
WEGENER CORPORATION
ANNUAL REPORT
(Unaudited)
YEAR ENDED AUGUST 28, 2015
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PART I

ITEM 1. BUSINESS

Wegener® Corporation, the Registrant, together with its subsidiary, is referred to herein as “we,” “our,” “us,” the “Company” or “Wegener.” All references herein to 2015 and 2014 refer to the fiscal years ended August 28, 2015 and August 29, 2014, respectively. All references to year(s) or fiscal refer to our fiscal year(s).

Wegener Corporation was formed in 1977 and is a Delaware corporation. We conduct our continuing business through Wegener Communications, Inc. (WCI), a wholly-owned subsidiary. WCI was formed in April 1978 and is a Georgia corporation. WCI is an international provider of digital video and audio solutions for broadcast television, radio, private and cable networks. With over 30 years experience in optimizing point-to-multipoint multimedia distribution over satellite, fiber, and IP networks, WCI offers a comprehensive product line that handles the scheduling, management and delivery of media rich content to multiple devices, including video screens, computers and audio devices. WCI focuses on long and short-term strategies for bandwidth savings, dynamic advertising, live events and affiliate management.

WCI’s product line includes: iPump® media servers for file-based and live broadcasts; Compel® Network Control and Compel® Conditional Access for dynamic command, monitoring and addressing of multi-site video, audio, and data networks; and the Unity® satellite media receivers for live radio and video broadcasts. Applications served include: digital signage, linear and file-based TV distribution, linear and file-based radio distribution, Nielsen rating information, broadcast news distribution, business music distribution, corporate communications, video and audio simulcasts.

Recent Developments

The accompanying consolidated financial statements have been prepared on a going concern basis which contemplates the realization of assets and liquidation of liabilities in the normal course of business. These financial statements do not include any adjustments relating to the recoverability and classification of assets or the amounts and classification of liabilities that may be necessary in the event the Company cannot continue as a going concern.

Our fiscal 2015 revenues increased \$24,000, or 0.8%, to \$3,187,000 from \$3,163,000 in fiscal 2014. Our net earnings for fiscal 2015 were \$1,589,000 or \$0.12 per share compared to a net loss of \$(1,638,000) or \$(0.12) per share for fiscal 2014. Net earnings for fiscal 2015 included a one time gain on sale of assets in the amount of \$2,473,000.

On September 26, 2013, the Board of Directors unanimously approved an all stock offer term sheet for the acquisition of Wegener Corporation. On February 5, 2014, it was announced that Novra Technologies, Inc. (Novra) would be the acquiring company and that Novra would also acquire privately held Westport Research Associates, Inc. The transaction is subject to due diligence, approval by Wegener Corporation shareholders and other terms and conditions, therefore, no assurances may be given that the transaction will be completed.

If we are unable to consummate the sale of the Company or alternatively generate sufficient additional cash liquidity in the very near term, we will most likely be required to significantly curtail or restructure our operations and as a result may require the Company to enter into bankruptcy proceedings, cease operations. (See Note 1 to the Consolidated Financial Statements and Management’s Discussion and Analysis of Financial Condition and Results of Operations (MD&A) -Liquidity and Capital Resources section contained in this report).

Our backlog scheduled to ship within eighteen months was approximately \$2.8 million at August 28, 2015. The total multi-year backlog at August 28, 2015, was approximately \$2.9 million. Approximately \$2.6 million of the August 28, 2015 backlog is expected to ship during fiscal 2016.

Our bookings and revenues during fiscal 2015, as well as to date in fiscal 2016, have been insufficient to attain profitable operations and to provide adequate levels of cash flow from operations. During the first, second, third and fourth quarters of fiscal 2015 bookings were approximately \$769,000, \$482,000, \$614,000 and \$1,449,000, respectively. During fiscal 2014 total bookings were \$3.8 million. These bookings were well below our expectations primarily as a result of customer delays in purchasing decisions, deferral of project expenditures and general adverse economic and credit conditions. The amount of orders scheduled to ship during each quarter of fiscal 2016 from the August 28, 2015 backlog, along with bookings subsequent to August 28, 2015, are currently insufficient to provide adequate levels of liquidity on a consistent quarterly and day to day basis during those periods. Significant fiscal 2016 shippable bookings are currently required to meet our quarterly financial and cash

flow projections throughout each quarter of fiscal 2016 and beyond. There can be no assurances that the Company will be able to achieve its projected level of bookings and revenues in 2016 and beyond.

Our cash flow requirements during fiscal 2015 were financed primarily by an increase in borrowings on our line of credit, new borrowings from and a note payable to Novra, an increase in customer deposits and a decrease in our cash balances. Additional liquidity was provided by a non-binding discretionary inventory purchase arrangement with Novra (see discussion below). At August 28, 2015, the outstanding balance on our line of credit was at the maximum limit of \$1,125,000 and the balance on the demand discretionary credit facility was at the maximum limit of \$300,000.

During prior fiscal years we have made reductions in head count to the current level of 22 full-time employees and one part-time employee at August 28, 2015. Additional headcount reductions during fiscal 2016 may be required to reduce operating expenses depending on near term bookings, revenue levels and near term available cash liquidity.

During fiscal 2014, we did not have sufficient liquidity to purchase required inventories with offshore and certain domestic vendors. As a result, Novra agreed to enter into a non-binding discretionary inventory purchase arrangement with Wegener under which Novra would provide assistance for limited inventory purchases. Under this arrangement, inventory purchases would be made by Novra and resold to Wegener at cost plus a 5% markup. As of August 28, 2015, approximately \$1,223,000 of inventory purchase orders was placed under this arrangement. Approximately \$916,000 of the inventory purchases was received as of August 28, 2015. Approximately \$483,000 was owed to Novra pursuant to the purchase arrangement and is included in the accounts payable balance at August 28, 2015. This discretionary arrangement may be terminated at anytime. Therefore, no assurance may be given that this arrangement will provide sufficient levels of timely inventory purchases to meet required delivery schedules of potential future bookings. In the event Novra were to terminate the purchase arrangement prior to consummation of the acquisition of Wegener, we will not have sufficient inventory on hand to meet anticipated quarterly revenue levels in fiscal 2015 and beyond. This would have a material adverse impact on our financial results and future cash flow from operations and the ability to meet our financial projections and would likely impact our ability to continue as a going concern and as a result likely require the Company to enter into bankruptcy proceedings or cease operations.

Segment Information and Financial Information by Geographical Area

Segment information and financial information by geographical area contained in Note 13 to the consolidated financial statements contained in this report are incorporated herein by reference in response to this item.

MARKETS AND INDUSTRY OVERVIEW

The primary markets we serve are business and private networks, broadcast television and program originators and radio broadcasters.

Business/Private Networks

Business networks consist of corporations and enterprises distributing video, audio and/or data among their sites. Private networks consist of networks that target video, audio and/or data to a select group of subscribers or viewers. Our equipment is currently used for horse racing video distribution to off-track betting locations in Sweden as well as background music networks and faith-based networks in the U.S. We continue to expand our footprint of digital signage networks, providing networked equipment to distribute and display information and advertisements dynamically to retail customers and employees. We work through third-party integrators, such as SSL Digital S.A. de C.V. Comtelsat and Microspace to reach this market.

Business and private networks are interested in developing dynamic multi-platform (television, web, mobile) communication strategies to reach consumers and empower employees. Organizations also look for technology to conserve bandwidth, provide simple network integration, while supporting remote monitoring and trouble shooting. Many networks prefer to have hybrid distribution options so they can use IP or satellite to deliver content. Private and business networks continue to show strong interest in store-forward technology to localize their messaging on a site-by-site basis, support on-demand education and reduce overall network bandwidth demands. Digital signage is one of the largest growth areas within the business and private networks market. Digital signage is a broad term which can include kiosk, screen, wayfinder, video playlist, video wall, billboard, menu boards and interactive environments. Digital signage networks can be used to educate consumers, advertise products and brand

the environment in a dynamic fashion. Digital signage networks are also often used to educate employees. It is making inroads with non-profit organizations to share information.

Broadcast Television and Program Originators

Broadcast television consists of (1) broadcast networks (companies that distribute broadcast television channels nationally to their affiliates typically via satellite); and (2) broadcast stations (local stations which are typically affiliates of national broadcasters that distribute typically free-to-air television to local viewers). Program originators consist of programmers that provide television programming to cable, DTH satellite (direct-to-home) and telecom companies for distribution to consumers. Broadcast television and programmer customers include AXS-TV (formerly HDNET) Channel 22 (Mexico), OnceTV (Mexico) and TV Azteca.

Broadcast networks have launched high definition channels of all their primary broadcast channels and broadcast stations have launched high definition channels in most markets throughout the United States. Broadcast networks continue to see their viewership eroded by program originators.

Program originators continue to distribute their programming over satellite to cable, DTH satellite, and telecom companies. In addition, many offer programming through other means such as the internet and mobile phones. Program originators continue to launch new channels and original programming to compete for advertising dollars and are offering increasing numbers of HD channels, as well as distributing video-on-demand content.

Broadcast Radio

Broadcast radio consists of companies that broadcast, typically free-to-air, radio signals to local listeners. Radio network customers include BBC World Service, EMF Broadcasting, Westwood One (formerly Dial Global), Christian Radio Consortium, and Salem Radio Network.

Broadcast radio operators are interested in regionalizing their broadcasts to give a local feel to the programming. Where possible, they wish to offer affiliates flexibility to custom local broadcasts by shifting their programming for time-zones so that “drive times” are able to be addressed with particular morning and afternoon shows and advertisements, which can demand higher advertising dollars. In addition, they continue to come under pressure from advertisers to ensure verification and accuracy of advertisements.

PRODUCTS

Our products include: iPump® Media Servers, Unity® Satellite Receivers, Compel® Network Control and Content Management Systems, third-party uplink products and customized products. See Note 13 to the consolidated financial statements for information on the concentration of products representing 10% or more of revenues the past two fiscal years.

iPump® Media Servers

The iPump® product line combines the features of our integrated receiver decoders (IRD) with advanced media server functionality and IP router capabilities. The iPump® receives and stores television, radio and other digital files from broadcast, cable and business network operations utilizing file-based broadcasting technology compared to traditional real-time linear broadcasts. File-based broadcasting technology allows network operators to store content at receive locations with an iPump® and then play back the content locally either based on schedules or on-demand user selection. Network operators with repetitive content in their programming line-up can reduce their satellite space segment costs by sending programming, advertising and playback schedules via stored files into the iPump® for later playback according to the schedules. The network operator can then utilize limited satellite time to refresh the programming, advertising and play-out schedules without the necessity to maintain a constant signal on the satellite.

A feature of the iPump® and Compel® system is IP network delivery of files and commands to the iPump®. With this ability, network operators can launch iPump® networks over the internet or private IP networks. Additionally, they can control their network from one integrated Compel® control system while feeding select sites via IP that they cannot reach with their satellite either due to location outside of the satellite footprint or inability to place a satellite dish.

There were four models of the iPump® that utilize file-based broadcasting technology as of the end of fiscal 2015. The iPump® 6400 Professional Media Server is designed for broadcast television and private network customers. The iPump® 8640 Audio Media Server is designed specifically to meet the needs of radio broadcasters. The iPump® 562 and iPump® 525 Enterprise Media Servers are designed specifically for private network and enterprise applications, such as digital signage. The iPump® 562 and iPump® 525 Media Servers support MPEG-4/h.264 video decoding for high definition and standard definition video. In addition, the iPump® 562 supports Digital Video Broadcast (DVB)-S2 satellite demodulation. The iPump® 525 is designed specifically to support terrestrial content distribution and control. The iPump 700 series product family was released in fiscal 2014 starting with shipments of the iPump 762 Media Server targeted for digital signage applications.

We are targeting all of our core markets for the iPump® product line. Within these markets, applications for the iPump® products include: digital signage, corporate communications, training/education, time-zone shifting, regional advertising insertion, and news distribution.

Unity Receivers

The Unity® 552 is targeted to meet the needs of private and business television networks. The Unity® 552 supports MPEG-2 and MPEG-4/h.264 video with high definition support and DVB-S and DVB-S2 demodulation. By upgrading to MPEG-4/h.264 video and DVB-S2 modulation, network operators can reduce their bandwidth utilization by approximately half. This allows them to launch additional services, reduce their expenses or convert to high definition video. The Unity® 551 utilizes MPEG-2 for video distribution and is also targeted for private and business television networks.

The Unity® 4600 receiver is a digital satellite receiver used primarily by program originators to distribute analog and digital programming. DVB-S2 satellite demodulation support is available on the product.

The Unity® 202 audio receiver is designed for business music providers. It allows users to select audio formats and offers audio storage for advertising insertion and disaster recovery. It is our second generation file-based broadcasting business music receiver.

Compel® Network Control Systems

Our Compel® Network Control System has been a key differentiator to our products since 1989. Compel® is used in networks worldwide to control over 100,000 receivers, and it features grouping and addressing controls that provide flexibility in network management. Receivers can be controlled as individual sites and as groups. Commands are synchronized with video and audio programming, which allows users to regionalize programming and blackout programming from nonsubscribers, as well as target commercials to subscribers. Compel® network control systems include Compel® for radio broadcasting and background music applications and Compel® 2 for advanced content ingest, content management, digital signage, live and file-based video applications.

Compel® option modules include Conditional Access for satellite-enabled broadcasts. Conditional Access utilizes a secure microprocessor in Unity® and iPump® receiver to deliver fast, secure conditional access to a network without the high cost of smart card systems. Unity® satellite receivers and iPump® media servers are controlled by the Compel® Network Control System, so the markets for Compel® are the same as for iPump® and Unity® receivers.

The next generation of Compel® is the Compel® 2 network control system. Compel® 2 retains the features of the Compel® network control system while adding new features designed to enhance the user interface and simplify operations for dynamic media distribution. Compel® 2 supports multiple applications, users and networks. For digital signage applications, Compel® 2 features integrated standards-based ingest tools to streamline content management and optimize media player output and user friendly screens to help design, schedule and sequence custom combinations of video, graphics and text overlays. The control system has been streamlined by unifying many different screens and utilities within a single, user friendly, web-based graphical user interface. Using a web browser access, operators can control live and file-based media distribution networks from any web-enabled remote location. Built upon a scalable open architecture, Compel® 2 also makes it easier for network administrators to limit access of employees or affiliates to only those features and functions their jobs require. New set-up features allow administrators to create classes of users that designate each user's level of access.

CompelConnect.com™ provides the operations available in Compel® 2 as a software as a service (SaaS) offering. Customers can purchase rights to use Compel® 2 via the Internet on a monthly basis. We are targeting

smaller networks where the economics of the network could not support a Compel[®] purchase for the service. CompelConnect.com service revenues were less than 1% of total revenues in fiscal 2015 and fiscal 2014.

Uplink Equipment

We offer our customers complete system solutions for video and audio distribution. The complete system solution requires us to resell components, such as encoders, modulators and IP encapsulators from other manufacturers.

Customized Products

We offer our customers the option to create custom products for their needs when they cannot find off-the-shelf products to satisfy their requirements. They pay non-recurring engineering expenses through product pricing and/or up-front milestone payments. Typically the products are based on our standard products and require modifications to fit particular customer needs. This is an area of competitive advantage for us.

MARKET OPPORTUNITY

Growth opportunities are most significant in the technologies in which we have been making significant R&D investments, including file-based broadcasting technology, digital signage, IP terrestrial distribution and MPEG-4/h.264 technology and DVB-S2. See “Research and Development” below.

We have completed shipments of file-based broadcasting networks, including iPump[®], Compel[®] and MediaPlan[®], in multiple applications, including digital signage, virtual channel generation and broadcast radio. Some examples of iPump[®] applications are described below.

A private network customer for digital signage and distance training is using the iPump[®] for both signage and training applications simultaneously. The customer is using the iPump’s optional feature to generate two networks from a single unit. A third output is streamed from the iPump over Ethernet to SMD Set-Tops. Within a retail environment, the main output and the SMD are being used for advertising at the point of sale and in the electronics department by outputting high quality video advertisements to large video monitors. Within eight months of deployment, the customer generated a positive return on equipment expenses through advertising revenue. With this asset, the customer is also generating a back-room training center for its employees at each site, basically for free, since the advertisements are funding the network. The customer can create customized training schedules at each location depending on the employees’ availability, or the employees can watch the materials on demand.

The virtual channel application of the iPump[®] allows a current private network customer to reduce its budget for satellite bandwidth by greater than 90% of what it had been spending prior to upgrading to iPump[®]. Satellite bandwidth utilization was one of the customer’s largest operating expenses, so this reduction represents a sizable savings, allowing the customer to launch an additional channel. This network used to run continuously, utilizing satellite bandwidth the entire time; now the customer uses bandwidth only twice a month to update the iPumps[®] with new content, advertisements and playout schedules. This example demonstrates the significant savings that potential customers may achieve with the iPump[®].

iPump[®] broadcast radio customers are using file-based broadcasting technology to update its operations and enable localization of broadcasts. It allows them to send repetitive material to their affiliates a single time and provides an easy interface for affiliates to access the audio files. With the iPump[®], radio broadcasters can create a localized listening experience for each affiliate location to drive increased advertising dollars and listener loyalty. One customer regularly generates over 150,000 playlists per week through their iPump[®] network to localize all of its radio channels throughout the country.

The digital signage market is still very fragmented and as the industry consolidates, there is increased opportunity for our products. We have fielded multiple networks with over two thousand sites of digital signage into the banking sector. Other sectors with fielded iPump[®] networks include retail and medical.

Integrating IP terrestrial delivery into our products increases the market for them, since it enables customers to use them in tandem with satellite delivery networks, or completely autonomously with solely terrestrial delivery. Terrestrial delivery is particularly cost effective when networks have smaller numbers of receive locations. Integrating this function into our solutions allows us to target smaller networks for our solutions that had not been relevant with satellite only solutions.

Another area of growth for us relates to the development of MPEG-4/h.264 video decoding and DVB-S2 satellite demodulation products (see “Research and Development” below for additional information). The Unity® 552, iPump® 562 and iPump® 525 products offers MPEG-4/h.264 and/or DVB-S2 technology. The MPEG-4/h.264 standard is the latest evolutionary step in video compression and DVB-S2 is the newest technology in satellite modulation. The two technologies combined reduce the bandwidth requirements of satellite media distribution approximately in half. This reduction in bandwidth requirements is significant, as bandwidth utilization is one of the largest operating costs for our customers. This new technology can drive growth in two ways. First, existing satellite operators can replace their existing equipment with new MPEG-4/h.264 and DVB-S2 capable equipment since they can justify the capital expense with the operational benefits of the transition. Additionally, the lower operating expenses enable new business models to develop that could not be supported by the older technology’s cost structure.

SALES AND MARKETING

Domestically, we sell our products principally through our own direct sales force, which is organized geographically and by market segment. We have sales representatives in Georgia and Eastern Canada. We use a major domestic value added reseller for additional sales coverage in the cable market. We have relationships with a few key integrators as an additional sales channel. Internationally, we sell primarily through independent distributors and integrators, mostly in North America, South America and Europe. The majority of our sales have payment terms of net 30 days. Due to the technical nature of our business, system integration engineering supports sales.

Manufacturing and Suppliers; Sources and Availability of Raw Materials

During fiscal years 2015 and 2014, we used offshore manufacturers for a significant amount of our finished goods or component inventories. Two offshore manufacturers, with facilities located in Taiwan and the Peoples Republic of China, accounted for approximately 40% and 22%, respectively, of inventory purchases in fiscal 2015 and 33% and 20%, respectively, in fiscal 2014. Raw materials consist of passive electronic components, electronic circuit boards and fabricated sheet metal. Approximately 20% of our raw materials are purchased directly from manufacturers and the other 80% are purchased from distributors. Passive and active components include parts such as resistors, integrated circuits and diodes. We use approximately ten distributors and two contract manufacturers to supply our electronic components. We often use a single contract manufacturer or subcontractor to supply a total subassembly or turnkey solution for higher volume products. Direct suppliers provide sheet metal, electronic circuit boards and other materials built to specifications. We maintain relationships with approximately 20 direct suppliers. Most of our materials are available from a number of different suppliers; however, certain components used in existing and future products are currently available from a single or a limited number of sources. Although we believe that all single-source components currently are available in adequate quantities, there can be no assurance that shortages or unanticipated delivery interruptions will not develop in the future. Any disruption or termination of supply of certain single-source components or agreements with contract manufacturers could have an adverse effect on our business and results of operations. Our manufacturing operations consist primarily of final assembly and testing of our products, utilizing technically trained personnel, electronic test equipment and proprietary test programs.

Intellectual Property

Currently, we hold five U.S. patents. We retain a worldwide, non-exclusive, royalty-free license under the patents for use in both existing and future products. A patent covering advanced receiver grouping techniques in Compel® expired on November 14, 2008. In addition to the advanced grouping techniques, we believe Compel® offers other significant features and functionalities for complex network control applications that provide us with an advantage over competitive control systems. Compel®, which has been operational since 1989, will continue to be upgraded and enhanced. The expiration of the Compel® patent has, to date, not had a material adverse effect on our business and results of operations. However, no assurances may be given that a material adverse effect will not occur in the future (see Item 1A. “Risk Factors” section below).

We hold various active trademarks, such as Compel®, iPump®, Wegener® and Unity®.

Although we attempt to protect our intellectual property rights through patents, trademarks, copyrights, licensing arrangements and other measures, we cannot assure you that any patent, trademark, copyright or other intellectual property rights owned by us will not be invalidated, circumvented or challenged, that such intellectual property rights will provide competitive advantages to us, or that any potential future patent and trademark applications will be issued. We also cannot assure you that others will not develop technologies that are similar or

superior to our technology, duplicate our technology or design around the patents that we own. In order to develop and market successfully certain of our planned products for digital applications, we may be required to enter into technology development or licensing agreements with third parties. Although many companies are often willing to enter into such technology development or licensing agreements, we cannot assure you that such agreements will be negotiated on terms acceptable to us, or at all. The failure to enter into technology development or licensing agreements, when necessary, could limit our ability to develop and market new products and could cause our business to suffer. Third parties have in the past claimed, and may in the future claim, that we have infringed their current or future intellectual property rights. There can be no assurance that we will prevail in any intellectual property infringement litigation given the complex technical issues and inherent uncertainties in litigation. Even if we prevail in litigation, such litigation could result in substantial costs and diversion of resources and could negatively affect our business, operating results, financial position and cash flows.

Although we believe that the patents and trademarks we own are of value, we believe that success in our industry will be dependent upon new product introductions, frequent product enhancements, and customer support and service.

As of August 28, 2015, we have entered into approximately six license agreements for utilization of various technologies. These agreements currently require royalty payments, or may require future royalties for products under development, none of which are expected to have a material adverse effect on our financial condition or results of operations.

Seasonal Variations in Business

There do not appear to be any seasonal variations in our business.

Working Capital Practices

Information contained under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations" (MD&A) section of this report is incorporated herein by reference in response to this item.

Dependence upon a Limited Number of Customers

We sell to a variety of domestic and international customers on an open-unsecured account basis. These customers principally operate in the broadcast and private network industries. Sales to Corporation of the Presiding Bishop of The Church of Jesus Christ of Latter-Day Saints, SSL Digital S.A. de C.V., Westwood One and BBC World Service accounted for approximately 11.0%, 27.1%, 12.2% and 10.3% of revenues, respectively in fiscal 2015. Sales to Corporation of the Presiding Bishop of The Church of Jesus Christ of Latter-Day Saints, SSL Digital S.A. de C.V. and Westwood One accounted for approximately 15.6%, 28.7% and 13.9% of revenues, respectively in fiscal 2014. At August 28, 2015, three customers accounted for approximately 68.6%, 6.6% and 5.2%, respectively, of our accounts receivable while at August 29, 2014, three customers accounted for approximately 24.3%, 17.0% and 16.0%, respectively. Sales to a relatively small number of major customers have typically comprised a majority of our revenues. This trend is expected to continue in fiscal 2016 and beyond. The loss of one or more of these customers would likely have, at least in the near term, a material adverse effect on our results of operations.

Backlog of Orders

Our backlog is comprised of undelivered, firm customer orders, which are scheduled to ship within 18 months. Our eighteen month backlog was approximately \$2,880,000 at August 28, 2015, and \$2,331,000 at August 29, 2014. Approximately \$2,595,000 of the August 28, 2015, backlog is expected to ship during fiscal 2016. At August 28, 2015, three customers accounted for 88% of the eighteen month backlog and 87% of the backlog expected to ship during fiscal 2016. Reference is hereby made to the information contained in MD&A, which is incorporated herein by reference in response to this item.

Competitive Conditions

We compete both with companies that have substantially greater resources and with small specialized companies. Competitive forces generally change on a year-by-year basis for the markets we serve due to the length of time required to develop new products. Through relationships with component and integrated solution providers, we believe we are positioned to provide complete end-to-end digital video and audio systems to our customers.

Broadcast Television and Program Originators

Competition for our products in the broadcast television and program originators market is from large and well-established companies such as, Arris and Cisco. We believe our Unity® products have a competitive advantage with our advanced Compel® control, so we focus on opportunities where that advantage is of value to the customer.

Broadcast Radio

Competition is currently limited to a few companies for our iPump® Media Server in the broadcast radio market. Our solution includes Compel® Network Control and our full-featured iPump® 8640 Media Server. Broadcast radio networks are currently operating on aging networks. As a result there is much activity to replace this equipment while updating the technology deployed. We secured a order from one major radio broadcaster and are actively engaged with other networks. We feel we are in a good position to win a share of this business.

Business and Private Networks

Competition in the business and private networks market generally comes from companies with products tailored to the needs of the customer. Competition in this field is increasing, however we expect to be among the industry players. We believe our products are well positioned for this market and have competitive advantages, such as our powerful network control and targeting capabilities.

Research and Development

Our research and development activities are designed to strengthen and enhance our existing products and systems and to develop new products and systems. Our development strategy is to identify features, products and systems which are, or are expected to be, needed by a number of customers. A major portion of the fiscal 2015 and 2014 research and development expenses were spent on product development of our iPump® 8600 network radio product family, iPump® 700 series product family, and our Compel® network control software. WCI's research and development expenses totaled \$653,000 in fiscal 2015 and \$662,000 in fiscal 2014. Additional information contained in the "Products" and "Intellectual Property" sections above and in MD&A is incorporated herein by reference in response to this item.

Technological advances occur frequently in our industry and our product offerings must be upgraded with the advances to remain current with industry trends and attract potential customers. During fiscal 2015, we invested in file-based broadcasting, digital signage, and network management. We anticipate that we will continue to invest in these technologies in the coming years.

With our file-based broadcasting solutions, network operators can intersperse live broadcasts with files that are prepositioned on the receiver's hard drive before they are played to air. This allows operators to manage their bandwidth more closely and to regionalize their broadcasts to make them more relevant for each market. Our iPump® products, in combination with Compel®, provide advanced file-based broadcasting solutions for applications such as digital signage and broadcast radio.

The digital signage market requires products to integrate text and graphics onto the screen with video to aid in advertising, information distribution and branding. Our iPump® and Compel® products had major additions to the digital signage offerings during fiscal 2015 and 2014 to better serve the market.

Network control and management have long been a differentiator for our Unity® receivers and iPump® media servers. Through fiscal 2015, we continued to invest in network control for our products, which allows customers to create dynamic environments with their receivers and to gain additional advertising revenue by regionalizing broadcasts and advertisements. When network control is included in a file-based broadcasting network, it becomes a very complex operation to manage the media content and data files on media servers throughout the network. It is imperative to customers that it is managed properly, as the content often has limited viewing rights, so it must be deleted when rights have expired or replaced by newer versions over time. Network control and management products, such as Compel®, manage such operations.

