WEGENER CORPORATION AND SUBSIDIARY
QUARTERLY REPORT
For the Three and Six Months Ended February 26, 2016
(Unaudited)

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

INTRODUCTION - CONSOLIDATED FINANCIAL STATEMENTS

Wegener® Corporation, together with its subsidiary, is referred to herein as "we," "our," "us," the "Company" or "Wegener." 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. The consolidated statements of operations for the three and six months ended February 26, 2016, and February 27, 2015; the consolidated balance sheet as of February 26, 2016 and August 28, 2015; the consolidated statements of capital deficit for the six months ended February 26, 2016, and February 27, 2015; and the consolidated statements of cash flows for the six months ended February 26, 2016, and February 27, 2015, have been prepared without audit. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures herein are adequate to make the information presented not misleading. It is suggested that these unaudited consolidated financial statements be read in conjunction with the financial statements and the notes thereto included in the Company's Annual Report (unaudited) for the fiscal year ended August 28, 2015.

In the opinion of the Company, the statements for the unaudited interim periods presented include all adjustments, which were of a normal recurring nature, necessary to present a fair statement of the results of such interim periods. The results of operations for the interim periods presented are not necessarily indicative of the results of operations for the entire year.

WEGENER CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three months ended		Six months ended	
	February 26, 2016	February 27, 2015	**February 26, 2016**	February 27, 2015
Revenues, net	**$ 906,896**	$ 897,444	**$1,989,004**	$1,836,854
Operating costs and expenses				
Cost of products sold	**537,571**	584,879	**1,117,401**	1,127,599
Selling, general and administrative	**229,298**	260,684	**481,812**	526,225
Research and development	**170,397**	180,364	**328,030**	327,602
Operating costs and expenses	**937,266**	1,025,927	**1,927,243**	1,981,426
Operating (loss) income	**(30,370)**	(128,483)	**61,761**	(144,572)
Gain on sale of assets	**-**	2,472,656	**-**	2,472,656
Interest expense-related party	**(29,915)**	(26,278)	**(61,472)**	(118,289)
Interest expense	**(1,011)**	(1,018)	**(2,022)**	(1,722)
Net (loss) earnings before income taxes	**(61,296)**	2,316,877	**(1,733)**	2,208,073
Income tax expense	**-**	37,000	**-**	37,000
Net (loss) earnings	**$ (61,296)**	$ 2,279,877	**$ (1,733)**	$2,171,073
Net (loss) earnings per share:				
Basic and diluted	**$ (0.05)**	$ 0.17	**$ ***	$ 0.17
Shares used in per share calculation				
Basic and diluted	**13,147,051**	13,147,051	**13,147,051**	13,147,051

* Less than $ (0.01) per share
See accompanying notes to consolidated financial statements.

WEGENER CORPORATION AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	February 26, 2016	August 28, 2015
Assets		
Current assets		
Cash	**$ 36,289**	$ 35,937
Accounts receivable, net	**284,468**	499,793
Inventories, net	**367,217**	425,140
Other	**103,618**	94,452
Total current assets	**791,592**	1,055,322
Property and equipment, net	**1,568**	502
Capitalized software costs, net	**51,200**	44,897
Other assets	**1,636**	18,548
Total assets	**$ 845,996**	$ 1,119,269
Liabilities and Capital Deficit		
Current liabilities		
Line of credit-related party	**$ 1,373,000**	$ 1,425,000
Note payable	**100,000**	100,000
Accounts payable	**1,477,347**	1,580,205
Accrued expenses	**2,997,412**	2,950,216
Deferred revenue	**491,582**	259,553
Customer deposits	**150,503**	561,410
Total current liabilities	**6,589,844**	6,876,384
Commitments and contingencies		
Capital deficit		
Preferred stock, $20.00 par value; 250,000 shares authorized; none issued and outstanding	**-**	-
Common stock, $.01 par value; 100,000,000 shares authorized; 13,147,051 shares issued and outstanding	**131,471**	131,471
Additional paid-in capital	**20,745,496**	20,730,496
Accumulated deficit	**(26,620,815)**	(26,619,082)
Total capital deficit	**(5,743,848)**	(5,757,115)
Total liabilities and capital deficit	**$ 845,996**	$ 1,119,269

See accompanying notes to consolidated financial statements.

