company performs a review of events between the balance sheet date and the issuance of the 10-Q report. If any event occurs that has a material impact on the financials or an event which would have significant impact on the business then the Company would report the event in a footnote to the financial statements. There were none to report in this report.

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Forward-Looking Information and Risk Factors

This report contains forward-looking statements and information that is based on management s beliefs, as well as assumptions made by, and information currently available to management. When used in this document, the words anticipate, believe, estimate, intends, will, and expect and similar expressions are intended to identify forwar statements. Such statements involve a number of risks and uncertainties. These risks and uncertainties, which are included under Part I, Item 1A. Risk Factors in the Company s Annual Report on Form 10-K for the year ended February 28, 2015 could cause actual results to differ materially.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

The Company s primary market risks include changes in technology. The Company operates in an industry which is continuously changing. Failure to adapt to the changes could have a detrimental effect on the Company.

ITEM 4. CONTROLS AND PROCEDURES

Our disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)) are designed to provide reasonable assurance that information required to be disclosed in our reports filed or submitted under the Securities Exchange Act of 1934, such as this quarterly report on Form 10-Q, is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms. Our disclosure controls and procedures are also designed to ensure that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, to allow timely decisions regarding required disclosure.

Our chief executive officer and chief financial officer have conducted an evaluation of the effectiveness of our disclosure controls and procedures as of August 31, 2015. We perform this evaluation on a quarterly basis so that the conclusions concerning the effectiveness of our disclosure controls and procedures can be reported in our annual report on Form 10-K and quarterly reports on Form 10-Q. Based on this evaluation, our chief executive officer and chief financial officer have concluded that our disclosure controls and procedures were effective as of August 31, 2015.

Changes in Internal Controls

There have not been any changes in our internal controls over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

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PART II

Item 1. Legal Proceedings
None.

Item 1A. Risk Factors
Information regarding risk factors appears under the caption Forward-Looking Statements and Risk Factors in Part I, Item 2 of this Form 10-Q and in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended February 28, 2015. There have been no material changes from the risk factors previously disclosed in our Annual Report on Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds
None.

Item 3. Defaults upon Senior Securities
None.

Item 4. Submission of Matters to a Vote of Security Holders
None.

Item 5. Other information
None.

Item 6. Exhibits

Exhibit Number	Exhibit Description

3(a)	Articles of Incorporation of the Company (incorporated by reference to Exhibit 3A to the Company s Registration Statement on Form S-18 filed January 15, 1985).
3(b)	By-Laws of the Company (incorporated by reference to Exhibit 3B to the Company s Registration Statement on Form S-18 filed January 15, 1985).
10(a)	Lease dated June 1, 2008 by and between Registrant (Lessee) and Ronald D. Ordway (Lessor) with respect to premises located at 4601 Lewis Road, Stone Mountain, Georgia. (incorporated by reference to Exhibit 10(b) to the Company s 2009 Annual Report on Form 10-K)
10(b)	Lease dated April 1, 2015 by and between Registrant (Lessee) and Ronald D. Ordway (Lessor) with respect to premises located at 1868 Tucker Industrial Road, Tucker, Georgia (incorporated by reference to Exhibit 10(c) to the Company s 2015 Annual Report on Form 10-K.)
10(c)	Purchase Agreement dated January 16, 2014 by and between the Company and Z-Axis, Inc. with respect to the sale of the Company s Z-Axis, Inc. subsidiary. (incorporated by reference to Exhibit 10(e) to the Company s Current Report on Form 8-K dated January 22, 2014.)
10(d)	Purchase Agreement dated March 26, 2014 by and between the Company and Citidal Partners, LLC, with respect to the sale of the Company s Lexel Imaging, Inc. subsidiary. (incorporated by reference to Exhibit 10(f) to the Company s Current Report on Form 8-K dated April 1, 2014.)
10(e)	Lease dated February 19, 2015 by and between Registrant (Lessee) and Ordway Properties LLC (Lessor) with respect to premises located at 5155 King Street, Cocoa, FL. (incorporated by reference to Exhibit 10(g) to the Company s 2015 Annual Report on Form 10-K.)
10(f)	Video Display Corporation 2006 Stock Incentive Plan. (incorporated by reference to Appendix A to the Company s 2006 Proxy Statement on Schedule 14A)

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Video Display Corporation and Subsidiaries

August 31, 2015

31.1	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

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SIGNATURES

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

		VIDEO DISPLAY CORPORATION
October 15, 2015	By:	/s/ Ronald D. Ordway Ronald D. Ordway Chief Executive Officer
October 15, 2015	By:	/s/ Gregory L. Osborn Gregory L. Osborn Chief Financial Officer