Employees

As of August 28, 2015, we had 22 full-time employees and one part-time employee employed by WCI and no employees employed by Wegener Corporation. No employees are parties to a collective bargaining agreement and we believe that employee relations are good.

Available Information

Our Web site is <http://www.wegener.com>. Information contained on our Web site should not be considered incorporated by reference in this Annual Report.

EXECUTIVE OFFICERS

The executive officer of the Company is as follows:

Name and Business Experience	Age	Office Held
C. Troy Woodbury, Jr. President and Chief Executive Officer of the Company and WCI since October 2009. Treasurer and Chief Financial Officer of the Company from June 1988 to October 2009 and Director since 1989. Treasurer and Chief Financial Officer of WCI from 1992 to October 2009. Senior Vice President of Finance of WCI from March 2002 to October 2009. Executive Vice President of WCI from July 1995 to March 2002. Chief Operating Officer of WCI from September 1992 to June 1998. Group Controller for Scientific-Atlanta, Inc. from March 1975 to June 1988.	68	President and Chief Executive Officer of the Company and WCI

ITEM 1A. RISK FACTORS

Our business, financial condition and operating results can be affected by a number of factors, including those listed below, any one of which could cause our actual results to vary materially from recent results or from our anticipated future results. Any of these risks could also materially and adversely affect our business, financial condition or the price of our common stock.

We may not have sufficient near term liquidity and capital to meet our operating cash requirements on a consistent quarterly and day to day basis. Therefore, we believe we need to consummate a sale of the Company for which no assurance may be given that such a transaction will be completed.

On September 26, 2013, the Board of Directors unanimously approved an all stock offer term sheet for the acquisition of Wegener Corporation. On February 5, 2014, it was announced that Novra Technologies, Inc. (Novra) would be the acquiring company and that Novra would also acquire privately held Westport Research Associates, Inc. The transaction is subject to due diligence, approval by Wegener Corporation shareholders and other terms and conditions, therefore, no assurances may be given that the transaction will be completed.

As discussed below, if we are unable to consummate the sale of the Company or alternatively generate sufficient additional cash liquidity in the very near term, we will most likely be required to significantly curtail or restructure our operations and as a result may require the Company to enter into bankruptcy proceedings or cease operations.

Our line of credit balance during at August 28, 2015 was at the maximum available credit limit of \$1,125,000 and the balance on the demand discretionary credit facility was at the maximum limit of \$300,000. Our cash flow requirements during fiscal 2015 were financed primarily by an increase in borrowings on our line of credit, new borrowings from and a note payable to Novra, an increase in customer deposits and a decrease in our cash balances. Additional liquidity was provided by a non-binding discretionary inventory purchase arrangement with Novra (see discussion below). Our working capital deficit was \$5,821,000 at August 28, 2015 compared to \$8,500,000 at August 29, 2014. Our bookings and revenues during fiscal 2015, as well as to date in fiscal 2016, have been insufficient to attain profitable operations and to provide adequate levels of cash flow from operations. The amount of orders scheduled to ship during each quarter of fiscal 2016 from the August 28, 2015 backlog, along with bookings subsequent to August 28, 2015, are currently insufficient to provide adequate levels of liquidity on a consistent quarterly and day to day basis during those periods. Our day to day liquidity during fiscal 2015 and continuing to date in fiscal 2016 has been adversely impacted by our low level of revenues and bookings. Although no assurances may be given and significant fiscal 2016 bookings are currently needed to meet our fiscal 2016 forecast, we believe fiscal 2016 revenues will increase during each quarter compared to fiscal 2015. If revenues increase in fiscal 2016 as forecasted, our available cash liquidity would increase during fiscal 2016 compared to fiscal 2015 as revenues convert to cash collections. However, we believe on a day to day operating basis within each of the fiscal 2016 quarters, we will likely need additional liquidity assistance from additional borrowings from our existing lender, continued purchasing assistance from Novra and/or customer deposits. There is no assurance

that sufficient levels of day to day cash liquidity will be available when needed from those current sources to provide for timely payment of operating expenses and to allow for timely inventory purchases required to meet the forecast requirements. As a result, we believe we will need to consummate the sale of the Company to Novra. Alternatively, we would need additional liquidity from one or more of the following sources; additional capital or additional borrowings from either existing or other lenders, continued and possible additional credit limits as well as continued extended payment terms from offshore and domestic suppliers, increased customer deposits from future bookings and/or other financial alternatives or arrangements to provide adequate liquidity to pay our current level of operating expenses, to provide for anticipated inventory purchases during each quarter of fiscal 2016 and possibly beyond which will be required for our current level of anticipated revenues during those periods and to reduce past due amounts owed to vendors and service providers.

We currently have limited sources of capital, including the public and private placement of equity securities and additional debt financing. No assurances can be given that additional capital or borrowings or other sources of liquidity discussed above would be available in the very near term to allow us to continue as a going concern. Therefore, if we are unable to consummate the sale of the Company or alternatively, if additional capital or borrowings or other sources of liquidity are unavailable, we will likely be forced to significantly curtail or restructure our operations during fiscal 2016 and beyond, which would likely have a material adverse effect on our financial position and results of operations and impact our ability to continue as a going concern and as a result may require the Company to enter into bankruptcy proceedings or cease operations. See also Note 1 to the Consolidated Financial Statements and “MD&A- Liquidity and Capital Resources.”

We do not have sufficient liquidity required to purchase inventory and as a result we are relying on a non-binding discretionary inventory purchase arrangement.

At August 28, 2015, our net inventory balances increased \$106,000 to \$425,000 from \$319,000 at August 29, 2014, which compared to \$630,000 at August 30, 2013. We will need to increase inventory purchases beginning in the first quarter of fiscal 2016 and continuing through the remainder of fiscal 2016 in order to have sufficient inventory balances to support anticipated revenue levels during those periods. Many of the anticipated inventory purchases have long lead time delivery schedules. During fiscal 2014, we did not have sufficient liquidity to purchase required inventories with offshore and certain domestic vendors. As a result, Novra agreed to enter into a non-binding discretionary inventory purchase arrangement with Wegener under which Novra would provide assistance for limited inventory purchases. Under this arrangement, inventory purchases would be made by Novra and resold to Wegener at cost plus a 5% markup. As of August 28, 2015, approximately \$1,223,000 of inventory purchase orders was placed under this arrangement. Approximately \$916,000 of the inventory purchases was received as of August 28, 2015. Approximately \$483,000 was owed to Novra pursuant to the purchase arrangement and is included in the accounts payable balance at August 28, 2015. This discretionary arrangement may be terminated at anytime. Therefore, no assurance may be given that this arrangement will provide sufficient levels of timely inventory purchases to meet required delivery schedules of potential future bookings. In the event Novra were to terminate the purchase arrangement prior to consummation of the acquisition of Wegener, we will not have sufficient inventory on hand to meet anticipated quarterly revenue levels in fiscal 2016 and beyond. This would have a material adverse impact on our financial results and future cash flow from operations and the ability to meet our financial projections and would likely impact our ability to continue as a going concern and as a result likely require the Company to enter into bankruptcy proceedings or cease operations. See also Note 1 to the Consolidated Financial Statements and “MD&A- Current Developments and Liquidity and Capital Resources.”

Our inability to pay vendors within normal trade payment terms could adversely impact our operations.

Our bookings and revenues during fiscal 2015, as well as to date in fiscal 2016, have been insufficient to attain profitable operations and to provide adequate levels of cash flow from operations. During fiscal 2015 and fiscal 2014, as well as to date in fiscal 2016, due to insufficient cash flow from operations and maximum borrowing limitations under our loan facility, we negotiated extended payment terms with our offshore vendor and have been extending other vendors beyond normal payment terms. Until such vendors are paid within normal payment terms, no assurances can be given that required services and materials needed to support operations will continue to be provided. In addition, no assurances can be given that vendors will not pursue legal means to collect past due balances owed. Any interruption of services or materials would likely have an adverse impact on our operations. See also Note 1 to the Consolidated Financial Statements and “MD&A- Liquidity and Capital Resources.”

Our lender has the right to terminate our loan facility at any time by providing a not more than ten (10) day written notice of termination and our additional credit agreement is payable on demand.

Our loan facility matured on April 7, 2015 and automatically renews for successive twelve (12) month periods provided, however, the Trust may terminate the facility, as further amended August 26, 2013, by providing a not more than ten (10) day written notice of termination at any time. Our credit agreement entered into on August 26, 2013 is payable on demand. In the event of a notice of termination of our loan facility or a demand for payment of our outstanding balance on our credit agreement, we would need to obtain additional credit facilities or raise additional capital to continue as a going concern and to execute our business plan. There is no assurance that such financing would be available or, if available, that we would be able to complete financing on satisfactory terms.

Our future bookings, revenues, cash flow from operations and operating results are difficult to predict and may fluctuate materially.

Our future operating results are difficult to predict and may be materially affected by a number of factors, including: the timing of purchasing decisions by our customers, the timing of new product announcements or introductions by us or our competitors, competitive pricing pressures, adequate availability of components and offshore manufacturing capacity. Additional factors affecting our operating results include our ability to hire, retain and motivate adequate numbers of engineers and other qualified employees, changes in product mix, and the effect of adverse changes in economic conditions in the United States and international markets. In addition, our markets have historically been cyclical and subject to significant economic downturns. Our business is subject to rapid technological changes and there can be no assurance, depending on the mix of future business, that products stocked in inventory will not be rendered obsolete before we ship them. Our cash collections from our accounts receivable are impacted by the timing and levels of our bookings and revenues. As a result of these and other factors, there can be no assurance that we will not experience material fluctuations in future operating results and cash flows from operations on a quarterly or annual basis.

The volatility and disruption of the capital and credit markets, and adverse changes in the global economy, will likely have a negative impact on our ability to access the capital and credit markets.

The capital and credit markets remain tight as a result of adverse economic conditions that have caused the failure and near failure of a number of large financial services companies. If the capital and credit markets continue to experience crisis and the availability of funds remains low, it is likely that our ability to access the capital and credit markets will be limited, available on less favorable terms or not available at all during this period in the event we need to raise additional capital or obtain additional credit facilities in order to continue as a going concern. In addition, if current global economic conditions persist for an extended period of time or worsen substantially, our business may suffer in a manner which could cause us to fail to satisfy the representations, warranties and covenants to which we are subject under our existing credit facility.

Conditions and changes in the national and global economic environments, recent fluctuations in foreign currency exchange rates and weakness in commodity and oil prices may adversely affect our business and financial results.

Economic conditions have been weak and global financial markets have experienced a severe downturn. The current global economic slowdown and tight credit markets has led many of our customers to delay or plan lower capital expenditures, and we believe that these economic and credit conditions caused certain of our customers to reduce or delay orders for our products. If adverse economic and credit conditions resulting from slower economic activity and tight credit markets remain weak or deteriorate further, we may continue to experience a material adverse impact on our business, financial condition and results of operations. Two of our customers, which conduct their business primarily in Latin America, could be adversely impacted by recent foreign currency fluctuations and weakness in commodity and oil prices which could impact their customer's decisions regarding the timing of purchasing decisions.

The Nasdaq Stock Market delisted our securities, which could limit investors' ability to trade in our securities and we filed a Certification and Notice of Termination of Registration on Form 15 with the Securities and Exchange Commission to terminate our registration as a public company.

During fiscal 2010, we were unable to maintain compliance with the listing requirements of The Nasdaq Stock Market (Nasdaq). As a result on April 20, 2010, we received notification from Nasdaq that our common stock would be delisted. Nasdaq suspended trading of our common stock shares effective at the open of trading on April 22, 2010 and our common stock has not traded on NASDAQ since that time. As a result, on April 22, 2010, our common stock began trading over-the-counter under the symbol WGNR. On June 9, 2010, NASDAQ filed a Form

25 with the Securities and Exchange Commission to complete the delisting. The delisting became effective ten days after the filing of Form 25.

On November 19, 2012, the Company filed a Certification and Notice of Termination of Registration on Form 15 with the Securities and Exchange Commission which immediately suspended the Company's duty to file any reports required under Section 13(a) of the Securities Exchange Act of 1934, as amended. Official termination of the Company's registration took effect 90 days after such filing. Beginning November 19, 2012, the Company's stock continued to trade over-the-counter within the OTC Market Group's Pink Tier.

The delisting of our common stock by Nasdaq and the filing to terminate our registration as a public company could adversely affect the trading market for our common stock, as price quotations may not be as readily obtainable, which would likely have a material adverse effect on the market price of our common stock and the Company's ability to raise additional capital.

We have in the past experienced delays in product development and introduction, and there can be no assurance that we will not experience further delays in connection with our current product development or future development activities.

Delays in development, testing, manufacture and/or release of new products or features, including digital receivers, Compel® network control software, MediaPlan® content management software, streaming media, and other products could adversely affect our sales and results of operations. In addition, there can be no assurance that we will successfully identify new product opportunities, develop and bring new products to market in a timely manner and achieve market acceptance of our products, or that products and technologies developed by others will not render our products or technologies obsolete or noncompetitive.

Our lengthy and variable qualification and sales cycles make it difficult to predict the timing of a sale or whether a sale will be made.

As is typical in our industry, our customers may expend significant efforts in evaluating and qualifying our products. This evaluation and qualification process frequently results in a lengthy sales cycle, typically ranging from three to six months and sometimes longer. While our customers are evaluating our products and before they place an order with us, we may incur substantial sales, marketing, and research and development expenses, expend significant management efforts, increase manufacturing capacity and order long-lead-time supplies prior to receiving an order. Even after this evaluation process, it is possible that a potential customer will not purchase our products.

Our customer base is concentrated and the loss of one or more of our key customers would harm our business.

Sales to a relatively small number of major customers have typically comprised a majority of our revenues, and that trend is expected to continue throughout fiscal 2016 and beyond. In fiscal 2015, four customers accounted for approximately 27.1%, 12.2%, 11.0% and 10.3% of revenues, respectively. In fiscal 2014, three of these customers accounted for approximately 28.7%, 13.9% and 15.6% of revenues, respectively. At August 28, 2015, three customers accounted for 88% of the eighteen month backlog and 87% of the backlog expected to ship during fiscal 2016. In addition, recent disruptions in global economic and market conditions could result in decreases in demand for our products as tight credit conditions in financial markets may adversely affect the ability of our major customers to obtain financing for significant purchases. The loss of any significant customer or any reduction in orders by any significant customer would adversely affect our business and operating results and potentially our liquidity.

We rely on third-party subcontractors, certain suppliers and offshore manufacturers.

We use offshore manufacturers for a significant amount of finished goods or component inventories. Two offshore manufacturers, with facilities located in Taiwan and the Peoples Republic of China, accounted for approximately 40% and 22%, respectively, of inventory purchases in fiscal 2015 and 33% and 20%, respectively, in fiscal 2014. Certain raw materials, video sub-components and licensed video processing technologies used in existing and future products are currently available from a single source or limited sources. Any disruption or termination of supply of certain single-source components or technologies, or interruption of supply from offshore manufacturers, would likely have a material adverse effect on our business and results of operations, at least in the near term.

Our intellectual property rights may be insufficient to protect our competitive position. In addition, our pending or future intellectual property applications may not be issued.

We hold five U.S. patents and several active trademarks, such as Compel®, iPump®, Wegener® and Unity®. (see also “Intellectual Property” section above). Although we attempt to protect our intellectual property rights through patents, trademarks, copyrights, licensing arrangements and other measures, we cannot assure you that any patent, trademark, copyright or other intellectual property rights owned by us will not be invalidated, circumvented or challenged, that such intellectual property rights will provide competitive advantages to us, or that any potential future patent and trademark applications will be issued. We also cannot assure you that others will not develop technologies that are similar or superior to our technology, duplicate our technology or design around the patents that we own.

We may not be able to license necessary third-party technology or it may be expensive to do so. In addition, claims that we infringe third-party intellectual property rights could result in significant expenses and restrictions on our ability to sell our products in particular markets.

In order to develop and market successfully certain of our planned products for digital applications, we may be required to enter into technology development or licensing agreements with third parties. Although many companies are often willing to enter into such technology development or licensing agreements, we cannot assure you that such agreements will be negotiated on terms acceptable to us, or at all. The failure to enter into technology development or licensing agreements, when necessary, could limit our ability to develop and market new products and could cause our business to suffer. Third parties have in the past claimed, and may in the future claim, that we have infringed their current or future intellectual property rights. There can be no assurance that we will prevail in any intellectual property infringement litigation given the complex technical issues and inherent uncertainties in litigation. Even if we prevail in litigation, such litigation could result in substantial costs and diversion of resources and could negatively affect our business, operating results, financial position and cash flows.

Competition in our industry is intense and can result in reduced sales and market share.

We compete with companies that have substantially larger operations and greater financial, engineering, marketing, production and other resources than we have. These competitors may develop and market their products faster, devote greater marketing and sales resources, or offer more aggressive pricing, than we can. As a result, this could cause us to lose orders or customers or force reductions in pricing, all of which would have a material adverse effect on our financial position and results of operations.

Our business is subject to rapid changes in technology and new product introductions.

The market for our products is characterized by rapidly changing technology, evolving industry standards and frequent product introductions. Product introductions are generally characterized by increased functionality and better quality, sometimes at reduced prices. The introduction of products embodying new technology may render existing products obsolete and unmarketable. Our ability to successfully develop and introduce on a timely basis new and enhanced products that embody new technology, and achieve levels of functionality and price acceptable to the market, will be a significant factor in our ability to grow and to remain competitive. If we are unable, for technological or other reasons, to develop competitive products in a timely manner in response to changes in the industry, our business and operating results will be materially and adversely affected.

Our stock price is subject to volatility.

Our common stock has experienced substantial price volatility and such volatility may occur in the future, particularly as a result of quarter to quarter variations in the actual or anticipated financial results of the Company or other companies in the satellite communications industry or in the markets we serve. These and other factors may adversely affect the market price of our common stock.

ITEM 2. PROPERTIES

Our executive, sales, engineering and administrative offices and manufacturing facility are located at 11350 Technology Circle, Johns Creek, Georgia 30097-1502. This 40,000 square foot facility, which is located on a 4.7 acre site, was purchased by WCI in February 1987. During August 1989, WCI purchased an additional 4.4 acres of adjacent property which remains undeveloped. WCI's 40,000 square foot facility, including the 4.7 acre site on which the building is located, and 4.4 acres of adjacent land were pledged as collateral under our line of credit

facility. During the second quarter of fiscal 2015, WCI transferred title of its land, including 4.4 acres of undeveloped land, and its 40,000 square foot building and related improvements (“properties”) as payment against the outstanding balances owed under its revolving line of credit (See Notes 5 and 9 to the Consolidated Financial Statements contained in this report). In addition as part of the property transfer, WCI entered into a triple net lease agreement for the building facility. The initial term of the lease agreement is two years beginning December 1, 2014, with an option to renew for up to three consecutive renewal terms of one year each. Rental payments are \$15,000 per month during the initial term and \$18,000 per month during any renewal term.

ITEM 3. LEGAL PROCEEDINGS

On June 1, 2006, a complaint was filed by Rembrandt Technologies, LP (Rembrandt) against Charter Communications, Inc. (Charter), Cox Communications Inc. (Cox), CSC Holdings, Inc. (CSC) and Cablevisions Systems Corp. (Cablevision) in the United States District Court for the Eastern District of Texas alleging patent infringement. The complaint alleges that products and services sold by Charter infringe certain Rembrandt patents related to cable modem, voice-over internet, and video technology and applications. Wegener has not been named a party in the suit. However, subsequent to December 1, 2006, Charter has requested us to defend and indemnify Charter to the extent that the Rembrandt allegations are premised upon Charter’s use of products that we have sold to Charter. To date, we have not agreed to Charter’s request.

On June 1, 2006, a complaint substantially similar to the above described suit was filed by Rembrandt against Time Warner Cable (TWC) in the United States District Court for the Eastern District of Texas. Wegener has not been named a party in the suit, but TWC has requested us (as well as other equipment vendors) to contribute a portion of the defense costs related to this matter as a result of the products that we and others have sold to TWC. To date, we have not agreed to contribute to the payment of legal costs related to this case.

In addition, Cisco Systems, Inc. (Scientific Atlanta) has made indemnity demands against us, related to the fact that a number of Cisco’s customers that are defendants in the Rembrandt lawsuit have made indemnity demands against Cisco. Cisco’s demands are based upon allegations that Wegener sold devices to these companies that are implicated by the patent infringement claims in the Rembrandt lawsuit. To date, we have not agreed to Cisco’s demands.

These actions have been consolidated into a multi-district action pending in the United States District Court for the District of Delaware. On October 23, 2009, the Delaware District Court issued an Order dismissing eight of the substantive patent claims embodied in the consolidated action, as well as all counterclaims. The parties also have agreed to summary judgment of non-infringement on a remaining patent claim. On September 7, 2011, the Delaware District Court issued a Final Judgment and Order dismissing the claims. On November 13, 2009, the Court allowed the parties to the consolidated lawsuits to file motions for fees and costs with respect to one another. On July 13, 2011, the Court ruled that the motion for attorney’s fees and costs was premature. On September 28, 2011, Rembrandt Technologies LP filed a Notice of Appeal from the Court’s September 7, 2011 judgment, the Court’s construction ruling concerning one of the patents in question, and all prior rulings, orders and judgments of the Court. On October 22, 2012, the Court of Appeals for the Federal Circuit affirmed the District Court’s construction ruling and September 7, 2011 judgment. On December 6, 2012, the District Court ordered that the motion by certain attorneys for fees and costs would be deemed refiled as of September 7, 2011. At this point, we are presently unable to assess the impact, if any, of this litigation on Wegener.

On October 4, 2010, a Second Amended Complaint was filed by Multimedia Patent Trust (MPT) against Fox News Networks, LLC (Fox News) and other parties in the United States District Court for the Southern District of California for patent infringement. (The initial Complaint was filed on January 19, 2010). The Second Amended Complaint asserts that Fox News has infringed upon certain MPT patents relating to video compression, encoding and decoding. This litigation may be very expensive to defend and there could be significant financial exposure if MPT is successful in its claims. On November 3, 2010, however, Fox News wrote to Wegener, asking Wegener to fully indemnify, hold harmless and defend Fox News in connection with the litigation. In its letter, Fox News states that it has identified Wegener as a vendor that provided Fox News with products and/or services relating to video compression. Fox News states further that it believes that MPT’s claims give rise to indemnity obligations and other obligations for Wegener products obtained from Wegener by Fox News. The November 3, 2010 letter asked Wegener to acknowledge such tender on or before November 24, 2010. Wegener has not agreed to do so, nor has Wegener acknowledged or agreed that the specific claims against Fox News by MPT give rise to such obligations on the part of Wegener. On August 11, 2011, counsel for MPT served a subpoena on Wegener seeking certain documents relating to the subject matter of the patent infringement action. On September 8, 2011, Wegener

produced certain documents in response to that subpoena. In March 2012 counsel for MPT withdrew the subpoena. At this point, we are unable to assess the impact of this litigation, if any, on Wegener.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

On April 22, 2010, our Common Stock began trading over-the-counter under the symbol WGNR. Prior to April 22, 2010 our Common Stock traded on The NASDAQ Stock Market. As of October 16, 2015, there were less than 400 holders of record of our Common Stock. This number does not reflect beneficial ownership of shares held in nominee or “street” name.

The quarterly ranges of high and low sale prices for fiscal 2015 and 2014 were as follows:

	Fiscal 2015		Fiscal 2014	
	High	Low	High	Low
First Quarter	\$.05	\$.03	\$.10	\$.01
Second Quarter	.03	.01	.11	.05
Third Quarter	.04	.01	.09	.05
Fourth Quarter	.02	.01	.05	.05

Dividends

We have not paid any cash dividends on our Common Stock. For the foreseeable future, our Board of Directors does not intend to pay cash dividends, but rather plans to retain any earnings to support our operations. Furthermore, we are prohibited from paying dividends under our loan agreement, as more fully described in MD&A and in Note 9 to the Consolidated Financial Statements contained in this report.

Recent Sales of Unregistered Securities

On December 6, 2010, pursuant to our 2010 Incentive Plan, the Compensation Committee authorized the issuance to all eligible employees of the Company common stock options to purchase an aggregate of 563,700 shares of common stock and issued equally to the four non-employee members of the Board common stock options to purchase an aggregate of 100,000 shares of common stock. Stock options for 638,700 shares of common stock are exercisable at \$0.125 and one stock option for 25,000 shares of common stock, issued to a 10% or greater stockholder and executive officer, is exercisable at \$0.1375. The options vested upon issuance and expire five years from the date of issuance. In addition, 500,000 shares of restricted common stock were granted to two executive officers. The issuances of the restricted stock were made in reliance upon an exemption from securities registration afforded by the provisions of Section 4(2) of the Securities Act of 1933, as amended, and the provisions of Regulation D promulgated thereunder.

On March 20, 2013, pursuant to the 2010 Incentive Plan, the Compensation Committee authorized the issuance to a marketing consultant, for services rendered, a common stock option to purchase an aggregate of 75,000 shares of common stock exercisable at \$0.04. The option vests upon issuance and expires five years from the date of issuance.

On September 16, 2013, in conjunction with an incentive to provide financial assistance and an incentive to a potential acquisition transaction, the Board of Directors authorized the issuance of a common stock option to Novra Technologies, Inc. to purchase an aggregate of 15,000,000 (fifteen million) shares of common stock exercisable at \$0.03 (the “Option Agreement”). The option is exercisable upon issuance and had an initial expiration date of September 30, 2014. On July 9, 2014, the Board of Directors authorized an amendment to the Option Agreement to extend the expiration date to December 31, 2015, with all other terms and conditions of the option remaining unchanged.

On November 24, 2014, pursuant to our 2010 Incentive Plan, the Compensation Committee authorized the issuance to an employee of the Company a common stock option to purchase an aggregate of 30,000 shares of

common stock exercisable at \$0.03. The option vests upon issuance and expires five years from the date of issuance.

As of August 28, 2015, registration statements for the 2010 Incentive Plan and for the Option Agreement have not been filed. Therefore, all of the foregoing securities are deemed restricted securities for purposes of the Securities Act.

Equity Compensation Plan Information

The following table summarizes information as of August 28, 2015, regarding our Common Stock reserved for issuance under our equity compensation plans.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options (a)	Weighted-Average Exercise Price of Outstanding Options (b)	Number of Securities Remaining Available for Future Issuance Under the Plans (Excluding Securities Reflected in Column (a)) (c)
Equity Compensation Plans Approved by Security Holders	650,800	\$0.175	1,394,200
Equity Compensation Plans Not Approved by Security Holders	-	-	-
Total	650,800	\$0.175	1,394,200

ITEM 6. SELECTED FINANCIAL DATA

SELECTED FINANCIAL DATA (in thousands, except per share amounts)

	August 28, 2015	August 29, 2014	August 30, 2013	August 31, 2012	September 2, 2011
Revenues, net	\$3,187	\$3,163	\$4,522	\$7,195	\$9,111
Operating (loss)	(708)	(1,255)	(1,687)	(2,413)	(1,100)
Net earnings (loss) (a)	1,589	(1,638)	(2,056)	(2,782)	(1,466)
Net earnings (loss) per share					\$ (.11)
Basic	\$.12	\$ (.12)	\$ (.16)	\$ (.21)	
Diluted	\$.12	\$ (.12)	\$ (.16)	\$ (.21)	\$ (.11)
Cash dividends paid per share (b)	-	-	-	-	-
Total assets	\$1,119	\$2,093	\$2,495	\$4,915	\$ 7,285
Long-term obligations inclusive of current maturities	-	-	-	-	-

(a) The year-ended August 28, 2015 includes a gain on sale of assets of \$2,473,000.