WEGENER CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CAPITAL DEFICIT
(Unaudited)

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Deficit
Balance at August 29, 2014	13,147,051	$131,471	$20,729,827	$(28,207,668)
Share based compensation	-	-	669	-
Net earnings for the six months	-	-	-	2,171,073
BALANCE at February 27, 2015	13,147,051	$131,471	$20,730,496	$(26,036,595)
Balance at August 28, 2015	13,147,051	$131,471	$20,730,496	$(26,619,082)
Share based compensation	-	-	15,000	-
Net loss for the six months	-	-	-	(1,733)
BALANCE at February 26, 2016	**13,147,051**	**$131,471**	**$20,745,496**	**$(26,620,815)**

See accompanying notes to consolidated financial statements.

WEGENER CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six months ended	
	February 26, 2016	**February 27, 2015**
Cash flows from operating activities		
Net (loss) earnings	**$ (1,733)**	$ 2,171,073
Adjustments to reconcile net (loss) earnings to cash used for operating activities:		
Depreciation and amortization	**194,053**	247,099
Gain on sale of assets	**-**	(2,472,656)
Share-based compensation expense	**15,000**	669
Changes in assets and liabilities		
Accounts receivable	**215,325**	(307,884)
Inventories	**57,923**	141,707
Other assets	**(9,166)**	(27,319)
Accounts payable	**(102,858)**	(43,029)
Accrued expenses	**45,135**	139,519
Deferred revenue	**232,029**	155,501
Customer deposits	**(410,907)**	(47,799)
Net cash provided by (used for) operating activities	**234,801**	(43,119)
Cash flows from investing activities		
Capitalized software additions	**(182,041)**	(217,542)
Property and equipment expenditures	**(408)**	(3,180)
Proceeds from sale of assets	**-**	3,480,000
Net cash (used for) provided by investing activities	**(182,449)**	3,259,278
Cash flows from financing activities		
Change in borrowings under revolving line of credit-related party	**(52,000)**	(3,480,000)
Note payable borrowings	**-**	100,000
Net cash used for financing activities	**(52,000)**	(3,380,000)
Increase (decrease) in cash	**352**	(163,841)
Cash, beginning of period	**35,937**	182,708
Cash, end of period	**$ 36,289**	$ 18,867
Supplemental disclosure of cash flow information:		
Cash paid for interest	**$ 2,022**	$ 1,839

See accompanying notes to consolidated financial statements.

Note 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 and 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.

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 $26,621,000 at February 26, 2016. We had a working capital deficit of approximately $5,798,000 at February 26, 2016 compared to a working capital deficit of $5,821,000 at August 28, 2015.

Our cash flow requirements during the first six months of fiscal 2016 were financed primarily by conversion of working capital to cash primarily as a result of a reduction in accounts receivable as a result of increased collections during the second quarter of fiscal 2016. At February 26, 2016, the outstanding balance on our revolving line of credit was at the maximum limit of $1,073,000 and the balance on the demand discretionary credit facility was at the maximum limit of $300,000. Subsequent to February 26, 2016 the loan facility increased by borrowings of $251,000. At April 15, 2016, the outstanding balance and maximum credit limit on the line of credit was $1,324,000, the balance on the demand discretionary credit facility remained at $300,000.