(b) We have never paid cash dividends on our Common Stock and do not intend to pay cash dividends in the foreseeable future. Additionally, our line of credit precludes the payment of dividends.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Certain statements contained in this filing are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, and the Company intends that such forward-looking statements are subject to the safe harbors created thereby. Forward-looking statements may be identified by words such as "believes," "expects," "projects," "plans," "anticipates," and similar expressions, and include, for example, statements relating to expectations regarding future sales, income and cash flows. Forward-looking statements are based upon the Company's current expectations and assumptions, which are subject to a number of risks and uncertainties including, but not limited to: the Company's ability to continue as a going concern; customer acceptance and effectiveness of recently introduced products; development of additional business for the Company's digital video and audio transmission product lines; effectiveness of the sales organization; the successful development and introduction of new products in the future; delays in the conversion by private and broadcast networks to next generation digital broadcast equipment; acceptance by various networks of standards for digital broadcasting; the Company's liquidity position and capital resources; general market and industry conditions which may not improve during fiscal year 2016 and beyond; and success of the Company's research and development efforts aimed at developing new products. Additional potential risks and uncertainties include, but are not limited to, economic conditions, customer plans and commitments, product demand, government regulation, rapid technological developments and changes, intellectual property disputes, performance issues with key suppliers and subcontractors, delays in product development and testing, availability of raw materials, new and existing well-capitalized competitors, and other risks and uncertainties detailed from time to time in the Company's periodic Securities and Exchange Commission filings prior to November 19, 2012 and subsequent to November 19, 2012 our reports posted to the OTC Disclosure and News Service, including the Company's most recent Annual Report (unaudited). Such forward-looking statements are subject to risks, uncertainties and other factors and are subject to change at any time, which could cause actual results to differ materially from future results expressed or implied by such forward-looking statements.

These risks were exacerbated by the 2008 crisis in national and international financial markets and the resulting global economic downturn and we are unable to predict with certainty what long-term effects these developments will continue to have on our Company. We believe the continued global economic downturn and resulting adverse economic and credit conditions have adversely affected our business, financial condition and results of operations in fiscal years 2015 and 2014.

Forward-looking statements speak only as of the date the statement was made. The Company does not undertake any obligation to update any forward-looking statements.

OVERVIEW

We design and manufacture satellite communications equipment through Wegener Communications, Inc. (WCI), a wholly-owned subsidiary. WCI is an international provider of digital video and audio solutions for broadcast television, radio, private and cable networks. With over 30 years experience in optimizing point-to-multipoint multimedia distribution over satellite, fiber, and IP networks, WCI offers a comprehensive product line that handles the scheduling, management and delivery of media rich content to multiple devices, including video screens, computers and audio devices. WCI focuses on long- and short-term strategies for bandwidth savings, dynamic advertising, live events and affiliate management.

WCI's product line includes: iPump® media servers for file-based and live broadcasts; Compel® Network Control and Compel® Conditional Access for dynamic command, monitoring and addressing of multi-site video, audio, and data networks; and the Unity® satellite media receivers for live radio and video broadcasts. Applications served include: digital signage, linear and file-based TV distribution, linear and file-based radio distribution, Nielsen rating information, broadcast news distribution, business music distribution, corporate communications, video and audio simulcasts.

We operate on a 52-53 week fiscal year. The fiscal year ends on the Friday nearest to August 31. Fiscal years 2015 and 2014 contained fifty-two weeks. All references herein to 2015 and 2014 refer to the fiscal years ended August 28, 2015 and August 29, 2014, respectively.

Our fiscal 2015 revenues increased \$24,000, or 0.8%, to \$3,187,000 from \$3,163,000 in fiscal 2014. Our net earnings for fiscal 2015 were \$1,589,000 or \$0.12 per share compared to a net loss of \$(1,638,000) or \$(0.12) per

share for fiscal 2014. Net earnings for fiscal 2015 included a one time gain on sale of assets in the amount of \$2,473,000.

The accompanying Consolidated Financial Statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the possible inability of the Company to continue as a going concern.

Current Developments

On February 5, 2014, Wegener Corporation announced that it will be acquired by Novra Technologies, Inc. (Novra) in an all stock transaction. This transaction is subject to Novra's due diligence, the approval of Wegener Corporation shareholders, and other terms and conditions. Novra will also acquire privately held Westport Research Associates, Inc. of Raytown, MO. Wegener Corporation previously announced on September 26, 2013, that the Board of Directors had unanimously approved a Term Sheet for the acquisition. In addition, during fiscal 2014, Novra agreed to enter into a non-binding discretionary inventory purchase arrangement with Wegener under which Novra would provide assistance for limited inventory purchases. (See the Liquidity and Capital Resources section for further discussion.)

On November 19, 2012, the Company filed a Certification and Notice of Termination of Registration on Form 15 with the Securities and Exchange Commission which immediately suspended the Company's duty to file any reports required under Section 13(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The Company's Board of Directors unanimously determined that termination of the Company's registration as a public company under Exchange Act is in the Company's best interests. The Board reached its determination after a careful analysis of the benefits of public registration versus the significant on-going costs of registration, particularly for smaller registrants such as the Company. Official termination of the Company's registration took effect 90 days after such filing.

Current Financial Position and Liquidity

As discussed below, if we are unable to consummate the sale of the Company or alternatively generate sufficient additional cash liquidity in the very near term, we will most likely be required to significantly curtail or restructure our operations and as a result may require the Company to enter into bankruptcy proceedings or cease operations.

During the first, second, third and fourth quarters of fiscal 2015 bookings were approximately \$769,000, \$482,000, \$614,000 and \$1,449,000, respectively. These fiscal 2015 bookings and fiscal 2016 bookings to date, as well as our fiscal 2014 bookings, were well below our expectations and internal forecasts primarily as a result of customer delays in purchasing decisions, deferral of project expenditures and general adverse economic and credit conditions.

Our day to day liquidity during fiscal 2015 and continuing to date in fiscal 2016 has been adversely impacted by our low level of revenues and bookings. Although no assurances may be given and significant fiscal 2016 bookings are currently needed to meet our fiscal 2016 forecast, we believe fiscal 2016 revenues will increase during each quarter compared to fiscal 2015. If revenues increase in fiscal 2016 as forecasted, our available cash liquidity would increase during fiscal 2016 compared to fiscal 2015 as revenues convert to cash collections. However, we believe on a day to day operating basis within each of the fiscal 2016 quarters, we will likely need additional liquidity assistance from additional borrowings from our existing lender, continued purchasing assistance from Novra and/or customer deposits. There is no assurance that sufficient levels of day to day cash liquidity will be available when needed from those current sources to provide for timely payment of operating expenses and to allow for timely inventory purchases required to meet the forecast requirements. As a result, we believe we will need to consummate the sale of the Company to Novra. Alternatively, we would need additional liquidity from one or more of the following sources; additional capital or additional borrowings from either existing or other lenders, continued and possible additional credit limits as well as continued extended payment terms from offshore and domestic suppliers, increased customer deposits from future bookings and/or other financial alternatives or arrangements to provide adequate liquidity to pay our current level of operating expenses, to provide for anticipated inventory purchases during each quarter of fiscal 2016 and possibly beyond which will be required for our current level of anticipated revenues during those periods and to reduce past due amounts owed to vendors and service providers.

We currently have limited sources of capital, including the public and private placement of equity securities and additional debt financing. No assurances can be given that additional capital or borrowings or other sources of liquidity discussed above would be available to allow us to continue as a going concern. Therefore, if we are

unable to consummate the sale of the Company or alternatively, if additional capital or borrowings or other sources of liquidity are unavailable, we will likely be forced to significantly curtail or restructure our operations during fiscal 2016 and beyond, which would likely have a material adverse effect on our financial position and results of operations and impact our ability to continue as a going concern and as a result may require the Company to enter into bankruptcy proceedings or cease operations. (See Note 1 to the Consolidated Financial Statements).

Our cash flow requirements during fiscal 2015 were financed primarily by an increase in borrowings on our line of credit, new borrowings from and a note payable to Novra, an increase in customer deposits and a decrease in our cash balances. Additional liquidity was provided by a non-binding discretionary inventory purchase arrangement with Novra (see discussion below). At August 28, 2015, the outstanding balance on our line of credit was at the maximum limit of \$1,125,000 and the balance on the demand discretionary credit facility was at the maximum limit of \$300,000.

Operating activities used \$201,000 of cash, investing activities used \$400,000 of cash for capitalized software and equipment additions while proceeds from the sale of land, building and related improvements provided \$3,480,000 of cash and financing activities provided \$100,000 of cash from a note payable borrowing and \$355,000 from additional line of credit borrowings while the \$3,480,000 of cash from the proceeds from the sale of land, building and related improvements was used to reduce the line of credit outstanding balance. (See the Liquidity and Capital Resources section for further discussion.)

RESULTS OF OPERATIONS

The following table sets forth, for the periods indicated, the components of the results of operations as a percentage of revenue:

	August 28, 2015	August 29, 2014
Revenues, net	100.0%	100.0%
Cost of revenues	69.4	62.7
Gross margin	30.6	37.3
Selling, general, and administrative	32.3	56.0
Research and development	20.5	20.9
Operating (loss)	(22.2)	(39.7)
Gain on sale of assets	77.6	-
Interest expense	(5.5)	(12.1)
Net earnings (loss)	49.8%	(51.8)%

Net earnings for the year ended August 28, 2015 was \$1,589,000 or \$0.12 per share, compared to a net loss of \$(1,638,000) or \$(0.12) per share for the year ended August 29, 2014. Net earnings for fiscal 2015 included a one time gain on sale of assets in the amount of \$2,473,000. Fiscal 2014 net loss included non-cash share-based compensation expense charges of \$615,000 compared to less than \$1,000 in fiscal 2015. In addition, fiscal 2014 included a one time benefit in reductions in accrued vacation balances in the amount of approximately \$286,000. (See below for further discussion and Note 7 to the Consolidated Financial Statements, "Accrued Expenses").

Revenues for fiscal 2015 increased \$24,000, or 0.8%, to \$3,187,000 from \$3,163,000 in fiscal 2014. Our revenue levels are not subject to significant annual fluctuations in unit pricing. Revenues for fiscal 2015, were adversely affected by lower than expected shippable bookings primarily as a result of customer delays in purchasing decisions, deferral of project expenditures and general adverse economic and credit conditions. In addition, revenues and order backlog are subject to the timing of significant orders from customers, and as a result revenue levels may fluctuate on a quarterly and yearly basis. Fiscal 2015 revenues included (i) ipump[®] 762 and 6400 media receivers and component assemblies to SSL Digital S.A. for continued business expansion, (ii) completion of final shipments of Unity[®] 550 receivers to a faith-based private network for continued network expansion, (iii) equipment including our next generation broadcast radio receiver, the ipump[®] 8640 for evaluation and a pilot field trial and repair services to Westwood One (formerly Dial Global) for its radio network (iv) product repair services and (v) extended maintenance contract revenues. In addition, fiscal 2015 revenues included ipump[®] 6420 audio media receivers and component assemblies to Educational Media Foundation for network expansion and upgrades, ipump[®] 6400 and 562 media receivers and component assemblies to Comtelsat S.A. for their continued business growth and ipump[®] 6400 media receivers and Unity[®] 202 receivers to the Army & Air Force Exchange Service. Fiscal 2014 revenues included (i) ipump[®] 562 and ipump[®] 6400 media receivers and our newly released ipump[®] 762 digital

signage media player to SSL Digital S.A. for continued business expansion, (ii) shipments of Unity[®] 550 receivers to a faith-based private network for continued network expansion, (iii) equipment and services to Westwood One (formerly Dial Global) for its radio network (iv) product repair services and (v) extended maintenance contract revenues. In addition, fiscal 2014 revenues included ipump[®] 6420 audio media receivers and Unity[®] 4600 receivers to Educational Media Foundation for network expansion and upgrades and Unity[®] 4650 professional receivers, to OHI Telecommunications Co. LLC for business expansion projects.

WCI's backlog of orders scheduled to ship within 18 months was approximately \$2,880,000 at August 28, 2015 and \$2,331,000 at August 29, 2014. The total multi-year backlog at August 28, 2015 was approximately \$2,905,000 compared to \$2,698,000 at August 29, 2014. Approximately \$2,595,000 of the August 28, 2015, backlog is expected to ship during fiscal 2016. At August 28, 2015, three customers accounted for 88 % of the eighteen month backlog and 87% of the backlog expected to ship during fiscal 2016.

Sales to a relatively small number of major customers have typically comprised a majority of our revenues and that trend is expected to continue throughout fiscal 2016 and beyond. In fiscal 2015, four customers accounted for approximately 27.1%, 12.2%, 11.0% and 10.3% of revenues, respectively. (See Note 13 to the Consolidated Financial Statements, "Segment Information and Concentrations".) Future revenues are subject to the timing of significant orders from customers and are difficult to forecast. As a result, we expect future revenue levels and operating results to continue to fluctuate from quarter to quarter.

International sales were \$1,533,000 or 48.1% of revenues in fiscal 2015 compared to \$1,518,000 or 48.0% of revenues in fiscal 2014. International shipments are generally project specific, and therefore revenues are subject to variations from year to year based on the timing of customer orders. Additional financial information on geographic areas is provided in Note 13 to the consolidated financial statements.

Gross profit as a percent of sales was 30.6% in fiscal 2015 compared to 37.3% in fiscal 2014. Gross profit margin dollars decreased \$204,000 or 17.2% in fiscal 2015, compared to the same period in fiscal 2014. The decreases in the profit margin percentage and dollars in fiscal 2015 compared to the same period in fiscal 2014 was primarily due to higher unit overhead costs. Fiscal 2014 overhead costs benefited from a reduction in vacation expenses primarily due to forfeited accrued vacation balances from terminated and retired employees in the amount of \$102,000. Capitalized software amortization expenses included in cost of revenues in fiscal 2015 were \$394,000, compared to \$336,000 in fiscal 2014. No inventory reserve provisions were charged to cost of products sold in fiscal years 2015 and 2014. No warranty provisions were charged to cost of revenues in fiscal years 2015 and 2014.

Selling, general, and administrative (SG&A) expenses decreased \$742,000, or 41.9%, to \$1,030,000 in fiscal 2015 from \$1,772,000 in fiscal 2014. As a percentage of revenues, SG&A expenses were 32.3% of revenues in fiscal 2015 and 56.0% in fiscal 2014. Corporate SG&A expenses in fiscal 2015 decreased \$628,000, or 73.9%, to \$221,000 from \$849,000 in fiscal 2014 primarily due to a decrease in non-cash share-based compensation expense of \$614,000. WCI's SG&A expenses decreased \$114,000, or 12.4%, to \$809,000 in fiscal 2015 from \$923,000 in fiscal 2014. Decreases in WCI's SG&A expenses in fiscal 2015 included marketing expenses of \$118,000 due to lower spending levels, salaries and related payroll costs of \$35,000 and in house sales commissions of \$8,000 both due to a reduction in headcount. These decreases were offset by an increase in general overhead expenses of \$10,000. Fiscal 2014 SG&A expenses benefited from a reduction in vacation expenses primarily due to forfeited accrued vacation balances from terminated and retired employees in the amount of \$31,000 and a bad debt recovery of \$40,000 compared to none in fiscal 2015.

Research and development expenditures, including capitalized software development costs, increased \$139,000 to \$1,051,000 or 15.2% in fiscal 2015 from \$912,000 in fiscal 2014. The increase in expenditures in fiscal 2015 compared to fiscal 2014 was mainly due to an increase vacation expenses as fiscal 2014 research and development expenditures benefited from a reduction in vacation expenses primarily due to forfeited accrued vacation balances from terminated and retired employees in the amount of \$153,000. Capitalized software development costs in fiscal 2015 amounted to \$397,000 compared to \$250,000 in fiscal 2014. The amount of capitalized software development costs was limited to the \$397,000 due to our continued assessment of the net realizable value of potential additions in conjunction with our evaluation of net realizable value of the net capitalized software costs asset balance at August 28, 2015, as discussed in Note 2 to the Consolidated Financial Statements. Research and development expenses were \$653,000 or 20.5% of revenues in fiscal 2015 and \$662,000 or 20.9% of revenues in fiscal 2014. The decrease in research and development expenses in fiscal 2015 compared to fiscal 2014 was due to the increase in the amount of capitalized software development costs offset by the increase in expenditures discussed above.

Interest expense was \$176,000 in fiscal 2015 compared to \$384,000 in fiscal 2014. The reduction in interest expense during fiscal 2015 was due to the reduction in the outstanding balance on the loan facility. (See Liquidity and Capital Resources section below).

No income tax expense was recorded for fiscal 2015 due to a decrease in the deferred tax asset valuation allowance primarily due to a reduction in the deferred tax asset temporary difference associated with inventory reserves. In fiscal 2015, the deferred tax asset decreased \$701,000 which was offset by a corresponding decrease in the valuation allowance. No income tax benefit was recorded in fiscal 2014 due to an increase in the deferred tax asset valuation allowance. In fiscal 2014, the deferred tax asset increased \$368,000 primarily due to an increase in the net operating loss carryforward.

A valuation allowance is established when it is “more likely than not” that all or a portion of a deferred tax asset will not be realized. A review of all available positive and negative evidence must be considered in judging the likelihood of realizing tax benefits. Forming a conclusion that a valuation allowance is not needed is difficult when there is negative evidence such as cumulative losses in recent years. Cumulative losses are one of the most difficult pieces of negative evidence to overcome in the absence of sufficient existing orders and backlog (versus forecasted future orders) supporting a return to profitability. Additional orders and backlog are currently needed for profitability in fiscal 2016. Our assessment indicated that a full valuation allowance for our net deferred tax assets was required as of August 28, 2015 and August 29, 2014.

At August 28, 2015, we had a federal net operating loss carryforward of \$19,631,000, of which \$1,438,000 expires in fiscal 2021, \$1,296,000 in fiscal 2023, \$3,396,000 in fiscal 2024, \$1,454,000 in fiscal 2025, \$1,755,000 in fiscal 2026, \$265,000 in fiscal 2027, \$2,222,000 in fiscal 2029, \$2,405,000 in fiscal 2030, \$612,000 in fiscal 2031, \$2,077,000 in fiscal 2032, \$1,331,000 in fiscal 2033, \$1,020,000 in fiscal 2034 and \$360,000 in fiscal 2035. Additionally, we had an alternative minimum tax credit of \$134,000 which was fully offset by the valuation allowance.

LIQUIDITY AND CAPITAL RESOURCES

We have experienced recurring net losses which have caused an accumulated deficit of approximately \$26,619,000 at August 28, 2015. We had a working capital deficit of approximately \$5,821,000 at August 28, 2015 compared to a working capital deficit of \$8,500,000 at August 29, 2014.

Our cash flow requirements during fiscal 2015 were financed primarily by an increase in borrowings on our line of credit, new borrowings from a note payable to Novra, an increase in customer deposits and a decrease in our cash balances. Additional liquidity was provided by a non-binding discretionary inventory purchase arrangement with Novra (see discussion below). At August 28, 2015, the outstanding balance on our line of credit was at the maximum limit of \$1,125,000 and the balance on the demand discretionary credit facility was at the maximum limit of \$300,000.

Our bookings and revenues during fiscal 2015, as well as to date in fiscal 2016, have been insufficient to attain profitable operations and to provide adequate levels of cash flow from operations. During the first, second, third and fourth quarters of fiscal 2015 bookings were approximately \$769,000, \$482,000, \$614,000 and \$1,449,000, respectively. During fiscal 2014 total bookings were \$3.8 million. These bookings were well below our expectations primarily as a result of customer delays in purchasing decisions, deferral of project expenditures and general adverse economic and credit conditions. The amount of orders scheduled to ship during each quarter of fiscal 2016 from the August 28, 2015 backlog, along with bookings subsequent to August 28, 2015, are currently insufficient to provide adequate levels of liquidity on a consistent quarterly and day to day basis during those periods. Significant fiscal 2016 shippable bookings are currently required to meet our quarterly financial and cash flow projections throughout each quarter of fiscal 2016 and beyond. There can be no assurances that the Company will be able to achieve its projected level of bookings and revenues in 2016 and beyond.

During prior fiscal years we have made reductions in head count to the current level of 22 full-time employees and one part-time employee at August 28, 2015. Additional headcount reductions during fiscal 2016 may be required to reduce operating expenses depending on near term bookings, revenue levels and near term available cash liquidity.

During prior fiscal years and continuing to date, due to insufficient cash flow from operations and the borrowing limitations under our loan facility, we negotiated extended payment terms with our two offshore vendors and have been extending other vendors well beyond normal payment terms. Until such vendors are paid within normal payment terms, no assurances can be given that required services and materials needed to support operations will continue to be provided. In addition, no assurances can be given that vendors will not pursue legal means to

collect past due balances owed. Any interruption of services or materials or initiation of legal means to collect balances owed would likely have an adverse impact on our operations and could impact our ability to continue as a going concern. (See also Operating Activities discussion below).

Our day to day liquidity during fiscal 2015 and continuing to date in fiscal 2016 has been adversely impacted by our low level of revenues and bookings. Although no assurances may be given and as stated above, significant fiscal 2016 bookings are currently needed to meet our fiscal 2016 forecast, we believe fiscal 2016 revenues will increase during each quarter compared to fiscal 2015. If revenues increase in fiscal 2016 as forecasted, our available cash liquidity would increase during fiscal 2016 compared to fiscal 2015 as revenues convert to cash collections. However, we believe on a day to day operating basis within each of the fiscal 2016 quarters, we will likely need additional liquidity assistance from additional borrowings from our existing lender, continued purchasing assistance from Novra and/or customer deposits. There is no assurance that sufficient levels of day to day cash liquidity will be available when needed from those current sources to provide for timely payment of operating expenses and to allow for timely inventory purchases required to meet the forecast requirements. As a result, we believe we will need to consummate the sale of the Company to Novra. Alternatively, we would need additional liquidity from one or more of the following sources; additional capital or additional borrowings from either existing or other lenders, continued and possible additional credit limits as well as continued extended payment terms from offshore and domestic suppliers, increased customer deposits from future bookings and/or other financial alternatives or arrangements to provide adequate liquidity to pay our current level of operating expenses, to provide for anticipated inventory purchases during each quarter of fiscal 2016 and possibly beyond which will be required for our current level of anticipated revenues during those periods and to reduce past due amounts owed to vendors and service providers.

We currently have limited sources of capital, including the public and private placement of equity securities and additional debt financing. No assurances can be given that additional capital or borrowings or other sources of liquidity discussed above would be available to allow us to continue as a going concern. Therefore, if we are unable to consummate the sale of the Company or alternatively, if additional capital or borrowings or other sources of liquidity are unavailable, we will likely be forced to significantly curtail or restructure our operations during fiscal 2016 and beyond, which would likely have a material adverse effect on our financial position and results of operations and impact our ability to continue as a going concern and as a result may require the Company to enter into bankruptcy proceedings or cease operations.

Financing Agreements

Revolving Line of Credit

WCI's revolving line of credit ("loan facility"), amended and effective October 8, 2009, is provided by The David E. Chymiak Trust Dated December 15, 1999 (the "Trust"). The Trust is controlled by David E. Chymiak who is a beneficial owner of 8.5% of our outstanding common stock. The loan facility provides a maximum credit limit at August 28, 2015 of \$1,125,000 excluding any accrued unpaid interest and bears interest at the rate of eight percent (8.0%) per annum. At August 28, 2015, the outstanding balance on the loan facility was at the maximum credit limit of \$1,125,000 and accrued unpaid interest amounted to approximately \$1,951,000. During the second quarter of fiscal 2015, WCI and the Trust entered into a Deed in Lieu Agreement whereby WCI transferred title of its land, including 4.4 acres of undeveloped land, and its 40,000 square foot building and related improvements ("properties") to the Trust as payment against the outstanding balances owed under the loan facility. The fair market value of the properties was \$3,480,000 (three million four hundred eighty thousand dollars). As a result, at the date of transfer, the outstanding balance and the maximum credit limit on the loan facility was reduced from \$4,250,000 to \$770,000. In addition, as part of the property transfer, WCI and the Trust entered into a triple net lease agreement for the building facility. The initial term of the lease agreement is two years with an option to renew for up to three consecutive one year renewal terms. Rental payments are \$15,000 per month during the initial term and \$18,000 per month during any renewal term. During the third and fourth quarters of fiscal 2015, borrowings under the facility increased \$355,000 and the maximum credit limit on the line of credit was increased to \$1,125,000. At November 16, 2015, the outstanding balance and maximum credit limit on the line of credit increased to \$1,356,000. All principal and interest shall be payable in U.S. dollars or, upon mutual agreement of the parties decided in good faith at the time payment is due, other good and valuable consideration. The loan facility is secured by a first lien on substantially all of WCI's assets and is guaranteed by Wegener Corporation.

The loan facility matured on April 7, 2015 and automatically renews for successive twelve (12) month periods provided, however, the Trust may terminate the facility, as further amended August 26, 2013, by providing a not more than ten (10) day written notice of termination at any time. Principal and interest shall be payable upon the earlier of the maturity date, an event of default as provided by the loan facility, or not more than 10 days following the date on which the Trust provides written notice to terminate the agreement. In the event of a notice of

termination of our loan facility, we would need to obtain additional credit facilities or raise additional capital to continue as a going concern and to execute our business plan. There is no assurance that such financing would be available or, if available, that we would be able to complete financing on satisfactory terms.

Under the terms of the facility's debt covenants, we are required to retain certain executive officers and are precluded from paying dividends. At August 28, 2015, we were in compliance with the debt covenants.

Credit Agreement

On August 26, 2013, Wegener and the Trust entered into a Credit Agreement whereby the Trust agreed to make available a demand discretionary credit facility (the "Credit Facility") under which the Trust may, in its sole and absolute discretion, make loans in an amount not to exceed three hundred thousand dollars (\$300,000). The Credit Facility bears interest at the annual rate of eight percent (8.00%). At August 28, 2015, the outstanding balance on the Credit Facility was at the maximum limit of \$300,000 and accrued unpaid interest amounted to approximately \$47,000. The term of the Credit Facility shall be at the Trust's sole and absolute discretion or due upon an event of default as defined. Principal and interest shall be payable either upon demand, upon an event of default or in monthly payments over a twelve month period beginning March 1, 2014. Each such monthly payment shall be in an amount which is set forth in a written request for payment or invoice to be provided by Lender not less than ten (10) days prior to its applicable due date setting forth the principal balance outstanding as of the due date. To date, we have not received a request for payment. At October 16, 2015, the outstanding balance on the line of Credit Facility remained at \$300,000. The Credit Agreement is secured by a first lien on Wegener's assets and is guaranteed by Wegener Corporation.

Unsecured Promissory Note

On September 23, 2014, WCI and Novra entered into an unsecured promissory note ("Note") in the amount of \$100,000, bearing interest at an annual rate of four percent (4.00%) with principal and interest due one year from the date of the Note. Proceeds of the Note were used for working capital. On September 23, 2015, the Note was renewed for an additional one year period bearing interest at the same annual rate of four percent (4.00%).

Operating Activities

Cash used by operating activities was \$201,000 in fiscal 2015 while in fiscal 2014 operating activities provided \$106,000 of cash. Fiscal 2015 net earnings adjusted for gain on sale of assets, expense provisions and depreciation and amortization (before working capital changes) used cash of \$400,000. Changes in inventories and other assets used cash of \$140,000 while changes in accounts receivable and customer deposits provided cash of \$172,000. Changes in accounts payable, accrued expenses and deferred revenue provided cash of \$168,000.

Net accounts receivable increased \$123,000 to \$500,000 at August 28, 2015, from \$377,000 at August 29, 2014. The increase was primarily due delays in receiving payments primarily from one customer. The allowance for doubtful accounts was \$66,000 at August 28, 2015 and \$78,000 at August 29, 2014. In fiscal 2014, a bad debt recovery amounted to \$40,000 as a result of a partial collection of a fully reserved account receivable balance compared to none in fiscal 2015. No additional provisions were made to the allowance for doubtful accounts in fiscal 2015 and 2014.

Customer deposits increased \$294,000 to \$561,000 at August 28, 2015, from \$267,000 at August 29, 2014 primarily due to an increase in bookings in the fourth quarter of fiscal 2015 compared to the same period of fiscal 2014. Customer deposits vary with the timing and terms of customer bookings.

At August 28, 2015, our net inventory balances increased \$106,000 to \$425,000 from \$319,000 at August 29, 2014, which compared to \$630,000 at August 30, 2013. As discussed above, we will need to increase inventory purchases beginning in the first quarter of fiscal 2016 and continuing through the remainder of fiscal 2016 in order to have sufficient inventory balances to support anticipated revenue levels during these periods. Many of the anticipated inventory purchases have long lead time delivery schedules.

A substantial portion of future inventory purchases will be with offshore suppliers whom we have been paying under extended payment terms and credit limits which are beyond normal payment terms and credit limits. During fiscal 2012, an offshore vendor's outstanding accounts payable balance, plus amounts of scheduled deliveries of open purchase commitments, exceeded our current credit limit. As a result, we were required to make accelerated payments throughout fiscal 2012. We were unable to make fiscal 2012 fourth quarter scheduled payments of approximately \$384,000, fiscal 2013 first quarter scheduled payments of approximately 336,000 and fiscal 2013 second quarter scheduled payments of approximately \$72,000 to this offshore vendor. During the first, second and third quarters of fiscal 2013, payments in the amount of \$114,000, \$205,000 and \$62,000 respectively,

were made towards those balances owed. We were unable to make additional payments during fiscal 2013 towards the amount owed. As a result, the vendor placed our account on prepayment terms of (i) 40% upon order, (ii) 40% upon shipment and (iii) 20% upon receipt and acceptance. During the second quarter of fiscal 2013, purchase orders of approximately \$215,000 were accepted by the offshore vendor and the required prepayment terms were timely made during fiscal 2013. During fiscal 2014, the vendor accepted and completed one order from Novra pursuant to a non-binding discretionary inventory purchase arrangement by and between Novra and Wegener (see discussion below). Subsequent to that order, the vendor notified Novra and Wegener that no additional orders would be accepted without resolution of the outstanding balances owed. During the first quarter of fiscal 2015, a payment arrangement was agreed to by and between Novra, Wegener and the vendor and an additional order from Novra was accepted. As a result, during the first and second quarters of fiscal 2015, we did not have sufficient inventory levels of our Unity[®] 550 receivers and we were unable to ship approximately \$197,000 of orders in the first six months of fiscal 2015 due to insufficient inventory levels. Those orders and additional orders received in the third quarter of fiscal 2015 were shipped in the third quarter of fiscal 2015. In addition, certain new vendors related to our new ipump[®] 700 series product are currently requiring various amounts of prepayments upon order placement and with balances paid upon shipment.

During fiscal 2014, we did not have sufficient liquidity to purchase required inventories with offshore and certain domestic vendors. As a result, Novra agreed to enter into a non-binding discretionary inventory purchase arrangement with Wegener under which Novra would provide assistance for limited inventory purchases. Under this arrangement, inventory purchases would be made by Novra and resold to Wegener at cost plus a 5% markup. As of August 28, 2015, approximately \$1,223,000 of inventory purchase orders was placed under this arrangement. Approximately \$916,000 of the inventory purchases was received as of August 28, 2015. Approximately \$483,000 was owed to Novra pursuant to the purchase arrangement and is included in the accounts payable balance at August 28, 2015. This discretionary arrangement may be terminated at anytime. Therefore, no assurance may be given that this arrangement will provide sufficient levels of timely inventory purchases to meet required delivery schedules of potential future bookings. In the event Novra were to terminate the purchase arrangement prior to consummation of the acquisition of Wegener, we will not have sufficient inventory on hand to meet anticipated quarterly revenue levels in fiscal 2016 and beyond. This would have a material adverse impact on our financial results and future cash flow from operations and the ability to meet our financial projections and would likely impact our ability to continue as a going concern and as a result likely require the Company to enter into bankruptcy proceedings or cease operations.

No inventory provisions were made in fiscal 2015 and 2014. Inventory reserves were decreased by write-offs of fully reserved inventory of \$1,877,000 in fiscal 2015 and \$20,000 in fiscal 2014. Increases in inventories in fiscal 2015 used cash of \$107,000 while decreases in inventories in 2014 provided \$312,000 of cash.

Investing Activities

In fiscal 2015, cash used by investing activities was \$397,000 for capitalized software additions and \$3,000 for equipment additions while proceeds from the sale of land, building and related improvements provided \$3,480,000 of cash. Cash used by investing activities in fiscal 2014 was \$251,000 which consisted of capitalized software additions of \$250,000 and equipment additions of \$1,000. The amount of capitalized software additions in fiscal 2015 and 2014 was limited due to our assessment of the net realizable value of these additions in conjunction with our evaluation of net realizable value of the net capitalized software costs asset balance at August 28, 2015 and at August 29, 2014, as discussed above and in Note 2 to the Consolidated Financial Statements.

Financing Activities

In fiscal 2015, financing activities provided \$100,000 of cash from a note payable borrowing and \$355,000 from additional line of credit borrowings while the \$3,480,000 of cash from the proceeds from the sale of land, building and related improvements was used to reduce the line of credit outstanding balance. In fiscal 2014, \$230,000 of cash was provided by the August 26, 2013 Credit Agreement.

Contractual Obligations

At August 28, 2015, outstanding purchase commitments under the Novra purchasing assistance agreement amounted to \$309,000. The following summarizes our contractual obligations as of August 28, 2015 and the effects such obligations are expected to have on liquidity and cash flow in future periods:

<u>Contractual Obligations</u>	<u>Payments Due by Period</u>			
	<u>Total</u>	<u>One Year</u>	<u>2 –3 Years</u>	<u>4 –5 Years</u>
Operating leases	\$ 227,000	\$ 181,000	\$46,000	\$ -
Line of credit, Credit Agreement and Note payable	1,525,000	1,525,000	-	-
Purchase commitments	309,000	309,000	-	-
Total	<u>\$2,061,000</u>	<u>\$2,015,000</u>	<u>\$46,000</u>	<u>\$ -</u>

The Company has never paid cash dividends on its common stock and does not intend to pay cash dividends in the foreseeable future.

OFF-BALANCE SHEET ARRANGEMENTS

At August 28, 2015, we had no off-balance sheet arrangements.

CRITICAL ACCOUNTING POLICIES

Certain accounting policies are very important to the portrayal of our financial condition and results of operations and require management’s most subjective or difficult judgments. These policies are as follows:

Revenue Recognition – Our principal sources of revenue are from the sale of satellite communications equipment and network control software products and product repair services, extended maintenance contracts and installation and training services. Historically, product repair services, maintenance contracts and installation and training services are less than 10% of our net revenues. Our revenue recognition policies are in compliance with FASB Accounting Standards Codification (ASC) Topic 605 “Revenue Recognition.” Revenue is recognized when persuasive evidence of an agreement with the customer exists, delivery has occurred or services have been provided, the sales price is fixed or determinable, collectability is reasonably assured, and risk of loss and title have transferred to the customer. Revenue from hardware products is recognized when risk of loss and title has transferred which is generally upon shipment. In some cases, particularly with international shipments, customer contracts are fulfilled under terms known as ex-works, in accordance with international commercial terms. In these instances, revenue is recognized upon delivery, which is the date that the goods are made available to the customer as requested by the customer and no further obligations of the Company remain. Hardware products are typically sold on a stand-alone basis but may include separate hardware maintenance contracts. Embedded in our hardware products is internally developed software of varying applications that function together with the hardware to deliver the product’s essential functionality. The embedded software is not sold separately, is not a significant focus of the marketing effort and we do not provide post-contract customer support specific to embedded software. The functionality that the software provides is marketed as part of the overall product. Service revenues are recognized at the time of performance. Extended maintenance contract revenues are recognized ratably over the term of the arrangement, which is typically one year. For network control software products we recognize revenue in accordance with the applicable software revenue recognition guidance. Typical deliverables in a software arrangement may include network control software, extended software maintenance contracts, training and installation. Provisions for returns, discounts and trade-ins, based on historical experience, have not been material.

When arrangements contain multiple elements, the deliverables are separated into more than one unit of accounting when the following criteria are met: (i) the delivered element(s) has value to the customer on a stand-alone basis, and (ii) if a general right of return exists relative to the delivered item, delivery or performance of the undelivered element(s) is probable and substantially in the control of the Company. We allocate revenue to all deliverables based on their relative selling prices. In such circumstances, we use a hierarchy to determine the selling price to be used for allocating revenue to deliverables: (i) vendor-specific objective evidence of selling price (“VSOE”), (ii) third-party evidence of selling price (“TPE”), and (iii) management’s best estimate of the selling price (“BESP”). VSOE generally exists only when we sell the deliverable separately and is the price actually charged by the Company for that deliverable. The objective of BESP is to determine the price at which the Company would transact a sale if the product or service were sold on a stand-alone basis. We determine the BESP for a product or service by considering multiple factors including, but not limited to, geographies, market conditions, competitive landscape, internal costs,

gross margin objectives, and pricing practices. If a delivered element does not meet the criteria in the applicable accounting guidance to be considered a separate unit of accounting, revenue is deferred until the undelivered elements are fulfilled. Accordingly, the determination of BESP can impact the timing of revenue recognition for an arrangement.

We recognize revenue in certain circumstances before delivery has occurred (commonly referred to as “bill and hold” transactions). In such circumstances, among other things, risk of ownership has passed to the buyer, the buyer has made a written fixed commitment to purchase the finished goods, the buyer has requested the finished goods be held for future delivery as scheduled and designated by them, and no additional performance obligations by the Company exist. For these transactions, the finished goods are segregated from inventory and normal billing and credit terms are granted. For the years ended August 28, 2015 and August 29, 2014, no revenues were recorded as bill and hold transactions.

These policies require management, at the time of the transaction, to assess whether the amounts due are fixed or determinable, collection is reasonably assured, and to perform an evaluation of arrangements containing multiple elements, including management’s estimate of the selling price. These assessments are based on the terms of the arrangement with the customer, past history and creditworthiness of the customer. If management determines that collection is not reasonably assured or undelivered elements are unfulfilled, revenue recognition is deferred until these conditions are satisfied.

Inventory - Inventories are valued at the lower of cost (at standard, which approximates actual cost on a first-in, first-out basis) or market. Inventories include the cost of raw materials, labor and manufacturing overhead. We make inventory reserve provisions to properly reflect inventory value based on a review of inventory quantities on hand, sales forecasts, new products being developed and technology changes. These reserves are to provide for items that are potentially slow-moving, excess or obsolete. Changes in market conditions, lower than expected customer demand and rapidly changing technology could result in additional obsolete and slow-moving inventory that is unsaleable or saleable at reduced prices, which could require additional inventory reserve provisions. At August 28, 2015, inventories, net of reserve provisions of approximately \$1,969,000, amounted to \$425,000. At August 29, 2014, inventories, net of reserve provisions of approximately \$3,846,000, amounted to \$319,000.

Capitalized Software Costs - Software development costs are capitalized subsequent to establishing technological feasibility. Capitalized costs are amortized based on the larger of the amounts computed using (a) the ratio that current gross revenues for each product bears to the total of current and anticipated future gross revenues for that product, or (b) the straight-line method over the remaining estimated economic life of the product. Expected future revenues and estimated economic lives are subject to revisions due to market conditions, technology changes and other factors resulting in shortfalls of expected revenues or reduced economic lives, which could result in additional amortization expense or write-offs. In accordance with current accounting guidance, FASB Accounting Standards Codification (ASC) Topic 985-20 “Costs of Software to Be Sold, Leased, or Marketed”, we evaluated the recoverability and our estimate of net realizable value of net capitalized software costs at August 28, 2015. This evaluation considered our current near term liquidity and risks of obtaining additional required financing, declining levels of bookings and backlog, historical revenue forecast accuracy and historical losses, as well as estimated future revenues, cost of completion and disposal of the asset. Amortization expense, included in cost of revenues, was \$394,000 in fiscal 2015 and \$336,000 in fiscal 2014. Software development costs capitalized during fiscal 2015 were limited to \$397,000 based on our evaluation of the net realizable value at August 28, 2015. Software development costs capitalized during fiscal 2014 were limited to \$250,000 based on our evaluation of the net realizable value at August 29, 2014. At August 28, 2015, capitalized software costs, net of accumulated amortization, amounted to \$45,000. At August 29, 2014, capitalized software costs, net of accumulated amortization, amounted to \$41,000.

Impairment of Long-lived Assets – Long-lived assets, including property and equipment and intangible assets are evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. If the sum of the expected future undiscounted cash flows is less than the carrying amount of the asset, an impairment loss is recognized in the amount that the carrying amount of the asset exceeds its fair value. Fair value is determined based on discounted future net cash flows associated with the use of the asset. Our impairment analysis contains uncertainties due to judgment in assumptions and estimates surrounding undiscounted future cash flows of the long-lived asset, including forecasting useful lives of assets and selecting the discount rate that reflects the risk inherent in future cash flows to determine fair value.

Deferred Tax Asset Valuation Allowance – Deferred tax assets are recognized for deductible temporary differences, net operating loss carryforwards and tax credit carryforwards, if it is more likely than not that the tax

benefits will be realized. Realization of our deferred tax assets is dependent upon generating sufficient future taxable income prior to the expiration of the loss and tax credit carryforwards. The valuation allowance decreased \$701,000 in fiscal 2015 and increased \$368,000 in fiscal 2014. At August 28, 2015 and at August 29, 2014, net deferred tax assets of \$9,387,000 and \$10,088,000, respectively, were fully reserved by a valuation allowance.

Accounts Receivable Valuation – We maintain allowances for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. At August 28, 2015, accounts receivable net of allowances for doubtful accounts amounted to \$500,000. At August 29, 2014, accounts receivable net of allowances for doubtful accounts amounted to \$377,000.

IMPACT OF INFLATION

We do not believe that inflation has had a material impact on revenues or expenses during the past two fiscal years.

IMPACT OF RECENTLY ISSUED OR ADOPTED ACCOUNTING STANDARDS

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update (“ASU”) 2014-09, “Revenue from Contracts with Customers (Topic 606)”, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The new standard is effective as of the first interim period within annual reporting periods beginning on or after December 15, 2016, and will replace most existing revenue recognition guidance in U.S. GAAP. Early application is not permitted. The standard permits the use of either the retrospective or cumulative effect transition method. The Company is evaluating the effect that ASU 2014-09 will have on its Consolidated Financial Statements and related disclosures. The Company has not yet selected a transition method or determined the effect of the standard on its financial position, results of operations, cash flows, or presentation thereof.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA UNAUDITED

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Wegener Corporation is responsible for the accuracy and consistency of all the information contained in the annual report, including the accompanying consolidated financial statements. These statements have been prepared in conformity with accounting principles generally accepted in the United States of America. The statements include amounts based on estimates and judgments as required.

Wegener Corporation maintains internal accounting controls designed to provide reasonable assurance that the financial records are accurate, that the assets of the Company are safeguarded, and that the financial statements present fairly the consolidated financial position, results of operations and cash flows of the Company.

The Board of Directors reviewed the quarterly and annual consolidated financial statements with management during fiscal 2015. No audit was performed for the fiscal years ended August 28, 2015 and August 29, 2014.

A handwritten signature in black ink that reads "C. Troy Woodbury, Jr." The signature is written in a cursive, flowing style.

C. Troy Woodbury, Jr.
President and Chief Executive Officer

CONSOLIDATED STATEMENTS OF OPERATIONS

	Years ended	
	August 28, 2015 (Unaudited)	August 29, 2014 (Unaudited)
Revenues, net	\$3,186,785	\$3,162,554
Operating costs and expenses		
Cost of revenues	2,211,039	1,983,235
Selling, general and administrative	1,030,111	1,772,434
Research and development	653,247	661,709
Operating costs and expenses	3,894,397	4,417,378
Operating loss	(707,612)	(1,254,824)
Gain on sale of assets	2,472,656	-
Interest expense-related party	(172,704)	(366,493)
Interest expense	(3,754)	(17,084)
Net earnings (loss)	\$1,588,586	\$(1,638,401)
Net earnings (loss) per share		
Basic and diluted	\$.12	\$ (.12)
Shares used in per share calculation		
Basic and diluted	13,147,051	13,147,051

See accompanying notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

	August 28, 2015 (Unaudited)	August 29, 2014 (Unaudited)
Assets		
Current assets		
Cash	\$ 35,937	\$ 182,708
Accounts receivable, net	499,793	377,198
Inventories, net	425,140	318,525
Other	94,452	60,852
Total current assets	1,055,322	939,283
Property and equipment, net	502	1,039,629
Capitalized software costs, net	44,897	41,469
Other assets	18,548	72,594
Total assets	\$1,119,269	\$2,092,975
Liabilities and Capital Deficit		
Current liabilities		
Line of credit and credit agreement-related party	\$1,425,000	\$4,550,000
Note payable	100,000	-
Accounts payable	1,580,205	1,526,108
Accrued expenses	2,950,216	2,808,615
Deferred revenue	259,553	287,474
Customer deposits	561,410	267,148
Total current liabilities	6,876,384	9,439,345
Commitments and contingencies		
Capital deficit		
Preferred stock, \$20.00 par value; 250,000 shares authorized; none issued and outstanding	-	-
Common stock, \$.01 par value; 100,000,000 shares authorized; 13,147,051 shares issued and outstanding	131,471	131,471
Additional paid-in capital	20,730,496	20,729,827
Accumulated deficit	(26,619,082)	(28,207,668)
Total capital deficit	(5,757,115)	(7,346,370)
Total liabilities and capital deficit	\$1,119,269	\$2,092,975

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CAPITAL DEFICIT

	<u>Common Stock</u>		Additional	Accumulated
	Shares	Amount	Paid-in Capital	Deficit
BALANCE at August 30, 2013 (Unaudited)	13,147,051	\$131,471	\$20,112,577	\$(24,512,824)
Share-based compensation	-	-	615,000	-
Net loss for the year	-	-	-	(1,638,401)
BALANCE at August 29, 2014 (Unaudited)	13,147,051	\$131,471	\$20,729,827	\$(28,207,668)
Share-based compensation	-	-	669	-
Net earnings for the year	-	-	-	1,588,586
BALANCE at August 28, 2015 (Unaudited)	13,147,051	\$131,471	\$20,730,496	\$(26,619,082)

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended	
	August 28, 2015 (Unaudited)	August 29, 2014 (Unaudited)
Cash flows from operating activities		
Net earnings (loss)	\$1,588,586	\$(1,638,401)
Adjustments to reconcile net earnings (loss) to cash (used for) provided by operating activities		
Depreciation and amortization	482,939	513,412
Gain on sale of assets	(2,472,656)	-
Share-based compensation expense	669	615,000
Decrease in provision for bad debts	-	(40,000)
Changes in assets and liabilities		
Accounts receivable	(122,595)	(188,108)
Inventories	(106,615)	311,628
Other assets	(33,600)	141,865
Accounts payable	54,097	93,750
Accrued expenses	141,601	278,243
Deferred revenue	(27,921)	11,928
Customer deposits	294,262	7,037
Net cash (used for) provided by operating activities	(201,233)	106,354
Cash flows from investing activities		
Property and equipment expenditures	(3,180)	(1,389)
Capitalized software additions	(397,358)	(249,971)
Proceeds from sale of assets	3,480,000	-
Net cash provided by (used for) investing activities	3,079,462	(251,360)
Cash flows from financing activities		
Change in borrowings under credit agreement-related party	(3,125,000)	230,000
Note payable borrowings	100,000	-
Net cash (used for) provided by financing activities	(3,025,000)	230,000
(Decrease) increase in cash	(146,771)	84,994
Cash, beginning of year	182,708	97,714
Cash, end of year	\$ 35,937	\$ 182,708
Supplementary information:		
Cash paid for interest	\$ 3,561	\$ 1,109

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. Liquidity and Going Concern

The accompanying consolidated financial statements have been prepared on a going concern basis which contemplates the realization of assets and liquidation of liabilities in the normal course of business. These financial statements do not include any adjustments relating to the recoverability and classification of assets or the amounts and classification of liabilities that may be necessary in the event the Company cannot continue as a going concern.

On September 26, 2013, the Board of Directors unanimously approved an all stock offer term sheet for the acquisition of Wegener Corporation. On February 5, 2014, it was announced that Novra Technologies, Inc. (Novra) would be the acquiring company and that Novra would also acquire privately held Westport Research Associates, Inc. The transaction is subject to due diligence, approval by Wegener Corporation shareholders and other terms and conditions, therefore, no assurances may be given that the transaction will be completed.

We have experienced recurring net losses which have caused an accumulated deficit of approximately \$26,619,000 at August 28, 2015. We had a working capital deficit of approximately \$5,821,000 at August 28, 2015 compared to a working capital deficit of \$8,500,000 at August 29, 2014.

Our cash flow requirements during fiscal 2015 were financed primarily by an increase in borrowings on our line of credit, new borrowings from and a note payable to Novra, an increase in customer deposits and a decrease in our cash balances. Additional liquidity was provided by a non-binding discretionary inventory purchase arrangement with Novra (see discussion below). At August 28, 2015, the outstanding balance on our line of credit was at the maximum limit of \$1,125,000 and the balance on our demand discretionary credit facility was at the maximum limit of \$300,000.

Our backlog scheduled to ship within eighteen months was approximately \$2.8 million at August 28, 2015. The total multi-year backlog at August 28, 2015, was approximately \$2.9 million. Approximately \$2.6 million of the August 28, 2015 backlog is expected to ship during fiscal 2016.

Our bookings and revenues during fiscal 2015, as well as to date in fiscal 2016, have been insufficient to attain profitable operations and to provide adequate levels of cash flow from operations. During the first, second, third and fourth quarters of fiscal 2015 bookings were approximately \$769,000, \$482,000, \$614,000 and \$1,449,000, respectively. During fiscal 2014 total bookings were \$3.8 million. These bookings were well below our expectations primarily as a result of customer delays in purchasing decisions, deferral of project expenditures and general adverse economic and credit conditions. The amount of orders scheduled to ship during each quarter of fiscal 2016 from the August 28, 2015 backlog, along with bookings subsequent to August 28, 2015, are currently insufficient to provide adequate levels of liquidity on a consistent quarterly and day to day basis during those periods. Significant fiscal 2016 shippable bookings are currently required to meet our quarterly financial and cash flow projections throughout each quarter of fiscal 2016 and beyond. There can be no assurances that the Company will be able to achieve its projected level of bookings and revenues in 2016 and beyond.

During prior fiscal years we have made reductions in head count to the current level of 22 full-time employees and one part-time employee at August 28, 2015. Additional headcount reductions during fiscal 2016 may be required to reduce operating expenses depending on near term bookings, revenue levels and near term available cash liquidity.

During prior fiscal years and continuing to date, due to insufficient cash flow from operations and the borrowing limitations under our loan facility, we negotiated extended payment terms with our two offshore vendors and have been extending other vendors beyond normal payment terms. Until such vendors are paid within normal payment terms, no assurances can be given that required services and materials needed to support operations will continue to be provided. In addition, no assurances can be given that vendors will not pursue legal means to collect past due balances owed. Any interruption of services or materials or initiation of legal means to collect balances owed would likely have an adverse impact on our operations and could impact our ability to continue as a going concern.

Our day to day liquidity during fiscal 2015 and continuing to date in fiscal 2016 has been adversely impacted by our low level of revenues and bookings. Although no assurances may be given and as stated above, significant fiscal 2016 bookings are currently needed to meet our fiscal 2016 forecast, we believe fiscal 2016 revenues will increase during each quarter compared to fiscal 2015. If revenues increase in fiscal 2016 as forecasted, our available cash liquidity would increase during fiscal 2016 compared to fiscal 2015 as revenues convert to cash collections. However, we believe on a day to day operating basis within each of the fiscal 2016 quarters, we will likely need additional liquidity assistance from additional borrowings from our existing lender, continued purchasing assistance from Novra and/or customer deposits. There is no assurance that sufficient levels of day to day cash liquidity will be available when needed from those current sources to provide for timely payment of operating expenses and to allow

for timely inventory purchases required to meet the forecast requirements. As a result, we believe we will need to consummate the sale of the Company to Novra. Alternatively, we would need additional liquidity from one or more of the following sources; additional capital or additional borrowings from either existing or other lenders, continued and possible additional credit limits as well as continued extended payment terms from offshore and domestic suppliers, increased customer deposits from future bookings and/or other financial alternatives or arrangements to provide adequate liquidity to pay our current level of operating expenses, to provide for anticipated inventory purchases during each quarter of fiscal 2016 and possibly beyond which will be required for our current level of anticipated revenues during those periods and to reduce past due amounts owed to vendors and service providers.

We currently have limited sources of capital, including the public and private placement of equity securities and additional debt financing. No assurances can be given that additional capital or borrowings or other sources of liquidity discussed above would be available to allow us to continue as a going concern. Therefore, if we are unable to consummate the sale of the Company or alternatively, if additional capital or borrowings or other sources of liquidity are unavailable, we will likely be forced to significantly curtail or restructure our operations during fiscal 2016 and beyond, which would likely have a material adverse effect on our financial position and results of operations and impact our ability to continue as a going concern and as a result may require the Company to enter into bankruptcy proceedings or cease operations.

During fiscal 2014, we did not have sufficient liquidity to purchase required inventories with offshore and certain domestic vendors. As a result, Novra agreed to enter into a non-binding discretionary inventory purchase arrangement with Wegener under which Novra would provide assistance for limited inventory purchases. Under this arrangement, inventory purchases would be made by Novra and resold to Wegener at cost plus a 5% markup. As of August 28, 2015, approximately \$1,223,000 of inventory purchase orders was placed under this arrangement. Approximately \$916,000 of the inventory purchases was received as of August 28, 2015. Approximately \$483,000 was owed to Novra pursuant to the purchase arrangement and is included in the accounts payable balance at August 28, 2015. This discretionary arrangement may be terminated at anytime. Therefore, no assurance may be given that this arrangement will provide sufficient levels of timely inventory purchases to meet required delivery schedules of potential future bookings.

2. Summary of Significant Accounting Policies

Nature of Operations and Principles of Consolidation. The consolidated financial statements include the accounts of Wegener Corporation (WGNR, “we,” “our,” “us” or the “Company”) and its wholly-owned subsidiary, Wegener Communications, Inc. We design, manufacture and distribute satellite communications electronics equipment in the U.S. and internationally. All significant intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Examples include valuation allowances for deferred tax assets, and provisions for bad debts, inventory obsolescence and warranties. Actual results could vary from these estimates.