Our bookings and revenues during the second quarter and first six months of fiscal 2016, as well as to date, have been insufficient to attain profitable operations and to provide adequate levels of cash flow from operations. During the second quarter and first six months of fiscal 2016 bookings were approximately $378,000 and $773,000, respectively, compared to $482,000 and $1,251,000, respectively, in the same periods of fiscal 2015. Bookings subsequent to February 26, 2016 amounted to approximately $1,256,000 as of April 15, 2016. Total fiscal year 2015 bookings were $3.3 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. Our backlog scheduled to ship within 18 months was approximately $1.7 million at February 26, 2016. Approximately $0.8 million of the February 26, 2016 backlog is scheduled to ship during the remainder of fiscal 2016. The amount of orders scheduled to ship during each remaining quarter of fiscal 2016 from the February 26, 2016 backlog, along with bookings subsequent to February 26, 2016, 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 the remaining quarters 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 the remainder of fiscal 2016 and beyond.

During prior fiscal years we have made reductions in head count to the current level of 21 full-time employees and one part-time employee at February 26, 2016. 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 extended 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 the first six months of fiscal 2016 and continuing to date has been adversely impacted by our low level of revenues and bookings. Based on our most current forecast, we believe third quarter fiscal 2016 revenues will be lower than second quarter fiscal 2016 revenues due to slippage of customer orders into the fourth quarter of fiscal 2016 and into fiscal 2017. Although no assurances may be given, and as stated above, significant fiscal 2016 bookings are currently needed to meet our forecast for the remainder of fiscal 2016, we believe total fiscal 2016 revenues will increase compared to fiscal 2015. If revenues increase in fiscal 2016 as forecasted, our available cash liquidity would increase during the fourth quarter of fiscal 2016 and into the first quarter of fiscal 2016 as revenues and accounts receivable convert to cash collections.

However, we believe on a day to day operating basis within each of the remaining fiscal 2016 quarters and beyond, 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 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 beginning in the third quarter of fiscal 2016 and continuing through the remainder 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 February 26, 2016, approximately $1,379,000 of cumulative inventory purchase orders was placed under this arrangement and cumulatively approximately $1, 225,000 of the inventory purchases was received as of February 26, 2016. Approximately $417,000 was owed to Novra pursuant to the purchase arrangement and is included in the accounts payable balance at February 26, 2016. 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.

Note 2 Significant Accounting Policies

The significant accounting policies followed by the Company are set forth in Note 2 to our unaudited consolidated financial statements included in the Annual Report for the year ended August 28, 2015. The following are updates to those policies.

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 February 26, 2016. 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. Software development costs capitalized during the three and six months ended February 26, 2016, were limited to $80,000 and $182,000, respectively, based on our evaluation of the net realizable value at February 26, 2016. During the three and six months ended February 26, 2016, amortization expense included in cost of revenues was $80,000 and $176,000, respectively. Capitalized software costs, net of accumulated amortization, were $51,000 at February 26, 2016, compared to $45,000 at August 28, 2015. Accumulated amortization amounted to $2,548,000 at February 26, 2016.

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 the second quarter and first six months of fiscal year 2016, share-based compensation expense included in selling, general and administrative expenses amounted to $15,000 compared to $1,000 in the first six months in fiscal 2015 (See Note 9).

Use of Estimates
The preparation of financial statements in conformity with generally accepted accounting principles 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 accrued expenses. Actual results could differ from these estimates.

Fiscal Year
We use a fifty-two, fifty-three week year. The fiscal year ends on the Friday closest to August 31. The first six months of fiscal years 2016 and 2015 both contained twenty-six weeks. Fiscal year 2016 contains 53 weeks while 2015 contained fifty-two weeks.

Recently Issued Accounting Standards
In May 2014, the Financial Accounting Standards Board ("FASB") 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. In August 2015, the FASB deferred the effective date of ASU 2014-09 by one year. The new standard is now effective as of the first interim period within annual reporting periods beginning on or after December 15, 2017, and will replace most existing revenue recognition guidance in U.S. GAAP. The guidance is effective for the Company beginning in the first quarter of fiscal 2019. Earlier application is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. 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.