Fiscal Year. We operate on a 52-53 week fiscal year. The fiscal year ends on the Friday nearest to August 31. Fiscal years 2015 and 2014 contained fifty-two weeks. All references herein to 2015 and 2014 refer to the fiscal years ended August 28, 2015 and August 29, 2014, respectively.

Cash and Bank Overdrafts. Cash balances consist of checking account balances held at a high credit-quality financial institution. Bank overdrafts consist of outstanding checks that have not cleared our bank. Overdrafts are offset against cash balances to the extent that cash balances are available in the account on which the checks are issued. Any remaining balances of overdrafts would be included in our accounts payable balances. At August 28, 2015 and at August 29, 2014 outstanding checks in the amount of \$66,000 and \$53,000, respectively, were offset against cash balances.

Accounts Receivable. Accounts receivable are stated at the amounts billed to customers under normal trade terms, less an allowance for doubtful accounts. Credit is extended based on the evaluation of the customer’s financial condition and generally we do not require collateral from our customers. However, in certain circumstances letters of credit or deposits may be required from customers. The allowance for doubtful accounts is provided based upon a review of individual customer accounts, historical payment information and existing economic conditions. Accounts receivable standard terms are net 30 days from the date of invoice. Receivables are

charged to the allowance for doubtful accounts when all attempts to collect have failed and they are determined to be uncollectible. Historically, we have not experienced significant losses related to receivables from individual customers or groups of customers in any particular industry or geographic area.

We are subject to concentrations of credit risk principally through accounts receivable, due to a small number of major customers affiliated with the radio, business broadcast and private network industries.

Inventories. Inventories are stated at the lower of cost (at standard, which approximates actual cost on a first-in, first-out basis) or market. Inventories include the cost of raw materials, direct labor and manufacturing overhead. The Company makes provisions for obsolete or slow-moving inventories as necessary to properly reflect inventory at its net realizable value.

Property, Equipment and Depreciation. Property and equipment are stated at cost. Depreciation is computed over the estimated useful lives of the assets on the straight-line method for financial reporting and accelerated methods for income tax purposes. Substantial betterments or improvements to property and equipment that significantly add to the productive capacity or extend the useful life of an asset are capitalized. The cost of repairs and maintenance are expensed as incurred.

Other Assets. Other assets consist primarily of technology licenses, patents and trademarks. Costs of license agreements are amortized on a straight-line basis over the lesser of the contractual term or their estimated useful lives. Legal expenses related to the filing of patent and trademark applications are capitalized. Upon issuance, these costs will also be amortized on a straight-line basis over the lesser of the legal life of the patents and trademarks or their estimated useful lives.

Impairment of Long-lived Assets. Long-lived assets, including property and equipment and intangible assets are evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. If the sum of the expected future undiscounted cash flows is less than the carrying amount of the asset, an impairment loss is recognized in the amount that the carrying amount of the asset exceeds its fair value. Fair value is determined based on discounted future net cash flows associated with the use of the asset.

Revenue Recognition. Our principal sources of revenue are from the sale of satellite communications equipment ("hardware products") and network control software products ("software products"), and product repair services, extended maintenance contracts and installation and training services ("services"). Historically, installation and training services are less than 10% of our net revenues. Provisions for returns, discounts and trade-ins, based on historical experience, have not been material. Our revenue recognition policies are in compliance with FASB Accounting Standards Codification (ASC) Topic 605 "Revenue Recognition." Revenue is recognized when persuasive evidence of an agreement with the customer exists, delivery has occurred or services have been provided, the sales price is fixed or determinable, collectability is reasonably assured, and risk of loss and title have transferred to the customer.

Revenue from hardware products is recognized when risk of loss and title has transferred which is generally upon shipment. In some cases, particularly with international shipments and domestic shipment using common carriers arranged by the customer, customer contracts are fulfilled under terms known as ex-works, in accordance with international commercial terms. In these instances, revenue is recognized upon delivery, which is the date that the goods are made available to the customer as requested by the customer and no further obligations of the Company remain. Hardware products are typically sold on a stand-alone basis but may include separate hardware maintenance contracts. Embedded in our hardware products is internally developed software of varying applications that function together with the hardware to deliver the product's essential functionality. The embedded software is not sold separately, is not a significant focus of the marketing effort and we do not provide post-contract customer support specific to embedded software. The functionality that the software provides is marketed as part of the overall product.

When arrangements contain multiple elements, the deliverables are separated into more than one unit of accounting when the following criteria are met: (i) the delivered element(s) has value to the customer on a stand-alone basis, and (ii) if a general right of return exists relative to the delivered item, delivery or performance of the undelivered element(s) is probable and substantially in the control of the Company. We allocate revenue to all deliverables based on their relative selling prices. In such circumstances, we use a hierarchy to determine the selling price to be used for allocating revenue to deliverables: (i) vendor-specific objective evidence of selling price ("VSOE"), (ii) third-party evidence of selling price ("TPE"), and (iii) management's best estimate of the selling price ("BESP"). VSOE generally exists only when we sell the deliverable separately and is the price actually charged by the Company for

that deliverable. The objective of BESP is to determine the price at which the Company would transact a sale if the product or service were sold on a stand-alone basis. We determine the BESP for a product or service by considering multiple factors including, but not limited to, geographies, market conditions, competitive landscape, internal costs, gross margin objectives, and pricing practices. If a delivered element does not meet the criteria in the applicable accounting guidance to be considered a separate unit of accounting, revenue is deferred until the undelivered elements are fulfilled. Accordingly, the determination of BESP can impact the timing of revenue recognition for an arrangement.

Revenue from our network control software products and software-related elements is recognized in accordance with ASC Topic 985-605 "Software-Revenue Recognition." Software-related elements include all non-software deliverables for which a software deliverable is essential to its functionality. Typical deliverables in a software arrangement may include network control software, extended software maintenance contracts, training and installation. When software arrangements contain multiple elements and VSOE of fair value exists for all undelivered elements, we account for the delivered elements using the residual method. In arrangements where VSOE of fair value is not available for all undelivered elements, we defer the recognition of all revenue under an arrangement until all elements, except post contract support, have been delivered. When post contract support remains the only undelivered element for such contracts, revenue is then recognized using the residual method. Fair value of software-related elements is based on separate sales to other customers or upon renewal rates quoted in contracts when the quoted renewal rates are deemed to be substantive. Software and hardware maintenance contract revenues are recognized ratably over the term of the arrangement, which is typically one year.

Service revenues are recognized at the time of performance. Extended maintenance contract revenues are recognized ratably over the term of the arrangement, which is typically one year.

At August 28, 2015, deferred extended service maintenance revenues were \$260,000, and are expected to be recognized as revenue in varying amounts throughout fiscal 2016.

We recognize revenue in certain circumstances before delivery has occurred (commonly referred to as "bill and hold" transactions). In such circumstances, among other things, risk of ownership has passed to the buyer, the buyer has made a written fixed commitment to purchase the finished goods, the buyer has requested the finished goods be held for future delivery as scheduled and designated by them, and no additional performance obligations by the Company exist. For these transactions, the finished goods are segregated from inventory and normal billing and credit terms are granted. For the years ended August 28, 2015 and August 29, 2014, no revenues were recorded as bill and hold transactions.

We have included all shipping and handling billings to customers in revenues, and freight costs incurred for product shipments have been included in cost of revenues.

Research and Development/Capitalized Software Costs. We expense research and development costs, including expenditures related to development of our software products that do not qualify for capitalization. Software development costs are capitalized subsequent to establishing technological feasibility. Capitalized costs are amortized based on the larger of the amounts computed using (a) the ratio that current gross revenues for each product bears to the total of current and anticipated future gross revenues for that product or (b) the straight-line method over the remaining estimated economic life of the product. This has resulted in amortization periods ranging from two to three years. Expected future revenues and estimated economic lives are subject to revisions due to market conditions, technology changes and other factors resulting in shortfalls of expected revenues or reduced economic lives. In accordance with current accounting guidance, FASB Accounting Standards Codification (ASC) Topic 985-20 "Costs of Software to Be Sold, Leased, or Marketed", we evaluated the recoverability and our estimate of net realizable value of net capitalized software costs at August 28, 2015. This evaluation considered our current near term liquidity and risks of obtaining addition required financing, declining levels of bookings and backlog, historical revenue forecast accuracy and historical losses, as well as estimated future revenues, cost of completion and disposal of the asset. Amortization expense, included in cost of revenues, was \$394,000 in fiscal 2015 and \$336,000 in fiscal 2014. Software development costs capitalized during fiscal 2015 and 2014 were limited to \$397,000 and \$250,000, respectively based on our evaluation of the net realizable value at August 28, 2015 and August 29, 2014. Capitalized software costs, net of accumulated amortization, were \$45,000 at August 28, 2015 and \$41,000 at August 29, 2014. Accumulated amortization amounted to \$2,372,000 at August 28, 2015 and \$2,668,000 at August 29, 2014. During fiscal years 2015 and 2014, approximately \$690,000 and \$1,446,000, respectively, of fully amortized capitalized software cost associated with products no longer being sold or supported was written off against the accumulated amortization balance. This had no effect on net capitalized software cost at August 28, 2015 and August 29, 2014 or fiscal 2015 and fiscal 2014 cost of revenues.

Advertising and Sales Promotion Expenses. Our policy is to expense advertising and sales promotion costs as incurred. Advertising and sales promotion expenses include media advertising, trade shows, customer events, product literature and market research costs. These expenses totaled \$8,000 and \$113,000 for fiscal years 2015 and 2014, respectively.

Share-Based Compensation. We account for share-based payments to employees, including grants of employee stock options, in accordance with ASC Topic 718, “Compensation-Stock Compensation” (ASC 718). ASC 718 requires that these awards be recognized as compensation expense in the Consolidated Financial Statements based on their fair values. That expense will be recognized over the period during which an employee is required to provide services in exchange for the award, known as the requisite service period (usually the vesting period). In fiscal years 2015 and 2014, share-based compensation expense included in selling, general and administrative expenses amounted to less than \$1,000 and \$615,000, respectively (See Note 11).

Income Taxes. Income taxes are based on income (loss) for financial reporting purposes and reflect a current tax liability (asset) for the estimated taxes payable (recoverable) in the current year’s tax return and changes in deferred taxes. Deferred tax assets or liabilities are recognized for the estimated tax effects of temporary differences between financial reporting and taxable income (loss) and for tax credit and loss carryforwards based on enacted tax laws and rates. Valuation allowances are established to reduce deferred tax assets to amounts that we expect are more likely than not to be realizable. At August 28, 2015, net deferred tax assets were fully offset by a valuation allowance of \$9,387,000.

Net Earnings (Loss) Per Share. Basic and diluted net earnings (loss) per share was computed in accordance with ASC Topic 260 “Earnings Per Share.” Basic net earnings (loss) per share is computed by dividing net earnings (loss) (numerator) by the weighted average number of common shares outstanding (denominator) during the period and exclude the dilutive effect of stock options. Diluted earnings per share are computed using the average stock price for the period in determining the number of shares assumed to be reacquired under the treasury stock method from the hypothetical exercise of stock options and were anti-dilutive, therefore, the amounts reported for basic and dilutive net earnings (loss) per share were the same.

	Years ended	
	August 28, 2015	August 29, 2014
Basic and diluted		
Net earnings (loss)	\$ 1,588,586	\$ (1,638,401)
Weighted average shares outstanding	13,147,051	13,147,051
Net earnings (loss) per share	\$.12	\$ (.12)

Stock options excluded from the diluted earnings (loss) per share calculation due to their anti-dilutive effect are as follows:

	Years ended	
	August 28, 2015	August 29, 2014
Common stock options:		
Number of underlying shares	15,650,800	15,824,700
Range of exercise prices	\$.03 to \$1.34	\$.03 to \$2.50

Fair Value Measurements. The Company uses a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

- Level 1 – Quoted prices in active markets for identical assets or liabilities.
- Level 2 – Observable inputs, other than quoted prices included in Level 1, such as quoted prices for markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- 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. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

Fair Value of Financial Instruments. The carrying amount of cash and other current assets and liabilities, such as accounts receivable and accounts payable as presented in the consolidated financial statements, approximates fair value based on the short-term nature of these instruments. We believe the carrying amounts of our line of credit and credit agreement borrowings approximate fair value because the interest rates at August 28, 2015, approximated market interest rates.

Foreign Currency. The U.S. dollar is our functional currency for financial reporting. International sales are predominately made and remitted in U.S. dollars.

Recently Issued Accounting Standards. In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update (“ASU”) 2014-09, “Revenue from Contracts with Customers (Topic 606)”, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The new standard is effective as of the first interim period within annual reporting periods beginning on or after December 15, 2016, and will replace most existing revenue recognition guidance in U.S. GAAP. Early application is not permitted. The standard permits the use of either the retrospective or cumulative effect transition method. The Company is evaluating the effect that ASU 2014-09 will have on its Consolidated Financial Statements and related disclosures. The Company has not yet selected a transition method or determined the effect of the standard on its financial position, results of operations, cash flows, or presentation thereof.

3. Accounts Receivable

Accounts receivable are summarized as follows:

	August 28, 2015	August 29, 2014
Accounts receivable – trade	\$ 565,711	\$ 455,673
Less: allowance for doubtful accounts	(65,918)	(78,475)
Accounts receivable, net	\$ 499,793	\$ 377,198

A relatively small number of major customers have typically comprised a majority of our revenues and that trend is expected to continue throughout fiscal 2016 and beyond (see Note 13). At August 28, 2015, three customers accounted for approximately 68.6%, 6.6% and 5.2%, respectively, of our accounts receivable while at August 29, 2014, three customers accounted for approximately 24.3%, 17.0% and 16.0% of our accounts receivable.

4. Inventories

Inventories are summarized as follows:

	August 28, 2015	August 29, 2014
Raw materials	\$ 1,345,138	\$ 1,503,098
Work-in-process	232,348	497,395
Finished goods	816,689	2,164,214
	2,394,175	4,164,707
Less: inventory reserves	(1,969,035)	(3,846,182)
Inventories, net	\$ 425,140	\$ 318,525

We have invested a significant amount of financial resources to acquire certain raw materials, sub-assemblies and finished goods, to incur direct labor and to contract to have specific outplant procedures performed on certain inventory in process. We purchased this inventory based upon prior backlog and anticipated future sales based upon our existing knowledge of the marketplace. Our inventory reserve of approximately \$1,969,000 at August 28, 2015, is to provide for items that are potentially slow-moving, excess or obsolete. During fiscal 2015, approximately \$1,877,000 of inventory was written off to the inventory reserve. Changes in market conditions, lower than expected customer demand and rapidly changing technology could result in additional obsolete and slow-moving inventory that is unsaleable or saleable at reduced prices. No estimate can be made of a range of amounts of loss from obsolescence that is reasonably possible should our sales efforts not be successful.

5. Property and Equipment

Major classes of property and equipment consisted of the following:

	Estimated Useful Lives (Years)	August 28, 2015	August 29, 2014
Land	-	\$ -	\$ 707,210
Buildings and improvements	3-30	-	3,813,077
Machinery and equipment	3-5	10,011,830	10,017,550
Furniture and fixtures	5	509,010	509,010
Total property and equipment		10,520,840	15,046,847
Less accumulated depreciation		(10,520,338)	(14,007,218)
Property and equipment, net		\$ 502	\$ 1,039,629

Depreciation expense for fiscal 2015 and 2014 totaled approximately \$35,000 and \$131,000, respectively. Repair and maintenance expenses amounted to approximately \$31,000 during both fiscal years 2015 and 2014.

During the second quarter of fiscal 2015, WCI transferred title of its land, including 4.4 acres of undeveloped land, and its 40,000 square foot building and related improvements ("properties") as payment against the outstanding balances owed under its revolving line of credit (See Note 9). The fair market value of the properties was \$3,480,000 (three million four hundred eighty thousand dollars). The net book value of the properties transferred was approximately \$1,007,000 resulting in a gain of \$2,473,000. In addition, as part of the property transfer, WCI entered into a triple net lease agreement for the building facility. The initial term of the lease agreement is two years beginning December 1, 2014, with an option to renew for up to three consecutive renewal terms of one year each. Rental payments are \$15,000 per month during the initial term and \$18,000 per month during any renewal term.

6. Other Assets

Other assets consisted of the following:

August 28, 2015			
	Cost	Accumulated Amortization	Net
License agreements	\$ 961,300	\$ (960,550)	\$ 750
Patents and patent applications	214,677	(198,699)	15,978
Trademarks and trademark applications	81,951	(80,131)	1,820
	\$1,257,928	\$(1,239,380)	\$18,548

August 29, 2014			
	Cost	Accumulated Amortization	Net
License agreements	\$ 961,300	\$ (960,050)	\$ 1,250
Patents and patent applications	243,152	(174,943)	68,209
Trademarks and trademark applications	84,268	(81,133)	3,135
Other			
	\$1,288,720	\$(1,216,126)	\$72,594

Amortization expense of other assets amounted to \$54,000 and \$46,000 for fiscal years 2015 and 2014, respectively.

We conduct an ongoing review of our intellectual property rights and potential trademarks. If it becomes more likely than not that the patent or trademark application will not be granted, we will write off the deferred cost at that time. During fiscal 2015 legal fees of \$28,000 related to the filing of applications for various patents and \$2,000 related to the filing of trademarks were written off to amortization expense. At August 28, 2015, the cost of registered patents and trademarks amounted to \$215,000 and \$82,000, respectively. License agreements are amortized over the lesser of the contractual term or their estimated useful lives of one to five years.

7. Accrued Expenses

Accrued expenses consisted of the following:

	August 28, 2015	August 29, 2014
Vacation	\$ 372,675	\$ 380,454
Interest	2,015,619	1,867,907
Payroll and related expenses	63,966	55,550
Royalties	258,948	242,581
Warranty	22,538	22,538
Taxes and insurance	60,522	65,691
Commissions	12,924	12,924
Professional fees	96,079	85,431
Other	46,945	75,539
	\$2,950,216	\$2,808,615

Accrued Warranty

We warrant our products for a 12 to 14 month period beginning at the date of shipment. Our general warranty provides for repair or replacement of defective products returned during the warranty period at no cost to the customer. Based on historical claim rates, provisions for warranty repairs are not material and we expense costs for warranty repairs at the point at which the expense is considered probable. Although we may not be contractually required, at management's discretion and in a single limited circumstance, we made post warranty accommodations to a specific customer in a prior fiscal year. During fiscal years 2015 and 2014, no additional warranty provisions were made.

Accrued Vacation

During fiscal 2014, forfeited vacation compensation due to reductions in personnel from terminations and resignations resulted in a decrease in accrued vacation balances of approximately \$286,000 which was credited to operating expenses. During fiscal 2015 no vacation compensation was forfeited.

8. Deferred Revenue

Deferred revenue consists of the unrecognized revenue portion of extended service maintenance contracts and the fair value of revenue related to future performance obligations. Extended service maintenance contract revenues are recognized ratably over the maintenance contract term, which is typically one year. At August 28, 2015, deferred extended service maintenance revenues were \$260,000 and are expected to be recognized as revenue in varying amounts throughout fiscal 2016.

9. Financing Agreements

Revolving Line of Credit

WCI's revolving line of credit ("loan facility"), amended and effective October 8, 2009, is provided by The David E. Chymiak Trust Dated December 15, 1999 (the "Trust"). The Trust is controlled by David E. Chymiak who is a beneficial owner of approximately 8.5% of our outstanding common stock. The loan facility provides a maximum credit limit at August 28, 2015 of \$1,125,000 excluding any accrued unpaid interest and bears interest at the rate of eight percent (8.0%) per annum. At August 28, 2015, the outstanding balance on the loan facility was at the maximum credit limit of \$1,125,000 and accrued unpaid interest amounted to approximately \$1,951,000. During the second quarter of fiscal 2015, WCI and the Trust entered into a Deed in Lieu Agreement whereby WCI transferred title of its land, including 4.4 acres of undeveloped land, and its 40,000 square foot building and related improvements ("properties") to the Trust as payment against the outstanding balances owed under the loan facility. The fair market value of the properties was \$3,480,000 (three million four hundred eighty thousand dollars). As a result, at the date of transfer, the outstanding balance and the maximum credit limit on the loan facility was reduced from \$4,250,000 to \$770,000. In addition, as part of the property transfer, WCI and the Trust entered into a triple net lease agreement for the building facility. The initial term of the lease agreement is two years with an option to renew for up to three consecutive one year renewal terms. Rental payments are \$15,000 per month during the initial term and \$18,000 per month during any renewal term. During the third and fourth quarters of fiscal 2015, borrowings under the facility increased \$355,000 and the maximum credit limit on the line of credit was increased to \$1,125,000. At November 16, 2015, the outstanding balance and maximum credit limit on the line of credit increased to \$1,356,000. All principal and interest shall be payable in U.S. dollars or, upon mutual agreement of the parties decided in good faith at the time payment is due, other good and valuable consideration. The loan facility is secured by a first lien on substantially all of WCI's assets and is guaranteed by Wegener Corporation.

The loan facility matured on April 7, 2015 and automatically renews for successive twelve (12) month periods provided, however, the Trust may terminate the facility, as further amended August 26, 2013, by providing a not more than ten (10) day written notice of termination at any time. Principal and interest shall be payable upon the earlier of the maturity date, an event of default as provided by the loan facility, or not more than 10 days following the date on which the Trust provides written notice to terminate the agreement. In the event of a notice of termination of our loan facility, we would need to obtain additional credit facilities or raise additional capital to continue as a going concern and to execute our business plan. There is no assurance that such financing would be available or, if available, that we would be able to complete financing on satisfactory terms.

Under the terms of the facility's debt covenants, we are required to retain certain executive officers and are precluded from paying dividends. At August 28, 2015, we were in compliance with the debt covenants.

Credit Agreement

On August 26, 2013, Wegener and the Trust entered into a Credit Agreement whereby the Trust agreed to make available a demand discretionary credit facility (the "Credit Facility") under which the Trust may, in its sole and absolute discretion, make loans in an amount not to exceed three hundred thousand dollars (\$300,000). The Credit Facility bears interest at the annual rate of eight percent (8.00%). At August 28, 2015, the outstanding balance on the Credit Facility was at the maximum limit of \$300,000 and accrued unpaid interest amounted to approximately \$47,000. The term of the Credit Facility shall be at the Trust's sole and absolute discretion or due upon an event of default as defined. Principal and interest shall be payable either upon demand, upon an event of default or in monthly payments over a twelve month period beginning March 1, 2014. Each such monthly payment shall be in an amount which is set forth in a written request for payment or invoice to be provided by Lender not less than ten (10) days prior to its applicable due date setting forth the principal balance outstanding as of the due date. To date, we have not received a request for payment. At October 16, 2015, the outstanding balance on the line of Credit Facility

remained at \$300,000. The Credit Agreement is secured by a first lien on Wegener's assets and is guaranteed by Wegener Corporation.

Unsecured Promissory Note

On September 23, 2014, WCI and Novra entered into an unsecured promissory note ("Note") in the amount of \$100,000, bearing interest at an annual rate of four percent (4.00%) with principal and interest due one year from the date of the Note. Proceeds of the Note were used for working capital. On September 23, 2015, the Note was renewed for an additional one year period bearing interest at the same annual rate of four percent (4.00%).

10. Income Taxes

No income tax expense was recorded for fiscal 2015 due to a decrease in the deferred tax asset valuation allowance primarily due to a reduction in the deferred tax asset temporary difference associated with inventory reserves. In fiscal 2015, the deferred tax asset decreased \$701,000 which was offset by a corresponding decrease in the valuation allowance. No income tax benefit was recorded in fiscal 2014 due to an increase in the deferred tax asset valuation allowance. In fiscal 2014, the deferred tax asset increased \$368,000 primarily due to an increase in the net operating loss carryforward.

The effective income tax rate differs from the U.S. federal statutory rate as follows:

	Years Ended	
	August 28, 2015	August 29, 2014
Statutory U.S. income tax rate	34.0%	34.0%
State taxes, net of federal benefits	1.9	1.2
Valuation allowance	(35.9)	(22.5)
Non-deductible expenses	(.1)	(12.8)
Other, net	.1	.1
Effective income tax rate	-%	-%

The effective tax rate for fiscal 2015 and 2014 reflected the recording of a full valuation allowance against net deferred tax assets, as further discussed below.

Deferred tax assets and liabilities that arise as a result of temporary differences are as follows:

	August 28, 2015	August 29, 2014
Deferred tax assets (liabilities):		
Inventory reserves	\$ 1,311,000	\$ 2,172,000
Accounts receivable allowance	22,000	28,000
Accrued expenses	910,000	786,000
Net operating loss carryforwards	7,023,000	6,860,000
AMT credit carryovers	134,000	134,000
Depreciation	1,000	76,000
Capitalized software costs	(17,000)	(16,000)
Other	3,000	48,000
Deferred tax assets	9,387,000	10,088,000
Valuation allowance	(9,387,000)	(10,088,000)
Net deferred tax asset	\$ -	\$ -
Consolidated balance sheet classifications:		
Current deferred tax asset	\$ 2,319,000	\$ 3,107,000
Noncurrent deferred tax asset	7,068,000	6,981,000
Valuation allowance	(9,387,000)	(10,088,000)
Net deferred tax asset	\$ -	\$ -

A valuation allowance is established when it is "more likely than not" that all or a portion of a deferred tax asset will not be realized. A review of all available positive and negative evidence was considered in judging the likelihood of realizing tax benefits. Forming a conclusion that a valuation allowance is not needed is difficult when there is negative evidence such as cumulative losses in recent years. Cumulative losses are one of the most difficult pieces of negative evidence to overcome in the absence of sufficient existing orders and backlog (versus forecasted future orders) supporting a return to profitability. Additional orders and backlog are currently needed for

profitability in fiscal 2016. Our assessment indicated that a full valuation allowance for our net deferred tax assets was required as of August 28, 2015 and August 29, 2014. The valuation allowance decreased \$701,000 in fiscal 2015. At August 28, 2015, net deferred tax assets of \$9,387,000 were fully reserved by a valuation allowance.

At August 28, 2015, we had a federal net operating loss carryforward of \$19,631,000, of which \$1,438,000 expires in fiscal 2021, \$1,296,000 in fiscal 2023, \$3,396,000 in fiscal 2024, \$1,454,000 in fiscal 2025, \$1,755,000 in fiscal 2026, \$265,000 in fiscal 2027, \$2,222,000 in fiscal 2029, \$2,405,000 in fiscal 2030, \$612,000 in fiscal 2031, \$2,077,000 in fiscal 2032, \$1,331,000 in fiscal 2033, \$1,020,000 in fiscal 2034 and \$360,000 in fiscal 2035. Additionally, we had an alternative minimum tax credit of \$134,000 which was fully offset by the valuation allowance.

Assets and liabilities are recognized for a tax position, based solely on its technical merits that is believed to be more likely than not to be fully sustainable upon examination. As of August 28, 2015 and August 29, 2014, there was no accrual for interest or penalties related to uncertain tax positions. Our accounting policy for penalties and interest is to include such amounts, if any, in income tax expense.

We reassess the validity of our conclusions regarding uncertain income tax positions on a quarterly basis to determine if facts or circumstances have arisen that might cause us to change our judgment regarding the likelihood of a tax position's sustainability under audit. As we believe that all such positions are fully supportable by existing Federal law and related interpretations, there are no uncertain positions to consider in accordance with ASC Topic 740 "Income Taxes".

We are subject to U.S. federal income tax as well as income tax of numerous state jurisdictions. We are subject to U.S. federal tax examinations by tax authorities for fiscal years 2012 through 2015. Income tax examinations that we may be subject to from the various state taxing authorities vary by jurisdiction.

11. Share-Based Compensation

2011 and 2010 Incentive Plans. On February 1, 2011, our stockholders approved the 2011 Incentive Plan (the "2011 Plan"). The effective date of the 2011 Plan was January 1, 2011. On February 2, 2010, our stockholders approved the 2010 Incentive Plan (the "2010 Plan"). The effective date of the 2010 Plan was January 1, 2010. The 2011 Plan and the 2010 Plan each have ten-year terms. Each Plan provides for awards of up to an aggregate of 1,250,000 shares of common stock which may be represented by (i) incentive or nonqualified stock options, (ii) stock appreciation rights (tandem and free-standing), (iii) restricted stock, (iv) deferred stock, or (v) performance units entitling the holder, upon satisfaction of certain performance criteria, to awards of common stock or cash. The maximum total number of shares of Restricted Stock, Deferred Stock and/or Performance Units that may be granted at full value shall not exceed 500,000 shares. Eligible participants include officers and other key employees, non-employee directors, consultants and advisors to the Company. The exercise price per share in the case of incentive stock options and any tandem stock appreciation rights may not be less than 100% of the fair market value on the date of grant or, in the case of an option granted to a 10% or greater stockholder, not less than 110% of the fair market value on the date of grant. The exercise price for any other option and stock appreciation rights shall be at least 100% of the fair market value on the date of grant. The exercise period for nonqualified stock options may not exceed ten years and one day from the date of the grant, and the exercise period for incentive stock options or stock appreciation rights shall not exceed ten years from the date of the grant (five years for a 10% or greater stockholder). No awards have been granted under the 2011 Plan.

On November 21, 2014, pursuant to our 2010 Incentive Plan, the Compensation Committee authorized the issuance to an employee of the Company a common stock option to purchase an aggregate of 30,000 shares of common stock exercisable at \$0.03. The option vests upon issuance and expires five years from the date of issuance. The aggregate grant date fair value of the total awards, calculated in accordance with ASC 718, was less than \$1,000 which was recognized as selling, general and administrative expenses in the first quarter of fiscal 2015. The weighted average fair value of stock options granted was \$.0223. The weighted-average assumptions used in the Black-Scholes option pricing model for the stock option grants were as follows: expected volatility - 100%; risk free interest rate - 1.86% based upon observed interest rates appropriate for the expected term of our stock option; expected life - 5 years; expected dividend yield - none because the Company does not currently pay dividends. During fiscal 2014, options exercisable at \$0.125 for 28,900 shares of common stock were forfeited. At August 28, 2015, 144,200 shares of common stock remained available for issuance under the 2010 Incentive Plan and options for 605,800 shares remained outstanding.

1998 Incentive Plan. On February 26, 1998, our stockholders approved the 1998 Incentive Plan (the “1998 Plan”). The effective date of the 1998 Plan is January 1, 1998 and the 1998 Plan had a ten-year term. The 1998 Incentive Plan expired and terminated effective December 31, 2007. The Plan provided for awards of up to an aggregate of 2,000,000 shares of common stock which could be represented by (i) incentive or nonqualified stock options, (ii) stock appreciation rights, (iii) restricted stock, (iv) deferred stock, or (v) performance units entitling the holder, upon satisfaction of certain performance criteria, to awards of common stock or cash. In addition, the 1998 Plan provided for loans and supplemental cash payments to persons participating in the 1998 Plan in connection with awards granted. Eligible participants included officers and other key employees, non-employee directors, consultants and advisors to the Company. The exercise price per share in the case of incentive stock options and any tandem stock appreciation rights could not be less than 100% of the fair market value on the date of grant or, in the case of an option granted to a 10% or greater stockholder, could not be less than 110% of the fair market value on the date of grant. The exercise price for any other option and stock appreciation rights could be at least 75% of the fair market value on the date of grant. The exercise period for nonqualified stock options could not exceed ten years and one day from the date of the grant, and the expiration period for incentive stock options or stock appreciation rights could not exceed ten years from the date of the grant (five years for a 10% or greater stockholder). The 1998 Plan contained an automatic option grant program to non-employee members of the Board of Directors. Such members could each be granted an option to purchase 3,000 shares of common stock on the last day of each December on which regular trading occurred on the NASDAQ Stock Market, at an exercise price equal to the fair market value of such stock on the date of grant. Such options could be exercisable during the period of ten years and one day from the date of grant of the option. During fiscal 2015, options exercisable at (i) \$1.29 for 153,000 shares; (ii) \$2.50 for 12,000 shares and (iii) \$2.38 for 10,000 shares of common stock were forfeited. During fiscal 2014, options exercisable at \$2.08 for 9,000 shares and options exercisable at \$2.21 for 125,000 shares of common stock were forfeited. At August 28, 2015, options for 45,000 shares remained outstanding under the 1998 Incentive Plan.

Other Stock Options. On September 16, 2013, in conjunction with an incentive to provide financial assistance and an incentive to a potential acquisition transaction, the Board of Directors authorized the issuance of a common stock option to Novra Technologies, Inc. to purchase an aggregate of 15,000,000 (fifteen million) shares of common stock exercisable at \$0.03. The option, exercisable upon issuance, had an expiration date of September 30, 2014. The aggregate grant date fair value of the total award, calculated in accordance with ASC 718, was approximately \$165,000 which was recognized as selling, general and administrative expenses in the first quarter of fiscal 2014. The weighted average fair value of stock option granted was \$.011. The weighted-average assumptions used in the Black-Scholes option pricing model for the stock option grant were as follows: expected volatility - 100%; risk free interest rate - .13% based upon observed interest rates appropriate for the expected term of our stock option; expected life – 1 years; expected dividend yield – none because the Company does not currently pay dividends. On July 9, 2014, the Board of Directors authorized an amendment to the September 16, 2013, option to extend the expiration date to December 31, 2015, with all other terms and conditions of the option remaining unchanged. The aggregate grant date fair value of the amended award, calculated in accordance with ASC 718, was approximately \$450,000 which was recognized as selling, general and administrative expenses in the fourth quarter of fiscal 2014. The weighted average fair value of the amended stock option was \$.03. The weighted-average assumptions used in the Black-Scholes option pricing model for the stock option grant were as follows: expected volatility - 100%; risk free interest rate - .51% based upon observed interest rates appropriate for the expected term of our amended stock option; expected life – 1 year and five months; expected dividend yield – none because the Company does not currently pay dividends.

A summary of all stock option transactions follows:

	Number of Shares	Range of Exercise Prices	Weighted Average Exercise Price
Outstanding at:			
August 30, 2013	958,700	\$.125 – 2.50	\$.68
Granted	15,000,000	.03	.03
Forfeited or cancelled	(162,900)	.125 – 2.21	1.83
Outstanding at:			
August 29, 2014	15,795,800	\$.03 – 2.50	\$.05
Granted	30,000	.03	.03
Forfeited or cancelled	(175,000)	1 .29 – 2.50	1.38
Outstanding at August 28, 2015	15,650,800	\$.03 – 1.34	\$.04
Available for issue at August 28, 2015	1,394,200	-	-
Options exercisable at:			
August 28, 2015	15,650,800	\$.03 – 1.34	\$.04
August 29, 2014	15,795,800	\$.03 – 2.50	\$.05

The weighted average remaining contractual life of options outstanding and exercisable at August 28, 2015, was approximately 4.3 months. There was no intrinsic value of the options outstanding and exercisable at August 28, 2015. The weighted average grant-date fair value of the option granted during fiscal year 2015 was \$0.223.

12. Employee Benefit Plans

WCI has a 401(k) Profit Sharing Plan and Trust (the “Plan”) covering substantially all employees. Amounts to be contributed to the Plan each year are subject to the approval of the Board of Directors. No profit sharing contributions were declared for fiscal years 2015 and 2014.

Eligible WCI employees are permitted to make contributions, up to certain regulatory limits, to the Plan on a tax deferred basis under Section 401(k) of the Internal Revenue Code. The Plan provides for a discretionary matching contribution on a quarterly basis. During fiscal years 2015 and 2014, no matching contributions were paid. Any matching contributions would be in the form of the Company’s stock or cash at the discretion of the Board of Directors.

13. Segment Information and Concentrations

ASC Topic 280 “Segment Reporting,” established standards for the way that public business enterprises report information about operating segments in their financial statements. The standard defines operating segments as components of an enterprise for which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Based on these standards, we have determined that we operate in a single operating segment: the manufacture and sale of satellite communications equipment.

In this single operating segment we have three sources of revenues as follows:

	Years ended	
	August 28, 2015	August 29, 2014
Direct Broadcast Satellite	\$2,853,807	\$2,778,727
Analog and Custom Products	3,876	-
Service	329,102	383,827
Revenues, net	\$3,186,785	\$3,162,554

Concentrations of products representing 10% or more of the year's revenues are as follows:

	Years ended	
	August 28, 2015	August 29, 2014
Products:		
Private network receivers	10.6%	15.8%
iPump media servers	34.7%	29.3%
Product service repairs	10.4%	12.1%
Extended maintenance contracts	20.3%	20.5%

Products representing 10% or more of annual revenues are subject to fluctuations from year to year as new products and technologies are introduced, new product features and enhancements are added, and as customers upgrade or expand their network operations. Fiscal 2015 revenues included (i) ipump[®] 762 and 6400 media receivers and component assemblies to SSL Digital S.A. for continued business expansion, (ii) completion of final shipments of Unity[®] 550 receivers to a faith-based private network for continued network expansion, (iii) equipment including our next generation broadcast radio receiver, the ipump[®] 8640 for evaluation and a pilot field trial and repair services to Westwood One (formerly Dial Global) for its radio network (iv) product repair services and (v) extended maintenance contract revenues. In addition, fiscal 2015 revenues included ipump[®] 6420 audio media receivers and component assemblies to Educational Media Foundation for network expansion and upgrades, ipump[®] 6400 and 562 media receivers and component assemblies to Comtelsat S.A. for their continued business growth and ipump[®] 6400 media receivers and Unity[®] 202 receivers to the Army & Air Force Exchange Service. Fiscal 2014 revenues included (i) ipump[®] 562 and ipump[®] 6400 media receivers and our newly released ipump[®] 762 digital signage media player to SSL Digital S.A. for continued business expansion, (ii) shipments of Unity[®] 550 receivers to a faith-based private network for continued network expansion, (iii) equipment and services to Westwood One (formerly Dial Global) for its radio network (iv) product repair services and (v) extended maintenance contract revenues. In addition, fiscal 2014 revenues included ipump[®] 6420 audio media receivers and Unity[®] 4600 receivers to Educational Media Foundation for network expansion and upgrades and Unity[®] 4650 professional receivers, to OHI Telecommunications Co. LLC for business expansion projects.

Revenues by geographic areas are as follows:

	Years ended	
	August 28, 2015	August 29, 2014
Geographic Area:		
United States	\$1,653,786	\$1,644,284
Canada	110,576	17,154
Europe	284,005	101,135
Latin America and Mexico	1,085,270	1,205,212
Other	53,148	194,769
Revenues, net	\$3,186,785	\$3,162,554

Revenues attributed to geographic areas are based on the location of the customer. All of our assets are located in the United States.

We sell to a variety of domestic and international customers on an open, unsecured account basis. These customers principally operate in the private network and broadcast radio industries. Customers representing 10% or more of the fiscal year's revenues are as follows:

	Years ended	
	August 28, 2015	August 29, 2014
Customer 1	12.2%	13.9%
Customer 2	11.0%	15.6%
Customer 3	27.1%	28.7%
Customer 4	10.3%	(a)

(a) Revenues for the year were less than 10% of total revenues.

Sales to a relatively small number of major customers have typically comprised a majority of our revenues and that trend is expected to continue throughout fiscal 2016 and beyond. Future revenues are subject to the timing of significant orders from customers and are difficult to forecast. As a result, future revenue levels may fluctuate from quarter to quarter.

At August 28, 2015, three customers accounted for approximately 68.6%, 6.6% and 5.2%, respectively, of our accounts receivable while at August 29, 2014, three customers accounted for approximately 24.3%, 17.0% and 16.0%, respectively, of our accounts receivable. When deemed appropriate, we use letters of credit and credit insurance to mitigate the credit risk associated with foreign sales.

During fiscal years 2015 and 2014, we used offshore manufacturers for a significant amount of our finished goods or component inventories. Two offshore manufacturers, with facilities located in Taiwan and the Peoples Republic of China, accounted for approximately 40% and 22 %, respectively, of inventory purchases in fiscal 2015 and 33% and 20%, respectively, in fiscal 2014. If these suppliers are unable to meet the Company's needs, losses of potential customers could result, which could adversely affect operating results.

14. Commitments and Contingencies

Purchase Commitments

At August 28, 2015, outstanding purchase commitments under the Novra purchasing assistance agreement amounted to \$309,000.

Operating Leases

We lease our office and manufacturing facility and certain equipment under long-term noncancelable operating leases. Our office and manufacturing facility lease expires November 30, 2016 and the equipment lease expires during fiscal 2017. Approximate future minimum lease commitments are as follows: 2016-\$181,000 and 2017-\$46,000. Rent expense under all leases was approximately \$138,000 and \$6,000 for fiscal years 2015 and 2014, respectively.

Indemnification Obligations

We are obligated to indemnify our officers and the members of our Board of Directors pursuant to our bylaws and contractual indemnity agreements. We routinely sell products with limited intellectual property indemnification included in the terms of sale or in certain contractual arrangements. The scope of these indemnities varies, but in some instances includes indemnification for costs, damages and expenses (including reasonable attorneys' fees) finally awarded in any suit by a third party against the purchaser to the extent based upon a finding the design or manufacture of the purchased item infringes the proprietary rights of such third party. Certain requests for indemnification have been received by us pursuant to these arrangements.

On June 1, 2006, a complaint was filed by Rembrandt Technologies, LP (Rembrandt) against Charter Communications, Inc. (Charter), Cox Communications Inc. (Cox), CSC Holdings, Inc. (CSC) and Cablevisions Systems Corp. (Cablevision) in the United States District Court for the Eastern District of Texas alleging patent infringement. The complaint alleges that products and services sold by Charter infringe certain Rembrandt patents related to cable modem, voice-over internet, and video technology and applications. Wegener has not been named a party in the suit. However, subsequent to December 1, 2006, Charter has requested us to defend and indemnify Charter to the extent that the Rembrandt allegations are premised upon Charter's use of products that we have sold to Charter. To date, we have not agreed to Charter's request.

On June 1, 2006, a complaint substantially similar to the above described suit was filed by Rembrandt against Time Warner Cable (TWC) in the United States District Court for the Eastern District of Texas. Wegener has not been named a party in the suit, but TWC has requested us (as well as other equipment vendors) to contribute a portion of the defense costs related to this matter as a result of the products that we and others have sold to TWC. To date, we have not agreed to contribute to the payment of legal costs related to this case.

In addition, Cisco Systems, Inc. (Scientific Atlanta) has made indemnity demands against us, related to the fact that a number of Cisco's customers that are defendants in the Rembrandt lawsuit have made indemnity demands against Cisco. Cisco's demands are based upon allegations that Wegener sold devices to these companies that are implicated by the patent infringement claims in the Rembrandt lawsuit. To date, we have not agreed to Cisco's demands.

These actions have been consolidated into a multi-district action pending in the United States District Court for the District of Delaware. The Delaware District Court issued an Order dismissing eight of the substantive patent claims embodied in the consolidated action, as well as all counterclaims. The parties also agreed to summary judgment of non-infringement on a remaining patent claim.

On November 13, 2009, the Court allowed the parties to the consolidated lawsuits to file motions for fees and costs with respect to one another. On July 13, 2011, the Court ruled that the motion for attorney's fees and costs was premature. On September 7, 2011, the Delaware District Court issued a Final Judgment and Order dismissing the claims. On September 28, 2011, Rembrandt Technologies LP filed a Notice of Appeal from the Court's September 7, 2011 judgment, the Court's construction ruling concerning one of the patents in question, and all prior rulings, orders and judgments of the Court. On October 22, 2012, the Court of Appeals for the Federal Circuit affirmed the District Court's construction ruling and September 7, 2011 judgment. On December 6, 2012, the District Court ordered that the motion by certain attorneys for fees and costs would be deemed refiled as of September 7, 2011. At this point, we are presently unable to assess the impact, if any, of this litigation on Wegener.

On October 4, 2010, a Second Amended Complaint was filed by Multimedia Patent Trust (MPT) against Fox News Networks, LLC (Fox News) and other parties in the United States District Court for the Southern District of California for patent infringement. (The initial Complaint was filed on January 19, 2010). The Second Amended Complaint asserts that Fox News has infringed upon certain MPT patents relating to video compression, encoding and decoding. This litigation may be very expensive to defend and there could be significant financial exposure if MPT is successful in its claims. On November 3, 2010, however, Fox News wrote to Wegener, asking Wegener to fully indemnify, hold harmless and defend Fox News in connection with the litigation. In its letter, Fox News states that it has identified Wegener as a vendor that provided Fox News with products and/or services relating to video compression. Fox News states further that it believes that MPT's claims give rise to indemnity obligations and other obligations for Wegener products obtained from Wegener by Fox News. The November 3, 2010 letter asked Wegener to acknowledge such tender on or before November 24, 2010. Wegener has not agreed to do so, nor has Wegener acknowledged or agreed that the specific claims against Fox News by MPT give rise to such obligations on the part of Wegener. On August 11, 2011, counsel for MPT served a subpoena on Wegener seeking certain documents relating to the subject matter of the patent infringement action. On September 8, 2011, Wegener produced certain documents in response to that subpoena. In March 2012 counsel for MPT withdrew the subpoena. At this point, we are unable to assess the impact of this litigation, if any, on Wegener.

To date, there have been no findings related to the above matters that our products and/or services have infringed upon the proprietary rights of others. Although it is reasonably possible a liability may be incurred in the future related to these indemnification claims, at this point, any possible range of loss cannot be reasonably estimated.

PART III

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

The following consolidated financial statements schedule for Wegener Corporation and subsidiary is included herein:

Schedule II-Valuation and Qualifying Accounts
Years ended August 28, 2015 and August 29, 2014.

The exhibits are listed in the Exhibit Index appearing below and are filed herewith or are incorporated by reference to exhibits previously filed with the Securities and Exchange Commission.

**SCHEDULE II
WEGENER CORPORATION AND SUBSIDIARY
VALUATION AND QUALIFYING ACCOUNTS
(Unaudited)**

	<u>Balance at Beginning of Period</u>	<u>Charged to Costs and Expenses</u>	<u>Write-offs</u>	<u>Recoveries</u>	<u>Balance at End of Period</u>
Allowance for doubtful accounts receivable:					
Year ended August 28, 2015	\$ 78,475	\$ -	\$(12,557)	\$ -	\$ 65,918
Year ended August 29, 2014	\$125,416	\$ -	\$ (6,941)	\$ (40,000)	\$ 78,475
Inventory Reserves:					
Year ended August 28, 2015	\$3,846,182	\$ -	\$(1,877,147)	\$ -	\$1,969,035
Year ended August 29, 2014	\$3,866,128	\$ -	\$ (19,946)	\$ -	\$3,846,182
Accrued Warranty:					
Year ended August 28, 2015	\$ 22,538	\$ -	\$ -	\$ -	\$ 22,538
Year ended August 29, 2014	\$ 22,538	\$ -	\$ -	\$ -	\$ 22,538

EXHIBIT INDEX

The following documents are filed as exhibits to this report. An asterisk (*) identifies exhibits filed herewith. Exhibits which are not required for this report are omitted. Exhibits 10.3 through 10.6, 10.8, and 10.10 through 10.13 identify management contracts or compensatory plans.

<u>Exhibit No.</u>	<u>Description of Exhibit</u>
3.1	Certificate of Incorporation as amended through May 4, 1989. (1)
3.1.1	Amendment to Certificate of Incorporation. (2)
3.1.2	Amendment to Certificate of Incorporation effective January 27, 2009.
3.1.3	Amendment to Certificate of Incorporation effective February 1, 2011. (33)
3.1.4	Amendment to Certificate of Incorporation effective January 31, 2012. (34)
3.2	By-laws of the Company, as Amended and Restated May 17, 2006. (19)
3.2.1	Amendments to Article III, Section 3.2 and Article XII of the By-laws of the Company, effective as of September 29, 2006. (4)
4.1	See By-Laws and Certificate of Incorporation, Exhibits 3.1 and 3.2. See Articles II and VIII of the By-Laws and Article IV of the Certificate.
4.2	Loan and Security Agreement and Demand Note dated June 5, 1996, by and between Wegener Communications, Inc. and LaSalle National Bank respecting \$8,500,000 combined revolving credit note and term note. (5)
4.2.1	Loan and Security Agreement – First Amendment dated August 4, 1998, by and between Wegener Communications, Inc. and LaSalle National Bank respecting \$10,000,000 combined revolving credit note and term note. (6)
4.2.2	Loan and Security Agreement – Third Amendment dated December 11, 2000, by and between Wegener Communications, Inc., and LaSalle National Bank respecting \$10,000,000 combined revolving credit note and term note. (7)
4.2.3	Loan and Security Agreement – Fourth Amendment dated March 28, 2002, by and between Wegener Communications, Inc., and LaSalle National Bank respecting \$5,000,000 combined revolving credit note and term note. (8)
4.2.4	Loan and Security Agreement – Fifth Amendment dated June 27, 2003, by and between Wegener Communications, Inc. and LaSalle National Bank respecting \$5,000,000 combined revolving credit note and term note. (9)
4.2.5	Loan and Security Agreement – Sixth Amendment dated June 27, 2004, by and between Wegener Communications, Inc. and LaSalle National Bank respecting \$5,000,000 combined revolving credit note and term note. (10)
4.2.6	Loan and Security Agreement – Seventh Amendment dated July 13, 2006, by and between Wegener Communications, Inc. and LaSalle National Bank respecting \$5,000,000 combined revolving credit note and term note. (20)

<u>Exhibit No.</u>	<u>Description of Exhibit</u>
4.2.7	Loan and Security Agreement – Eighth Amendment dated November 15, 2006, by and between Wegener Communications, Inc. and LaSalle National Bank respecting \$5,000,000 combined revolving credit note and term note. (20)
4.2.8	Loan and Security Agreement – Ninth Amendment dated June 28, 2007, by and between Wegener Communications, Inc. and LaSalle National Bank respecting \$5,000,000 combined revolving credit note and term note. (21)
4.2.9	Loan and Security Agreement – Tenth Amendment dated September 8, 2008, by and between Wegener Communications, Inc. and LaSalle National Bank respecting \$5,000,000 combined revolving credit note and term note.
4.2.10	Loan and Security Agreement – Eleventh Amendment dated September 14, 2009, by and between Wegener Communications, Inc. and LaSalle National Bank respecting \$4,000,000 combined revolving credit note and term note. (23)
4.2.11	Loan and Security Agreement –Twelfth Amendment dated October 8, 2009, by and between Wegener Communications, Inc. and The David E. Chymiak Trust Dated December 15, 1999, as assignee of the Bank of America, N.A., successor interest by merger to LaSalle Bank National Association, respecting \$4,000,000 combined revolving credit note and term note. (24)
4.2.12	Loan and Security Agreement –Thirteenth Amendment dated June 11, 2010, by and between Wegener Communications, Inc. and The David E. Chymiak Trust Dated December 15, 1999, as assignee of the Bank of America, N.A., successor interest by merger to LaSalle Bank National Association, respecting \$4,000,000 combined revolving credit note and term note. (26)
4.2.13	Loan and Security Agreement –Fourteenth Amendment dated September 3, 2010, by and between Wegener Communications, Inc. and The David E. Chymiak Trust Dated December 15, 1999, as assignee of the Bank of America, N.A., successor interest by merger to LaSalle Bank National Association, respecting \$4,250,000 combined revolving credit note and term note. (28)
4.2.14	Loan and Security Agreement –Fifteenth Amendment dated November 8, 2010, by and between Wegener Communications, Inc. and The David E. Chymiak Trust Dated December 15, 1999, as assignee of the Bank of America, N.A., successor interest by merger to LaSalle Bank National Association, respecting \$4,250,000 combined revolving credit note and term note. (29)
4.2.15	Loan and Security Agreement –Sixteenth Amendment dated April 13, 2011, by and between Wegener Communications, Inc. and The David E. Chymiak Trust Dated December 15, 1999, as assignee of the Bank of America, N.A., successor interest by merger to LaSalle Bank National Association, respecting \$4,250,000 combined revolving credit note and term note. (30)
4.2.16	Loan and Security Agreement –Seventeenth Amendment dated June 29, 2011, by and between Wegener Communications, Inc. and The David E. Chymiak Trust Dated December 15, 1999, as assignee of the Bank of America, N.A., successor interest by merger to LaSalle Bank National Association, respecting \$4,250,000 combined revolving credit note and term note. (31)
4.2.17	Loan and Security Agreement – Eighteenth Amendment dated August 26, 2013, by and between Wegener Communications, Inc. and The David E. Chymiak Trust Dated December 15, 1999, as assignee of the Bank of America, N.A., successor interest by merger to LaSalle Bank National Association, respecting \$4,250,000 Loan and Security Agreement. (35)

<u>Exhibit No.</u>	<u>Description of Exhibit</u>
4.2.18	Credit Agreement dated August 26, 2013, by and between Wegener Communications, Inc. and The David E. Chymiak Trust Dated December 15, 1999, as assignee of the Bank of America, N.A., successor interest by merger to LaSalle Bank National Association. (36)
4.2.19	Second Amendment to Deed to Secure Debt and Security Agreement dated August 26, 2013, by and between Wegener Communications, Inc. and The David E. Chymiak Trust Dated December 15, 1999, as assignee of the Bank of America, N.A., successor interest by merger to LaSalle Bank National Association. (37)
4.2.20	Deed to Secure Debt, Assignment of Leases, Security Agreement, Fixture Filing and Financing Statement dated August 26, 2013, by and between Wegener Communications, Inc. and The David E. Chymiak Trust Dated December 15, 1999. (38)
4.2.21	* Deed In Lieu Agreement dated December 1, 2014, by and between Wegener Communications, Inc. and The David E. Chymiak Trust Dated December 15, 1999.
4.3	Stockholder Rights Agreement. (3)
4.3.1	Amendment No. 1, dated as of September 29, 2006, to the Company's Stockholder Rights Agreement. (4)
10.1	License Agreement, Distributorship and Supply Agreement, and Purchase Pooling and Warehouse Agreement dated May 28, 1994, by and between Wegener Communications, Inc. and Cross Technologies, Inc. (11)
10.2	Wegener Communications, Inc. 401(k) Profit Sharing Plan and Trust dated January 1, 1982, amended and restated as of January 1, 1984. (12)
10.3	1989 Directors' Incentive Plan. (13)
10.3.1	Amendment to 1989 Directors' Incentive Plan effective February 1, 1995. (14)
10.4	1998 Incentive Plan. (15)
10.5	Form of Agreement between Wegener Corporation and Robert A. Placek and C. Troy Woodbury, Jr. respecting severance payments in the event of a change of control. (16)
10.6	Director Compensation Plan for 2004. (17)
10.7	Agreement, dated September 29, 2006, by and among Wegener Corporation, Henry Partners, L.P., Matthew Partners, L.P., Henry Investment Trust, L.P., and David W. Wright. (4)
10.8	* Executive Compensation for the fiscal year ended August 29, 2014.
10.9	Patent Purchase Agreement effective as of May 22, 2008, by and between Wegener Communications, Inc. and EPAX Consulting Limited Liability Company.(22)
10.10	Amendments to Agreement between Wegener Corporation and C. Troy Woodbury, Jr., respectively, respecting severance payments in the event of a change of control.
10.12	2010 Incentive Plan (27)