Note 3 Accounts Receivable
Accounts receivable are summarized as follows:

	February 26, 2016 (Unaudited)	August 28, 2015 (Unaudited)
Accounts receivable – trade	**$297,124**	$565,711
Less: allowance for doubtful accounts	**(12,656)**	(65,918)
Accounts receivable, net	**$284,468**	$499,793

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 (see Note 11). At February 26, 2016, two customers accounted for approximately 72.9%, and 19.1%, respectively, of our accounts receivable. At August 28, 2015, three customers accounted for approximately 68.6%, 6.6% and 5.2%, respectively, of our accounts receivable.

Note 4 Inventories

Inventories are summarized as follows:

	February 26 , 2016 (Unaudited)	August 28, 2015 (Unaudited)
Raw materials	**$1,258,293**	$1,345,138
Work-in-process	**231,420**	232,348
Finished goods	**842,633**	816,689
	2,332,346	2,394,175
Less inventory reserves	**(1,965,129)**	(1,969,035)
Inventories, net	**$ 367,217**	$ 425,140

Our inventory reserve is 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 slow moving, excess or obsolete inventory that is unsaleable or saleable at reduced prices.

Note 5 Accrued Expenses

Accrued expenses consist of the following:

	February 26, 2016 (Unaudited)	August 28, 2015 (Unaudited)
Vacation	**$ 355,579**	$ 372,675
Interest	**2,073,895**	2,015,619
Payroll and related expenses	**48,455**	63,966
Royalties	**291,149**	258,948
Warranty	**22,538**	22,538
Taxes and insurance	**42,651**	60,522
Commissions	**12,924**	12,924
Professional fees	**102,079**	96,079
Other	**48,142**	46,945
	$2,997,412	$2,950,216

Note 7 Finance Arrangements

Revolving Line of Credit

Our 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 at February 26, 2016, provided a maximum credit limit of $1,073,000 excluding any accrued unpaid interest and bears interest at the rate of eight percent (8.0%) per annum. At February 26, 2016, the outstanding balance on the loan facility was at the maximum credit limit of $1,073,000 and accrued unpaid interest amounted to approximately $2,000,000. Subsequent to February 26, 2016 the loan facility increased by borrowings of $251,000. Any additional borrowings are at the sole discretion of the Trust. At April 15, 2016, the outstanding balance and maximum credit limit on the line of credit was $1,324,000. 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 matures on April 7, 2016, and automatically renews for successive twelve (12) month periods provided, however, the Trust may terminate the loan 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 loan facility's debt covenants we are required to retain certain executive officers and we are precluded from paying dividends. At February 26, 2016, 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 February 27, 2015, the outstanding balance on the Credit Facility was at the maximum limit of $300,000 and accrued unpaid interest amounted to approximately $59,000. 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 the Trust 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 April 15, 2016, 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. On September 23, 2015, the maturity date of the Note was extended until February 26, 2016, bearing interest at the same annual rate of four percent (4.00%). On February 26, 2016, the maturity date of the Note was further extended until June 30, 2016, bearing interest at the same annual rate of four percent (4.00%).

Note 8 Income Taxes
For the six months ended February 26, 2016, no income tax expense was recorded due to an increase in the deferred tax asset valuation allowance. The valuation allowance increased $1,000 in the first six months of fiscal 2016. At February 26, 2016, net deferred tax assets of $9,388,000 were fully reserved by a valuation allowance.

At February 26, 2016, we had a federal net operating loss carryforward of approximately $19,581,000, which expires beginning fiscal 2021 through fiscal 2036. Additionally, we had an alternative minimum tax credit of $134,000 which was fully offset by the valuation allowance.