<u>Exhibit No.</u>	<u>Description of Exhibit</u>
10.13	2011 Incentive Plan (32)
14.1	Wegener Corporation Code of Business Conduct and Ethics. (18)
21.1	Subsidiary of the Registrant. (17)
(1)	Incorporated by reference to the Company's Annual Report on Form 10-K for the fiscal year ended September 1, 1989, as filed with the Commission on November 30, 1989.+
(2)	Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended May 30, 1997, as filed with the Commission on June 30, 1997.+
(3)	Incorporated by reference to the Company's Current Report on Form 8-K, dated May 1, 2003, as filed with the Commission on May 6, 2003.+
(4)	Incorporated by reference to the Company's Current Report on Form 8-K, dated September 29, 2006, as filed with the Commission on October 3, 2006.+
(5)	Incorporated by reference to the Company's Annual Report on Form 10-K for the fiscal year ended August 30, 1996, as filed with the Commission on November 27, 1996.+
(6)	Incorporated by reference to the Company's Annual Report on Form 10-K for the fiscal year ended August 28, 1998, as filed with the Commission on November 10, 1998.+
(7)	Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended March 2, 2001, as filed with the Commission on April 16, 2001.+
(8)	Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended May 31, 2002, as filed with the Commission on June 28, 2002.+
(9)	Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended May 30, 2003, as filed with the Commission on July 9, 2003.+
(10)	Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended May 28, 2004, as filed with the Commission on July 12, 2004.+
(11)	Incorporated by reference to the Company's Annual Report on Form 10-K for the fiscal year ended September 2, 1994, as filed with the Commission on December 16, 1994.+
(12)	Incorporated by reference to the Company's Annual Report on Form 10-K/A for the fiscal year ended September 2, 2005, as filed with the Commission on January 10, 2006.+
(13)	Incorporated by reference to the Company's Annual Report on Form 10-K for the fiscal year ended August 31, 1990, as filed with the Commission on November 29, 1990.+
(14)	Incorporated by reference to the Company's Annual Report on Form 10-K for the fiscal year ended September 1, 1995, as filed with the Commission on December 14, 1995.+
(15)	Incorporated by reference to the Company's Registration Statement on Form S-8 (No. 333-51205), as filed with the Commission on April 28, 1998.
(16)	Incorporated by reference to the Company's Schedule 14D-9, as filed with the Commission on May 6, 2003.+
(17)	Incorporated by reference to the Company's Annual Report on Form 10-K for the fiscal year ended September 3, 2004, as filed with the Commission on December 2, 2004.+
(18)	Incorporated by reference to the Company's Annual Report on Form 10-K for the fiscal year ended August 29, 2003, as filed with the Commission on November 26, 2003.+
(19)	Incorporated by reference to the Company's Current Report on Form 8-K, dated May 17, 2006, as filed with the Commission on May 22, 2006.+
(20)	Incorporated by reference to the Company's Annual Report on Form 10-K for the fiscal year ended September 1, 2006, as filed with the Commission on November 30, 2006.+
(21)	Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended June 1, 2007, as filed with the Commission on July 16, 2007.+
(22)	Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended May 30, 2008, as filed with the Commission on July 10, 2008.+
(23)	Incorporated by reference to the Company's Current Report on Form 8-K, dated September 13, 2009, as filed with the Commission on September 17, 2009.+
(24)	Incorporated by reference to the Company's Current Report on Form 8-K, dated October 8, 2009, as filed with the Commission on October 14, 2009.+
(25)	Incorporated by reference to the Company's Annual Report on Form 10-K for the fiscal year ended August 28, 2009, as filed with the Commission on November 25, 2009.+
(26)	Incorporated by reference to the Company's Current Report on Form 8-K, dated June 11, 2010, as filed with the Commission on June 14, 2010.+
(27)	Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended February 26, 2010, as filed with the Commission on April 12, 2010.+
(28)	Incorporated by reference to the Company's Current Report on Form 8-K, dated September 3, 2010, as filed with the Commission on September 7, 2010.+
(29)	Incorporated by reference to the Company's Current Report on Form 8-K, dated November 8, 2010, as filed with the Commission on November 9, 2010.+

- (30) Incorporated by reference to the Company's Current Report on Form 8-K, dated April 13, 2011, as filed with the Commission on April 14, 2011.+
- (31) Incorporated by reference to the Company's Current Report on Form 8-K, dated June 29, 2011, as filed with the Commission on June 29, 2011.+
- (32) Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended March 4, 2011, as filed with the Commission on April 18, 2011.+
- (33) Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended March 4, 2011, as filed with the Commission on April 18, 2011.+
- (34) Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended March 2, 2012, as filed with the Commission on April 16, 2012.+
+ SEC file No. 0-11003
- (35) Incorporated by reference to the Company's Supplemental Information posted to the OTC Disclosure and News Service on October, 10, 2013.
- (36) Incorporated by reference to the Company's Supplemental Information posted to the OTC Disclosure and News Service on October, 10, 2013.
- (37) Incorporated by reference to the Company's Supplemental Information posted to the OTC Disclosure and News Service on October, 10, 2013.
- (38) Incorporated by reference to the Company's Supplemental Information posted to the OTC Disclosure and News Service on October, 10, 2013.

SIGNATURES

WEGENER CORPORATION

Date: December 4, 2015

By /s/ C. Troy Woodbury, Jr.
C. Troy Woodbury, Jr.
President and Chief Executive Officer

Signature

/s/ C. Troy Woodbury, Jr.
C. Troy Woodbury, Jr.

/s/ Stephen J. Lococo
Stephen J. Lococo

Title

President and Chief Executive Officer, Director
(Principal Executive Officer)

Director

DIRECTORS

Stephen J. Lococo
President and Portfolio
Manager of Footprints Asset
Management & Research

C. Troy Woodbury, Jr.
President and Chief
Executive Officer
Wegener Corporation and
Wegener Communications, Inc.

OFFICERS

C. Troy Woodbury, Jr.
President and Chief
Executive Officer

TRANSFER AGENT

Securities Transfer Corporation
2591 Dallas Parkway
Suite 102
Frisco, Texas 75034

CORPORATE

HEADQUARTERS

11350 Technology Circle
Johns Creek /Atlanta, Georgia
30097-1502

COMMON STOCK

OTC PINK Symbol: WGNR

ANNUAL REPORT

Wegener Corporation's Annual
Report is available free of charge
by written request to:

James Traicoff
Investor Relations
Wegener Corporation
11350 Technology Circle
Johns Creek, Georgia
30097-1502

WEB SITE

<http://www.wegener.com>

QUARTERLY COMMON STOCK PRICES

The Company's common stock is
traded over-the-counter.

The quarterly ranges of high and low
sale prices for fiscal 2015 and 2014
were as follows:

	High	Low
Fiscal Year Ended August 28, 2015		
First Quarter	\$.05	\$.03
Second Quarter	.03	.01
Third Quarter	.04	.01
Fourth Quarter	.02	.01
Fiscal Year Ended August 29, 2014		
First Quarter	\$.10	\$.01
Second Quarter	.11	.05
Third Quarter	.09	.05
Fourth Quarter	.05	.05

The Company had less than 400*
shareholders of record at October
16, 2015. The Company has never
paid cash dividends on its common
stock and does not intend to pay
cash dividends in the foreseeable
future.

*(This number does not reflect
beneficial ownership of shares held
in nominee names).

Exhibit 4.2.21

DEED IN LIEU AGREEMENT

THIS DEED IN LIEU AGREEMENT ("Agreement") is entered into as of December 1, 2014 (the "Effective Date"), by and between **WEGENER COMMUNICATIONS, INC.**, a Georgia corporation ("Seller") and **THE DAVID E. CHYMIK TRUST DATED DECEMBER 15, 1999**, a Trust organized under the laws of the State of Oklahoma ("Lender") with respect to the following Recitals:

R E C I T A L S

A. Seller is the owner in fee simple of certain land and the improvements thereon located (the "Real Estate"), having a street address of 11350 Technology Circle, Johns Creek, Georgia 30097, located in the County of Fulton, State of Georgia, and more fully described in Exhibit A attached hereto and made a part hereof.

B. Pursuant to the terms of that certain Loan and Security Agreement dated as of June 5, 1996, originally by and between Seller and LaSalle National Bank ("LaSalle") (together with all amendments, modifications, extensions and renewals thereof, collectively, the "Loan Agreement"), LaSalle made a loan to Seller in the maximum principal amount of Eight Million Five Hundred Thousand Dollars (\$8,500,000.00) (the "First Loan"). The First Loan is evidenced by that certain Demand Note dated June 5, 1996, in the principal amount of the Loan executed by Seller in favor of LaSalle (the "First Note").

C. Pursuant to the terms of that certain Credit Agreement, dated as of August 26, 2013, by and between Seller and LaSalle Lender (together with all amendments, modifications, extensions and renewals thereof, collectively, the "Credit Agreement"), Lender made a loan to Seller in the maximum principal amount of Three Hundred Thousand Dollars (\$300,000.00) (the "Second Loan"). The Second Loan is evidenced by that certain Promissory Note, dated August 26, 2013, in the principal amount of the Second Loan executed by Seller in favor of Lender (the "Second Note"). The First Loan and the Second Loan, together with all amendments, modifications, extensions and renewals thereof, are collectively referred to in this Agreement as the "Loan." The First Note and the Second Note, together with all amendments, modifications, extensions and renewals thereof, are collectively referred to hereon as the "Note," collectively, the "Note"). All initially-capitalized terms not otherwise defined herein shall have the meanings given such terms in the Loan Agreement.

D. The repayment of the Loan and Seller's performance of its obligations under the Note are secured, among other things, by that certain (i) Deed to Secure Debt and Security Agreement dated as of June 5, 1996, executed by Seller, as borrower, to LaSalle, as lender, recorded on June 24, 1996, in Deed Book 21091, page 152 Fulton County, Georgia records (the "Official Records"), as amended by that certain First Amendment to Deed to Secure Debt and Security Agreement and to Assignment of Leases and Rents dated August 4, 1998, and recorded on October 19, 1998 in Deed Book 25346, page 252 in the Official Records, and , as amended by that certain Second Amendment to Deed to Secure Debt and Security Agreement, dated August 26, 2013, and recorded on September 12, 2013 in Deed Book 53130, Page 601 in the Official Records, as assigned pursuant to that certain Assignment by and between LaSalle National Bank, as assignor, and Bank of America, N.A., as assignee, and as further assigned by that certain Assignment by and between Bank of America, N.A., as assignor, and Lender, as assignee, dated October 14, 2009, and recorded on June 27, 2013, and encumbering the Real Estate (together with all amendments, modifications, assignments, extensions and renewals thereof, collectively, the "First Security Deed"); and (ii) Assignment of Rents and Leases dated as of June 5, 1996, executed by Seller, recorded on June 24, 1996, in Deed Book 21091, page 180 in the Official Records, as amended by that certain First Amendment to Deed to Secure Debt and Security Agreement and to Assignment of Leases and Rents dated August 4, 1998, and recorded on October 19, 1998 in Deed Book 25346, page 252 in the Official Records (together with all amendments, modifications, extensions and renewals thereof, collectively, the "Assignment of Rents") and (iii) that certain Deed to Secure Debt, Assignment of Leases, Security Agreement, Fixture Filing and Financing Statement, dated as of August 26, 2013, executed by Seller, as borrower, to Lender, as lender, recorded on September 12, 2013, in Deed Book 53130, Page 608 Fulton County, Georgia records (the "Second Security Deed"). The First Security Deed and the Second Security Deed, together with all amendments, modifications, extensions and renewals thereof, are collectively referred to hereon as the "Security Instrument ")

E. The total indebtedness currently outstanding under the Note as of September 4, 2014, is Six Million Three Hundred Eighty One Thousand Three Hundred Eighty Eight Dollars (\$6,381,388.00) ("Current Indebtedness"), which includes the current outstanding principal balance of the Loan, plus accrued but unpaid interest thereon. In return for Lender's agreement not to seek recovery against Seller for the parties' mutual best estimate of the fair market value of the Property (as hereinafter defined) equal to Three Million Four Hundred Eighty Thousand Dollars (\$3,480,000.00) (the "Stipulated Real Property Value"), Seller is willing and able to convey the Property to Lender on the terms and conditions set forth below in this Agreement.

F. Seller desires that Lender covenant not to maintain any suit or judicial action against Seller personally for foreclosure of the Security Instrument or for payment of the Satisfied Portion (as such term is defined in Section 7.1 below), except as expressly permitted hereunder, and Seller is willing to transfer the Property to Lender or to a third party designated by Lender to take title to the Property ("Lender's Designee"), and Seller is willing to undertake the obligations and make the payments described herein in consideration therefor.

G. The fair market value of the Property, as agreed to by the parties, is less than the Current Indebtedness.

H. On the Closing Date, Seller and Lender will enter into a triple-net lease of the building located on the Property which will permit Seller's continued operations at the Property on terms and conditions acceptable to Lender (the "Building Lease").

NOW, THEREFORE, for good and valuable consideration, the receipt, fairness and adequacy of which are hereby acknowledged, Seller and Lender agree as follows:

1. Certain Definitions. In addition to the terms defined in the Recitals, the following terms shall have the meanings set forth below:

"Additional Payments" is defined in Section 9.9.

"Assigned Contracts" is defined in Section 4.1.

"Claims" is defined in Section 7.2.

"Closing Date" is defined in Section 6.2.

"Contracts" means all arrangements, obligations, agreements or commitments, to which the Property or the owner thereof is subject, and all amendments thereof other than the Leases, if any, including, without limitation, property management agreements, all equipment leases, service or maintenance contracts and agreements.

"Deed" is defined in Section 2.

"Disclosure Materials" is defined in Section 3.10.

"Environmental Action" is defined in Section 3.15.

"Environmental Laws" means all federal, state or local laws, ordinances, requirements and regulations (including consent decrees and administrative orders) relating to health, safety, industrial hygiene, waste disposal, or the protection of the environment, including, without limitation: the federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, the federal Superfund Amendments and Reauthorization Act of 1986, the federal Resource Conservation and Recovery Act of 1976, the federal Clean Air Act, the federal Water Pollution Control Act and federal Clean Water Act of 1977, the federal Insecticide, Fungicide and Rodenticide Act, the federal Pesticide Act of 1978, the federal Toxic Substances Control Act, the federal Safe Drinking Water Act, the federal Hazardous Substances Transportation Act, and all amendments thereto and regulations adopted and publications promulgated pursuant thereto.

"ERISA" means the Employee Retirement Income Security Act of 1974.

"Estoppel Affidavit" is defined in Section 2.

"FIRPTA Certificate" is defined in Section 2.

"General Assignment" is defined in Section 2

"Governmental Agency" means each and every federal, state, municipal or other governmental or quasi-governmental agency.

"Hazardous Substance" means (a) any chemical, compound, material, mixture or substance that is now or hereafter defined or listed in, or otherwise classified pursuant to, any Environmental Laws as a "hazardous substance", "hazardous material", "hazardous waste", "extremely hazardous waste", "acutely hazardous waste", "radioactive waste", "infectious waste", "biohazardous waste", "toxic substance", "pollutant", "toxic pollutant", "contaminant" as well as any formulation not mentioned herein intended to define, list, or classify substances by reason of deleterious properties such as ignitability, corrosivity, reactivity, carcinogenicity, toxicity, reproductive toxicity, "EP toxicity", or "TCLP toxicity"; (b) petroleum, natural gas, natural gas liquids, liquefied natural gas, synthetic gas usable for fuel (or mixtures of natural gas and such synthetic gas) and ash produced by a resource recovery facility utilizing a municipal solid waste stream, and drilling fluids, produced waters and other wastes associated with the exploration, development or production of crude oil, natural gas, or geothermal resources; (c) "hazardous substance" as defined in any Environmental Law; (d) "waste" as defined in any Environmental Law; (e) asbestos in any form; (f) urea formaldehyde foam insulation; (g) polychlorinated biphenyls (PCBs); (h) radon; and (i) any other chemical, material, or substance exposure to which is limited or regulated by any Governmental Agency because of its quantity, concentration, or physical or chemical characteristics, or which poses a significant present or potential hazard to human health or safety or to the environment if released into the workplace or the environment. "Hazardous Substances" shall not include ordinary office supplies and repair, maintenance and cleaning supplies maintained in reasonable and necessary quantities and used in accordance with all Environmental Laws.

"Leases" means the interest of Seller in and to all leases, subleases, licenses, franchises and other occupancy agreements, whether or not of record, which provide in any way for the use or occupancy of space or facilities on or relating to the Real Property, and all assignments, subleases and amendments thereto and guaranties thereof.

"Lender Released Parties" is defined in Section 7.1.

"Owner's Policy" is defined in Section 5.1.3.

"Permits" means all licenses and permits owned by Seller or used in or relating to the ownership, occupancy or operation of the Property or any part thereof, including, without limitation, all licenses, permits, certificates of occupancy, approvals, dedications, condominium rights, condominium plans, subdivision maps, development rights and entitlements issued, approved or granted by Governmental Agencies in connection with the Property, and all licenses, consents, easements, rights of way and approvals required from private parties to make use of utilities and to insure vehicular and pedestrian ingress and egress to the Property.

"Person" means and includes natural persons, corporations, limited liability companies, limited liability partnerships, limited partnerships, general partnerships, joint stock companies, joint ventures, associations, companies, trusts, banks, trust companies, land trusts, business trusts, real estate investment trusts or other organizations, whether or not legal entities, and governments, agencies and countries and political subdivisions thereof.

"Property" means the Real Property.

"Property Claim" means each claim, action, lawsuit, administrative proceeding, investigation, condemnation, governmental enforcement proceeding, or arbitration, pending or contemplated, to which Seller is (or is expected to be) a party, which relates in any way to the Property or the operation thereof, including, without limitation, claims of tort, breach of contract, violation of law or eminent domain, whether or not covered by insurance.

"Property Records" means records, computer programs and software, statements, invoices, files, and books.

"Property Reports" means all architectural drawings, environmental, geologic, geotechnical, soil, seismic, engineering, structural, drainage, sprinkler and other reports, assessments, audits, preliminary studies, reviews,

estimates, appraisals, economic feasibility studies and surveys, whether prepared by Seller, an affiliate of Seller or any other Person, with respect to any aspect of the Property.

"Real Property" shall mean the Real Estate together with all (i) privileges, rights, easements and appurtenances belonging to the Real Estate, (ii) development, air, mineral, and water rights relating to the Real Estate, (iii) streets, alleys, passages, easements and other rights-of-way or appurtenances included in, adjacent to or used in connection with the Real Estate, (iv) payments of any kind due from or payable by (x) any Governmental Agency, including, without limitation, refunds, rebates, reimbursements, reserves, deferred payments, deposits, costs savings and governmental subsidy payments and registered credits, authority or district or (y) any insurance or utility company relating to any or all of the Real Estate, (v) refunds, rebates, reimbursements and payments of any kind due from or payable by any Governmental Agency for any taxes, assessments, or governmental or quasi-governmental charges or levies impose with respect to the Real Property, and (vi) buildings, systems, facilities, fixtures, structures, fences, parking areas, machinery, equipment, apparatus and appliances, if any, used in connection with the operation, maintenance, use or occupancy of the Real Property.

"Remaining Loan Balance" is defined in Section 7.1.

"Satisfied Portion" is defined in Section 7.1.

"Scheduled Closing Date" shall mean December 4, 2014.

"Title Company" shall mean Metropolitan Title Agency, Metropolitan Title Agency, Inc., 1820 The Exchange, Suite 550, Atlanta, Georgia 30339.

2. Transfer of Property. Seller agrees to convey the Property to Lender or Lender's Designee and to execute (and acknowledge, as appropriate) and deliver to Lender or Lender's Designee, on or before the Scheduled Closing Date, the following (collectively, the "Closing Documents"):

- (a) a limited warranty deed in the form of Exhibit B (the "Deed");
- (b) the Building Lease;
- (c) a general assignment in the form of Exhibit D (the "General Assignment");
- (d) an estoppel affidavit in the form of Exhibit F (the "Estoppel Affidavit");
- (e) a certification of non-foreign status in the form of Exhibit G (the "FIRPTA Certificate");
- (f) a notice to each holder of a utility deposit in the form attached hereto as Exhibit H, instructing such holder to pay any refund thereof to Lender or Lender's Designee ("Notice to Holder of Utility Deposit");
- (g) evidence satisfactory to Lender of the payment by Seller of all property taxes and assessments due and payable with respect to the Property through the Closing Date, including, without limitation, all applicable penalties and interest;
- (h) evidence satisfactory to Lender of the full amount of all unpaid payables arising from or in connection with the ownership or operation of the Property prior to the Closing Date, including, without limitation, payables under any property management agreements, leasing agreements and other agreements affecting the Property;
- (i) evidence satisfactory to Lender that Seller, at its sole cost and expense, has terminated all Contracts (and paid all applicable termination fees) as of the Closing Date other than the Assigned Contracts;
- (j) such transfer declarations, disclosure statements, affidavits, owner indemnities, evidence of due formation and organization, evidence of due authorization, execution and

delivery, and other documentation that may be required by law or as may be reasonably required by Lender or Title Company; and

(k) evidence satisfactory to Lender of the full amount of any unpaid sales tax, real estate transfer tax, declarations, or like governmental report required by any governmental authority having jurisdiction over any of the Property and applicable to the transfer of the Property to Lender or Lender's Designee.

3. Representations and Warranties. Seller represents and warrants to Lender, which representations and warranties shall be true and correct as of the Effective Date and as of the Closing Date as if made on the Closing Date, that:

3.1 Authorization of Seller. Seller has full power, authority and legal right and capacity to execute and deliver this Agreement, the Closing Documents and all other documents and instruments required to be delivered hereunder. This Agreement, the Closing Documents and all other documents and instruments required to be delivered hereunder constitute valid and legally binding obligations of Seller enforceable in accordance with their respective terms.

3.2 No Conflict. No consent, approval or authorization by any individual or entity or any court, administrative agency or other governmental authority is required in connection with the execution and delivery of this Agreement or the applicable Closing Documents or the consummation of this transaction by Seller. The consummation of the transactions contemplated hereby will not result in a breach of, or constitute a default under, any mortgage, deed of trust or other instrument to which Seller is a party or by which Seller may be bound or affected.

3.3 Intentionally Omitted.

3.4 ERISA. Seller is not an employee benefit plan under ERISA.

3.5 Compliance. Seller has received no notice of and to Seller's knowledge, there is no violation or alleged violation of any legal requirement affecting the Property, including, without limitation, any violation or alleged violation of any local, state or federal environmental, zoning, handicap or fire law, ordinance, code, regulation, rule or order, and specifically including, without limitation, variances or special permits affecting the Property and the Americans With Disabilities Act.

3.6 Condition of Property. Except as disclosed in Schedule 1 attached hereto, to Seller's knowledge, there are no material defects in, nor does any damage (that has not been fully repaired) exist in or to, the Property, including all improvements, building systems and utility facilities therein. Schedule 1 sets forth a detailed description of all material defects and damage (that has not been fully repaired) occurred in or to, the Property, the estimated time and cost of remediation or reconstruction, as applicable, and the basis for each estimate.

3.7 Work at Property. Except as disclosed in Schedule 2 attached hereto, there is no work currently being performed at the Property. All work previously performed at or in connection with the Property, and all materials delivered in connection therewith, have been fully paid for except for those amounts set forth in Schedule 3. There are no other expenses related to the Property which are currently due and owing except as otherwise set forth herein.

3.8 Bankruptcy Matters. Seller has not made a general assignment for the benefit of creditors, filed any voluntary petition in bankruptcy or suffered the filing of an involuntary petition by its creditors, suffered the appointment of a receiver to take possession of substantially all of its assets, suffered the attachment or other judicial seizure of substantially all of its assets or made an offer of settlement, extension or composition to its creditors generally.

3.9 No Intent to Defraud. Seller is not transferring the Property with an interest to hinder, delay or defraud any of its creditors.

3.10 Property Claims. Schedule 4 contains a description of all Property Claims, pending or threatened, including, without limitation, the damage or relief sought, the name of counsel for Seller in charge of such matter and the current status of such action. Except as described in Schedule 4, there are no Property Claims.

3.11 Disclosure. On or before the Scheduled Closing Date, Seller shall have delivered to Lender or made available to Lender for its review and examination, all files, correspondence, documents, agreements, tax bills, insurance certificates and premium bills, instruments, written materials and all other written information pertaining to the Real Property which Seller has in its possession or control (collectively, "Disclosure Materials").

3.12 Existing Agreements. Schedule 5 contains a complete list of all Contracts. There are no Leases of the Property or any portion thereof. Except as otherwise disclosed in Schedule 5 (as to Contracts): (a) no default has occurred and no event has occurred that with notice or lapse of time or both would constitute a default under any of the Contracts; (b) none of the Contracts has been amended or modified; (c) each of the Contracts is in full force and effect; and (d) Seller has not assigned or granted a security interest in any of the Contracts to anyone other than Lender, and its interests therein are not subject to any lien, encumbrance, claim, set-off or deduction. Seller represents that except as set forth on Schedules 5 and 6, there are (1) no other contracts, leases or occupancy arrangements affecting or related to the Property, and (2) no agreements, instruments, documents or understandings, oral or written, with any person, entity or Governmental Agency affecting the Property or which could give rise to Claims affecting the Property after the Closing Date.

3.13 Permits. All Permits necessary for the occupancy, operation, maintenance and ownership of the Property are in full force and effect and Seller has not received notice of any intention on the part of the issuing authority to cancel, suspend or modify any of the Permits or to take any action or institute any proceeding to effect such cancellation, suspension or modification.

3.14 Contributions and Taxes. All business, occupation and other similar taxes imposed with respect to the Property, or the operation thereof, which are due, whether or not payable, have been paid in full.

3.15 Governmental Actions. There is no pending or, to Seller's knowledge, threatened or proposed (i) proceeding or governmental action to modify the zoning classification of, or to condemn, or purchase in lieu thereof, all or any part of the Property; (ii) reassessment or special assessments or penalties or interest with respect to real estate taxes or any other assessments applicable to the Property, other than any reassessment that may result solely from the sale of the Property to Lender; or (iii) proceeding before any court or administrative agency, the adverse resolution of which would have a materially adverse effect on the value or operations of the Property; or any other impediments that might significantly interfere with the Lender's use or disposition of the Property or the value or operations of the Property and Seller has received no notice of the above.

3.16 Environmental Condition. To Seller's knowledge, no spillage, leakage, dumping, discharge or disposal (whether accidental or intentional) of any Hazardous Substances has occurred on, under, from or onto the Real Property, and there are no Hazardous Substances or underground storage tanks located on or under the Property. Environmental Matters. Seller has received no notice from any Governmental Agency of any investigation or proceeding by such agency concerning the presence or alleged presence of Hazardous Substances on the Real Property. There are no present, pending or, to Seller's knowledge, threatened actions or proceedings by any Governmental Agency or any other entity regarding public health risks or the environmental condition of the Property, or the disposal or presence of Hazardous Material, or regarding any Environmental Law (collectively, "Environmental Actions"), and Seller has not received any notice of any such Environmental Actions. During Seller's period of ownership of the Property there have been no Environmental Actions. To Seller's knowledge, the Property (including underlying groundwater), and the use and operation thereof, have been and are currently in compliance with all Environmental Laws. To Seller's knowledge, all Permits required under Environmental Laws are in effect, and Seller is in compliance therewith.

3.17 Property Reports. Schedule 7 contains a complete list of all Property Reports. Except as disclosed on Schedule 7, there are no other Property Reports. Seller has provided Lender with a true and correct copy of each of the Property Reports.

3.18 No Brokerage Commission. Seller's sole contact regarding this transaction has been directly with Lender and no broker is owed any commission in connection with the transactions contemplated by this Agreement. Seller shall indemnify, defend and hold Lender and the Lender Designee harmless from and against any loss, cost or expense, including, but not limited to, attorneys' fees and court costs, resulting from any claim for a fee or commission by any broker or finder in connection with the Property, and this Agreement resulting from Seller's actions.

3.19 Confirmation. The recitals to this Agreement are true and correct and the Loan Documents are in full force and effect. Seller acknowledges its continuing obligations under the Loan Documents, subject to this Agreement.

3.20 Offsets/Defenses. Seller has no (a) offsets or defenses against the payment of the Loan Documents, or (b) claims against Lender or any employee, officer, director, or attorney of Lender in connection with the Loan Documents.

3.21 Absolute Conveyance. Seller and Lender acknowledge and agree that the transfer of title to the Property to Lender or Lender's Designee according to the terms of this Agreement is an absolute conveyance of all of Seller's rights, title and interest in and to the Property in fact as well as form and was not and is not now intended as a mortgage, trust conveyance, deed of trust or security interest of any kind; that the consideration for such conveyance is exactly as recited herein; and that Seller shall have no further interest (including rights of redemption) or claims in and to the Property or to the proceeds and profits which may be derived thereof, of any kind whatsoever.

3.22 Consents. Seller has obtained any and all third party consents required for it to enter into this Agreement and consummate the actions contemplated hereunder.

3.23 Acknowledgement by Seller. Seller understands and acknowledges respectively, that (1) it is not obligated to enter into this Agreement, but is doing so of its own free will without interference, influence or coercion by Lender; (2) it has had the opportunity to consult with attorneys, appraisers and accountants of its choice for advice concerning the terms of this Agreement, the fair value of Seller's interest in the Property and the tax implications of the transaction contemplated herein; (3) Lender has pursued a course of fair dealing and the transaction contemplated herein is fair and equitable; and (4) it is entering into this Agreement to avoid the time, delay, expense and publicity attendant to foreclosure, and to enjoy the benefits of Lender's promises and covenants contained herein.

3.24 No Reliance upon Lender. Neither Lender nor any of its agents, representatives, directors, officers, employees or attorneys have made any express or implied representations or warranties of any type, whether oral or written, respecting the Property, and Seller has not relied on any oral or written statements of Lender, or its agents, directors, officers, representatives, employees or attorneys regarding any aspect of this Agreement or the transaction contemplated herein.

3.25 Completeness of Schedules and Exhibits: Disclosure. The Schedules and Exhibits attached hereto, where provided by or on behalf of Seller, completely and correctly present the information required by this Agreement to be set forth therein. No representation or warranty by Seller herein, and no information disclosed in the Schedules and Exhibits hereto supplied by Seller, contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements contained herein or therein not misleading.

4. Covenants.

4.1 Termination of Contracts. Seller shall terminate all Contracts as of the Closing Date other than Contracts identified by Lender to Seller in writing prior to the Closing Date as Contracts with respect to which Lender shall take an assignment from Seller (the Contracts identified in such letter shall be referred to as the "Assigned Contracts").

4.2 No New Leases or Contracts. Seller will not enter into any new contracts, leases or other agreements, Contracts (except that Seller shall terminate Contracts that are not Assigned Contracts) listed on Schedule 5, and Seller shall not transfer or encumber any part of the Property or take any other action which would adversely affect the title of any of the Property.

4.3 Reasonable Cooperation. Seller agrees to cooperate in all reasonable respects, with Lender, to carry out the provisions of this Agreement. The failure of Seller to perform its obligations under this Agreement shall be treated as a default by Seller hereunder. The provisions of this Section 4.3 shall survive the Closing Date.

4.4 Payment of Taxes. Seller shall pay all federal and state employment taxes, sales taxes and other taxes due for the period prior to the Closing Date in connection with the operation of the Property; provided, however, that Seller and Lender acknowledge that Seller is unable to pay Fulton County, property taxes due October 15, 2014.

4.5 Obligation to Pay Expenses. To the extent available that cash flow from Seller's business operations reasonably permits, Seller shall pay on or before the date when due all payables arising in connection with the ownership or operation of the Property, or any portion thereof.

5. Conditions Precedent.

5.1 Conditions Precedent to Obligations of Lender. The obligations of Lender under this Agreement are, at Lender's option, subject to the fulfillment of the following conditions:

5.1.1 Performance. Seller shall have performed and complied with each and all of the covenants and conditions to be performed and complied with by Seller prior to and at the Closing (as hereinafter defined) pursuant to the provisions of this Agreement, and, without limitation, the representations and warranties set forth in Section 3 hereof shall be true and accurate in all material respects on the Scheduled Closing Date and Closing Date as if made as of the Scheduled Closing Date and Closing Date.

5.1.2 Physical Condition. Prior to the Scheduled Closing Date, but without limitation of the representations and warranties herein contained, Lender shall not have objected in writing to any matter revealed by its investigation of the Disclosure Materials, the physical condition of the Property and its investigation of any Hazardous Substances on the Property (including Phase I and, if requested, Phase II environmental surveys).

5.1.3 Title. On or before the Scheduled Closing Date, the Title Company shall be prepared and irrevocably committed to issue to Lender a binder for an ALTA 2006 form extended coverage owner's policy of title insurance (the "Owner's Policy") in form and substance acceptable to Lender.

5.1.4 Inspection. On or before the Closing Date, Lender shall have approved (a) the results of any and all inspections, investigations, tests and studies (including, without limitation, investigations with regard to zoning, building codes and other governmental regulations, architectural inspections, engineering tests, economic feasibility studies and soils, seismic and geologic reports) with respect to the Property (including all structural and mechanical systems and leased areas) as Lender may elect to make or obtain, and (b) the Disclosure Materials. During the period of time between the Effective Date and the Closing Date, Lender and Lender's representatives, agents, and designees shall have the right, at reasonable times and upon reasonable notice to Seller to enter upon the Property for any purpose in connection with its proposed acquisition of the Property. The exercise by Lender of any of the preceding or any other act of Lender shall not negate any representation, warranty or covenant or Seller or modify any of Lender's rights or Seller's obligations in the event of any breach by Seller of any of its representations, warranties or covenants under this Agreement.

5.2 Conditions Precedent to Obligations of Seller. The obligations of Seller under this Agreement are, at Seller's option, subject to Lender performing and complying with each and all of the

covenants and agreements to be performed and complied with by Lender prior to and at the Closing (as hereinafter defined) pursuant to provisions of this Agreement.

5.3 Failure of Conditions Precedent. If any of the conditions set forth in Sections 5.1 or 5.2 have not been satisfied by the date set forth therein for the satisfaction of such condition, and the condition has not been waived in writing by the party to whose benefit such condition accrues, then such party shall have the right, by written notice to the other parties, to terminate this Agreement and the obligations of the parties hereunder, but such termination shall not release Seller from liability for any breach of this Agreement occurring prior to such termination, and shall not release Seller from any of its obligations under the Loan Documents.

6. Closing. Subject to the terms and conditions hereof, the closing of the transactions contemplated by this Agreement (the "Closing") shall occur on the Closing Date. The parties agree to execute such escrow instructions as Lender or Title Company may reasonably require to carry out the Closing in accordance with this Agreement; provided, however, that in the event of any conflict between the terms of this Agreement and the terms of such escrow instructions, the terms of this Agreement shall govern.

6.1 Delivery by Seller at Closing. Seller shall deliver, or cause to be delivered, to Lender or Lender's Designee at least one (1) business day before the Scheduled Closing Date:

- (a) the Closing Documents, including the Building Lease executed by Seller;
- (b) the Disclosure Materials and original Assigned Contracts;
- (c) to the extent the same are in Seller's possession or control, all available plans and specifications for the improvements on the Real Property in Seller's possession;
- (d) keys for the Property, including, without limitation, the keys for leased space and any office, storage or other facilities used in connection with the Property;
- (e) any entry cards or opening devices for any security gates or garages in the Property;
- (f) to the extent the same are in Seller's possession or control, the original Permits, except to the extent the same are required to be and are affixed at the Property;
- (g) to the extent the same are in Seller's possession, original copies of all guaranties and warranties of workmanship and/or materials respecting the Property arising after any work performed at the Property;
- (h) true and complete copies of the Property Records; and
- (i) possession of the Property, subject to Seller's rights under the Building Lease.

6.2 Recording and Delivery of Deed. Subject to the fulfillment of the terms and conditions set forth herein, the parties shall direct Title Company to immediately cause the Deed to be recorded in the Official Records and to deliver the Owner's Policy to Lender as soon as reasonably possible. The recording date of the Deed shall be referred to herein as the "Closing Date".

6.3 Third Parties. It is expressly understood and agreed that Lender is not assuming any of the obligations or liabilities incurred by Seller in the use, operation, service or maintenance of the Property, unless expressly stated in this Agreement. Seller acknowledges and agrees that the acceptance by Lender of the Deed pursuant to the terms of this Agreement and the assignment to Lender of various contracts and agreements pertaining to the Property shall not create any obligations on the part of Lender to third parties which have or may have claims of any kind whatsoever against Seller with respect to the Property, and that Lender does not assume, or agree to discharge, any liabilities pertaining to the Project which occurred prior to the Closing Date except as expressly stated herein. No person not a party to this Agreement shall have any "third party beneficiary" or other rights hereunder other than Lender's Designee.

6.4 Closing Costs; Prorations. On or before the Scheduled Closing Date, Seller, or in Buyer's sole and absolute discretion, Buyer shall deliver to the title company payments in the amount of the total costs of: (a) any documentary transfer tax with respect to the Deed, (b) the cost of recording the Deed, (c) any escrow fees or charges incurred in connection with this transaction, and (d) the cost of the Owner's Policy. Each party shall pay for its own attorneys' fees incurred in connection with the preparation and negotiation of all documentation for, and the consummation of, the transactions contemplated by this Agreement.

6.4.1 Taxes and Assessments. All non-delinquent real estate taxes and assessments on the Property will be prorated as of the Closing based on the actual current tax bill; provided, however, that Seller and Lender acknowledge that Seller is unable to pay Fulton County, property taxes due October 15, 2014. If the Closing takes place before the real estate taxes are fixed for the tax year in which the Closing occurs, the apportionment of real estate taxes will be made on the basis of the real estate taxes for the immediately preceding tax year applied to the latest assessed valuation. All delinquent taxes and all delinquent assessments, if any, on the Property will be paid at the Closing from funds accruing to Seller. All supplemental taxes billed after the Closing for periods prior to the Closing will be paid promptly by Seller. Any tax refunds received by Lender which are allocable to the period prior to Closing will be paid by Lender to Seller. All special taxes or assessments assessed prior to the Closing, or later assessed for the period of time prior to Closing, shall be paid by Seller, and those assessed for the period of time after the Closing, shall be paid by Lender. All real estate taxes imposed because of a change of use of the Property after Closing shall be Lender's responsibility and obligation, and Seller shall have no obligation or liability with respect thereto. Seller and Lender shall cooperate in order to determine the proper amount of such payment on or before the Closing Date. In the event any prorations made under this Agreement shall prove to be incorrect for any reason, then either party shall be entitled to an adjustment to correct the same, provided that it makes written demand on the one from whom it is entitled to such adjustment within sixty (60) days after the Closing Date.

6.4.2 Utilities. Seller will continue to pay all utility companies servicing the Property pursuant to the terms of a separate lease of the Property between Seller and Lender.

6.4.3 Other Expenses and Income. All payments made or due under Contracts will be prorated as of the Closing.

6.4.4 Method of Proration. All prorations will be made as of the date of Closing based on a three hundred sixty five (365) day year or a thirty (30) day month, as applicable.

6.4.5 Endorsements. In the event that subsequent to the Closing Date Lender receives checks or other instruments or items payable to Seller with respect to the Property, Seller hereby authorizes Lender to endorse Seller's name thereon without recourse and apply the proceeds in accordance with the foregoing; similarly, any checks or other payment items received by Seller subsequent to the Closing Date with respect to the Property shall be endorsed by Seller without recourse and promptly forwarded to Lender.

7. Offset of Real Property ; Covenant Not to Sue; Release of Lender.

7.1 If and only if the Closing occurs and so long as Seller does not bring suit against (or names as a party defendant therein) Lender or Lender's Designee, then, upon the Closing Date, Lender shall set off against the unpaid balance of the Loan (and deem to be paid) that portion of the Loan equal to the Stipulated Real Property Value (said portion being referred to herein as the "Satisfied Portion") thus leaving an unpaid balance of the Loan equal to Two Million Nine Hundred One Thousand Three Hundred Eighty Eight Dollars (\$2,901,388) as of September 4, 2014 (together with a per diem amount of \$1,011.00 thereafter; collectively, the "Remaining Loan Balance") and Lender shall be deemed to have covenanted and agreed not to bring, file or commence any other action, suit, claim or cause of action against Seller to collect the Satisfied Portion; provided, however, that the foregoing covenant and agreement shall have no impact or effect whatsoever upon Lender's rights and remedies under the Loan Documents with regard to the Remaining Loan Balance. Moreover, the foregoing covenant and agreement shall be void from its inception if:

(a) Seller shall take any act or make any claim of rescission of this Agreement or make any other claim which is inconsistent with this Agreement;

(b) a court of competent jurisdiction determines that (or any claim is made by Seller, or any trustee or receiver for Seller or Seller in its capacity as a debtor-in-possession, that) the transfer of the Property to Lender or Lender's Designee or the receipt of any funds by any party hereunder constitutes a preference or a fraudulent conveyance, or otherwise sets aside or holds ineffective such transfer of the Property or such funds; or

(c) Seller have made to Lender any misstatement of any material fact relating to the Property, or failed to deliver to Lender any written materials now or at any time in Seller's possession or control or of which Seller has knowledge which contain information that would have a material adverse impact on Lender's ability (or the ability of Lender's Designee) to use and operate the Property as it is currently being used and operated or the marketability of the Property, or any written materials delivered to Lender (including, without limitation, in connection with the origination of the Loan) shall fail to be true, accurate and complete in all material respects.

The foregoing covenant and agreement shall not defeat, limit or otherwise affect any right of Lender to commence or compete foreclosure proceedings under the Security Instrument, to bring actions to enforce this Agreement, including, without limitation, a breach of the representations and warranties contained herein, or the Closing Documents, to bring actions against any other parties.

7.2 Release of Lender. Seller, for itself and all of its heirs, successors and assigns, as of the Effective Date and the Closing Date, hereby absolutely and irrevocably waives, releases, and forever discharges Lender and Lender's Designee and their officers, shareholders, directors, agents, servants, contractors, employees, parent and subsidiary corporations and predecessors-in-interest (collectively the "Lender Released Parties") from any and all claims, rights, demands, actions, suits, causes of actions, damages, counterclaims, defenses, losses, costs, obligations, liabilities and expenses of every kind or nature, known or unknown, suspected or unsuspected, fixed or contingent, foreseen or unforeseen, past, present or future (collectively, the "Claims") arising out of or relating directly or indirectly to any circumstances or state of facts pertaining to the Loan, the Loan Documents or the Property, including claims related to the actions of Lender or its predecessors in administering the Loan or negotiating the Loan Documents and claims of lender liability, fraud, duress, illegality, usury, waiver, bad faith, interference in Seller's business, or any nonperformance of any agreement or obligation related thereto, or any statements, representations, acts or omissions, intentional, willful, negligent or innocent, by any of the Lender Released Parties in any way connected with, relating to or affecting, directly or indirectly, the Loan, the Loan Documents or the Property; provided, however, that the foregoing shall not constitute a release of any of Lender's obligations under this Agreement. Seller expressly understands and agrees that the release contained in this Section fully and finally releases and forever resolves the matters released and discharged in this Section, including those which may be unknown, unanticipated and/or unsuspected. Seller acknowledges that it is aware that it or its agents or employees may hereafter discover facts in addition to or different from those which it now knows or believes to exist with respect to matters released in this Section, but that it is its intention hereby fully, finally and forever to release all of the claims, disputes and differences known or unknown, suspected or unsuspected, which now exist, may exist or heretofore have existed against the Lender Released Parties with respect to the Loan, the Loan Documents or the Property, except as otherwise expressly provided herein. In furtherance of this intention, as of the Effective Date, Seller expressly waives any and all rights conferred upon it by applicable law, and expressly consents that this release shall be given full force and effect according to all of its express terms and provisions.

Seller understands and acknowledges the significance and consequences of such release and has been advised by independent legal counsel concerning the same.

8. Notices. All notices and communications to any party hereunder shall be in writing and shall be deemed properly given if delivered personally or sent by registered or certified mail, postage prepaid, or by Federal Express or similar generally recognized overnight carrier regularly providing proof of delivery, to the following addresses or at such other address as such party may specify from time to time by notice to the other parties:

To Lender: The David E. Chymiak Trust (December 15, 2009)
21553 E. Apache Street
Catoosa, Oklahoma 74015
Attn: David Chymiak

With a copy to: Thompson Hine LLP
Two Alliance Center
3560 Lenox Road, Suite 1600
Atlanta, Georgia 30326
Attn: John F. Isbell, Esq.

To Seller: Wegener Communications, Inc.
11350 Technology Circle
Johns Creek, Georgia 30097
Attn: Troy Woodbury

Any notice so given by mail shall be deemed to have been given as of the date of delivery (whether accepted or refused) established by U.S. Post Office return receipt or the overnight carrier's proof of delivery, as the case may be. Any such notice not so given shall be deemed given upon receipt of the same by the party to whom the same is to be given.

9. Miscellaneous.

9.1 Entire Agreement. This Agreement and the Closing Documents supersede any prior agreement, oral or written, and contain the entire agreement among Lender, Seller with respect to the subject matter hereof. No subsequent agreement, representation or promise made by or to any party hereto shall be of any effect unless made in writing by the party to be bound thereby. Any amendment to this Agreement shall be in writing signed by all parties hereto. Neither this Agreement nor any of the Closing Documents shall create any rights in any third party, other than Lender's Designee, and may be amended by the parties hereto as set forth herein without liability to any third party.

9.2 Further Assurances. Each party hereto shall, whenever and as often as it shall be requested to do so by another party hereto, cause to be executed, acknowledged or delivered any and all such further instruments and documents as may be necessary or proper, in the reasonable opinion of the requesting party, in order to carry out the intent and purpose of this Agreement.

9.3 Construction. This Agreement and the Closing Documents have been negotiated at arm's length by the parties hereto and their respective attorneys and shall not be strictly construed against either party. This Agreement and the Closing Documents shall be construed as a whole and in accordance with their fair meaning. Captions and organizations are for convenience only and shall not be used in interpreting this Agreement or the Closing Documents. Whenever the words "including", "include" or "includes" are used in this Agreement or the Closing Documents, they shall be interpreted in a non-exclusive manner as though the words "without limitation" immediately followed the same. Masculine, feminine, or neuter gender and the singular and the plural number, shall each be considered to include the other whenever the context so requires. If any party consists of more than one person, each such person shall be jointly and severally liable.

9.4 No Waiver. The waiver by any party of the performance of any covenant, condition or promise shall not invalidate this Agreement, nor shall it be construed a waiver by any other party or of any other covenant, condition or promise. The waiver by any party of the time for performing any act shall not be considered a waiver of the time for performing any other act or an identical act required to be performed at a later time. No waiver shall be enforceable against any party unless signed by such party in writing.

9.5 Governing Law. This Agreement and the Closing Documents shall be construed in accordance with and governed by the laws of the State of Georgia (without taking into account the rules governing the conflicts of law).

9.6 Counterparts. This Agreement and the Closing Documents may be executed in any number of counterparts so long as each signatory hereto or thereto executes at least one such counterpart. Each such counterpart shall constitute one original but all such counterparts taken together shall constitute one and the same instrument.

9.7 Controversy. In the event of any controversy, claim or dispute between the parties hereto affecting or relating to the purposes or subject matter of this Agreement or the Closing Documents, the prevailing party or parties shall be entitled to recover from the non-prevailing party or parties all of its expenses, including, but not by way of limitation, attorneys' fees and costs.

9.8 Indemnification. Seller shall indemnify, defend, protect, and hold harmless Lender and the Lender Released Parties, and each of them, from and against any and all Released Claims arising directly or indirectly from (a) any inaccuracy in any representation or warranty made by Seller in this Agreement or any of the Closing Documents, (b) the failure of Seller to observe or perform any agreement, covenant or provision of this Agreement or the Closing Documents, (c) any breach of or default by Seller under any Contract or Lease, and (d) any acts or events with respect to the Property which occur on or prior to the Closing Date.

9.9 Fraudulent Conveyances. Notwithstanding anything to the contrary in this Agreement, if and to the extent that any transfer of assets agreed upon herein between Seller and Lender is later determined to have been a voidable preferential transfer, a fraudulent transfer or a fraudulent conveyance, under either state or federal law, and as a result thereof either (a) additional consideration for the transfer and any additional amounts of fees, expenses, interest or other affirmative damages (the "Additional Payments") become due and owing to Seller from Lender, or (b) the transfer must be undone and all or a portion of the assets must be returned to Seller for any reason whatsoever, then notwithstanding anything to the contrary in Section 7.1 hereof (which Section shall, in such eventuality, be of no further force or effect): (i) any and all rights and/or obligations owed to Lender and any and all remedies available to Lender under the terms of the Loan Documents or in law or equity against Seller and/or the Property shall be automatically revived and reinstated; and (ii) Lender shall be entitled to file a proof of claim against the estate to recover either: (x) the entire then outstanding principal amount of the Loan, plus any accrued but unpaid interest thereon and other costs, expenses, additional amounts and other items which Seller is obligated to pay (or repay, as the case may be) to Lender pursuant to the Loan Documents or this Agreement, and the amount of the Additional Payments, or (y) if the transfer has been undone and the assets returned in whole or in part to Seller, the value of the consideration paid to or received by Seller for the initial asset transfer, plus in each case any deferred interest from the date of the disgorgement to the date of distribution to Lender in any bankruptcy, insolvency, receivership or fraudulent conveyance or fraudulent transfer proceeding, and any costs and expenses due and owing. The parties acknowledge and agree that the provisions in this Section 9.9 shall be independent of the indemnification obligations contained in this Agreement.

9.10 References. References in this Agreement to paragraphs, Exhibits or Schedules shall refer to paragraphs, exhibits and schedules to this Agreement unless the context requires otherwise. All exhibits and schedules are hereby incorporated into this Agreement in their entirety by this reference.

9.11 No Merger. It is the intent of Lender and Seller that (a) the interests of Seller conveyed to Lender hereunder and the interests of Lender existing under the Security Instrument shall not merge upon or after Closing, (b) the Security Instrument and the Note shall continue in full force and effect and the Security Instrument shall remain as a first priority lien against the Real Property notwithstanding the transfer of the Real Property to Lender and Lender's covenant not to sue Seller pursuant to Section 7, and (c) Lender shall retain the right to foreclose upon the Real Property, whether judicially or non-judicially pursuant to its power of sale under the Security Instrument, after the Closing.

9.12 Relief from Stay. As additional consideration for Lender's execution of this Agreement, Seller agrees that: (a) in the event of a bankruptcy filing by or against it, it shall not reject this Agreement, nor contest any claim or assertion by Lender that this Agreement is binding between the parties, and that valuable consideration has been received by Seller for same; (b) Lender shall receive immediate relief from the automatic stay provisions of the United States Bankruptcy Code following any bankruptcy petition which Seller may file or which may be filed against Seller and that Seller shall in no event contest a motion to lift the automatic stay filed by Lender; and (c) any contrary action taken by Seller with respect to the

matters set forth above shall be deemed to be in bad faith and are agreed to constitute violations of Federal Rules of Civil Procedure 11 and Bankruptcy Rule 9011.

9.13 Confidentiality. Each party hereto shall keep the terms of this Agreement strictly confidential and shall not disclose or permit its employees or agents to disclose the terms of this Agreement (except for reasonably necessary disclosures to its attorneys, accountants and representatives and disclosures necessary by law).

9.14 Time of the Essence. Time is of the essence in this Agreement.

9.15 Severability. If any term or provision of this Agreement or the application thereof to any person or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Agreement, or the application of such term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each such term and provision of this Agreement shall be valid and be enforced to the fullest extent permitted by law.

9.16 Effect on Loan Documents. Neither the provisions of, nor any performance under, this Agreement shall amend, modify, supplement, extend, delay, renew, terminate, waive, release or otherwise limit or prejudice (i) Lender's rights and remedies, or (ii) Seller's obligations under the Loan Documents (including Lender's right to receive full payment as well as late charges, delinquent interest and all other charges provided for in the Loan Documents), subject, however, to Section 7.1 in the event the Closing occurs.

9.17 Attorneys' Fees. Seller shall pay all costs incurred by Lender in the enforcement of this Agreement, including but not limited to, reasonable attorneys' fees, whether or not such enforcement includes the filing of a lawsuit. As used in this Agreement, the term "attorneys' fees" or "attorneys' fees and costs" shall mean the fees and expenses of counsel to the parties hereto, which may include printing, photostating, duplicating and other expenses, air freight charges, and fees billed for law clerks, paralegals, librarians and others not admitted to the bar but performing services under the supervision of an attorney. The terms "attorneys' fees" or "attorneys' fees and costs" shall also include, without limitation, all such fees and expenses incurred with respect to appeals, arbitrations, bankruptcy proceedings and any post-judgment proceedings to collect any judgment, and whether or not any action or proceeding is brought with respect to the matter for which said fees and expenses were incurred. The provisions allowing for the recovery of post judgment fees, costs and expenses are separate and several and shall survive the merger of this Agreement into any judgment.

9.18 Successors and Assigns. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns. The rights and obligations of Seller hereunder may not be assigned, without the prior written consent of Lender, which may be withheld in Lender's sole discretion, and any purported assignment without Lender's prior written consent shall be null and void ab initio.

[signatures begin on following page]

IN WITNESS WHEREOF, Seller and Lender have caused this Agreement to be executed as of the date first above written.

LENDER:

/s/ David E. Chymiak, as Trustee of THE DAVID E.
CHYMIK TRUST DATED DECEMBER 15, 2009

SELLER:

WEGENER COMMUNICATIONS, INC.,
a Georgia corporation

/s/ C. Troy Woodbury, Jr.
Name: C. Troy Woodbury, Jr.
Title: President & CEO

EXHIBIT 10.8

Description of Executive Compensation

For the fiscal year ended August 28, 2015, compensation paid to the executive officer consisted of individual salaries. These amounts were as follows:

<u>Name and Position</u>	<u>Salary</u>
C. Troy Woodbury, Jr. President and Chief Executive Officer; Director	\$ 129,532

The above salary amount for C.Troy Woodbury, Jr. reflects a company-wide reduction in paid working hours by approximately 10% beginning in January 2009. The current annual base salary in effect for C. Troy Woodbury, Jr. is \$143,924.