Note 9 Share-Based Compensation Plans
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. 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. On December 1, 2015, the Board of Directors authorized an additional amendment to the September 16, 2013, option to further extend the expiration date to June 30, 2016, with all other terms and conditions of the option remaining unchanged. The aggregate grant date fair value of the total award, calculated in accordance with ASC 718, was approximately $15,000 which was recognized as selling, general and administrative expenses in the second quarter of fiscal 2016. The weighted average fair value of the stock option granted was $.001. 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 - 0.44% based upon observed interest rates appropriate for the

expected term of our stock option; expected life – seven months; expected dividend yield – none because the Company does not currently pay dividends.

2010 Incentive Plan. During the first six months of fiscal 2016, options exercisable at $0.125 for 500,800 shares were forfeited.

1998 Incentive Plan. During the first six months of fiscal 2016, options exercisable at $1.34 for 12,000 shares were forfeited.

The following table summarizes all stock option transactions for the six months ended February 26, 2016:

	Number of Shares	**Range of Exercise Prices**	**Weighted Average Exercise Price**
Outstanding at August 29, 2014	15,650,800	$ .03 – 1.34	$.04
Granted	-	-	-
Forfeited or cancelled	(512,800)	0.125- 1.34	0.15
Outstanding at February 26, 2016	**15,138,000**	**$ .03 – 1.03**	**$.032**
Available for issue at February 26, 2016	**1,895,000**	**-**	**-**
Options exercisable at February 26, 2016	**15,138,000**	**$ .03 – 1.03**	**$.032**
August 28, 2015	15,650,800	$ .03 – 1.34	$.04

The key terms of the stock options granted under our incentive plans and a stock option granted to Novra are included in the Company's Annual Report for the fiscal year ended August 28, 2015.

Note 10 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 excludes the dilutive effect of stock options. Diluted net earnings per share gives effect to all dilutive potential common shares outstanding during a period. 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.

	Three months ended					
	February 26, 2016			February 27, 2015		
	Earnings (Numerator)	**Shares (Denominator)**	**Per share amount**	Earnings (Numerator)	Shares (Denominator)	Per share amount
Net (loss) earnings	**$(61,296)**			$2,279,877		
Basic and diluted (loss) earnings per share:						
Net (loss) earnings available to common shareholders	**$(61,296)**	**13,147,051**	**$(0.05)**	$2,279,877	13,147,051	$0.17

	Six months ended					
	February 26, 2016			February 27, 2015		
	Earnings (Numerator)	**Shares (Denominator)**	**Per share amount**	Earnings (Numerator)	Shares (Denominator)	Per share amount
Net (loss) earnings	**$(1,733)**			$2,171,073		
Basic and diluted (loss) earnings per share:						
Net (loss) earnings available to common shareholders	**$(1,733)**	**13,147,051**	**$ ***	$2,171,073	13,147,051	$0. 17

* Less than $ (0.01) per share

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

	Three months ended		Six months ended	
	February 26, 2016	February 27, 2015	**February 26, 2016**	February 27, 2015
Common stock options:				
Number of shares	**15,138,000**	15,803,800	**15,138,000**	15,803,800
Exercise price	**$.03 to $1.03**	$.03 to $1.34	**$.03 to $1.03**	$.125 to $1.34

Note 11 Segment Information and Concentrations

In accordance with ASC Topic 280 "Segment Reporting," we operate within a single reportable segment, the manufacture and sale of satellite communications equipment. In this single operating segment we have two sources of revenues as follows:

	Three months ended		Six months ended	
	February 26, 2016	February 27, 2015	**February 26, 2016**	February 27, 2015
Product Line				
Direct Broadcast Satellite	**$860,600**	$810,714	**$1,892,584**	$1,660,282
Service	**46,296**	86,730	**96,420**	176,572
	$906,896	$897,444	**$1,989,004**	$1,836,854

Concentration of revenues for the respective periods' revenues are as follows:

	Three months ended		Six months ended	
	February 26, 2016	February 27, 2015	**February 26 2016**	February 27, 2015
Product				
iPump Media Servers	**72.6%**	53.8%	**72.9%**	43.3%
Professional satellite receivers	**(a)**	(a)	**14.2%**	14.2%
Extended maintenance contracts	**16.5%**	18.9%	**15.1%**	17.9%
Component parts	**(a)**	11.1%	**(a)**	(a)

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

Products representing 10% or more of annual revenues are subject to fluctuations from quarter to quarter as new products and technologies are introduced, new product features and enhancements are added and as customers upgrade or expand their network operations.

Revenues by geographic area are as follows:

	Three months ended		Six months ended	
	February 26, 2016	February 27, 2015	**February 26, 2016**	February 27, 2015
Geographic Area				
United States	**$562,488**	$349,174	**$ 1,618,762**	$ 772,799
Latin America	**336,856**	543,086	**355,231**	808,113
Canada	**5,082**	-	**5,082**	2,227
Europe	**1,770**	1,770	**1,770**	250,300
Other	**700**	3,414	**8,159**	3,415
	$906,896	$897,444	**$1,989,004**	$1,836,854

All of the Company's long-lived assets are located in the United States.

Customers representing 10% or more of the respective periods' revenues are as follows:

	Three months ended		Six months ended	
	February 26, 2016	February 27, 2015	**February 26, 2016**	February 27, 2015
Customer 1	**37.8%**	43.4%	**18.0%**	34.1%
Customer 2	**(a)**	23.5%	**(a)**	12.7%
Customer 3	**32.0%**	17.3%	**53.8%**	13.1%
Customer 4	**12.3%**	(a)	**11.2%**	(a)
Customer 5	**(a)**	(a)	**(a)**	15.7%

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

Note 12 Commitments

Purchase Commitments

At February 26, 2016, outstanding purchase commitments under the Novra purchasing assistance agreement amounted to $154,000.

Operating Lease

We lease our office and manufacturing facility under a long-term non-cancellable operating lease that expires November 30, 2016. Future minimum lease commitments are as follows: 2016-$90,000; 2017-$45,000. Rent expense during the first six months of fiscal 2016 was $90,000.

Note 13 Indemnifications

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. (See Note 14 to our consolidated financial statements included in the Annual Report (unaudited) for the year ended August 28, 2015.)

To date, there have been no findings related to these 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.

Additionally, we are obligated to indemnify our officers and the members of our Board of Directors pursuant to our bylaws and contractual indemnity agreements.

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

This information should be read in conjunction with the consolidated financial statements and the notes thereto included in Item 1 of this Quarterly Report and the consolidated financial statements and notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations for the year ended August 28, 2015 contained in the Company's 2015 Annual Report (unaudited).

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. Forward-looking statements speak only as of the date the statement was made.

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

Revenues for the three months ended February 26, 2016, increased $10,000 or 1.1% to $907,000 from $897,000 for the same period in fiscal 2015. Revenues for the six months ended February 26, 2016 increased $152,000 or 8.3% to $1,989,000 from $1,837,000 for the same period in fiscal 2015. The operating results for the three and six months ended February 26, 2016 were a net loss of $(61,000) or $(0.05) per share and a net loss of $(1,700) or less than $(0.01) per share, respectively, compared to net earnings of $2,280,000 or $0.17 per share and net earnings of $2,171,000 or $0.17 per share, respectively, for the three and six months ended February 27, 2015. The operating results for the three and six months ended February 27, 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. (See the Liquidity and Capital Resources section for further discussion.)

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.

RESULTS OF OPERATIONS
THREE AND SIX MONTHS ENDED FEBRUARY 26, 2016 COMPARED TO THREE AND SIX MONTHS ENDED FEBRUARY 27, 2015

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

	Three months ended		Six months ended	
	February 26, 2016	February 27, 2015	**February 26, 2016**	February 27, 2015
Revenues, net	**100.0%**	100.0%	**100.0%**	100.0%
Cost of products sold	**59.3**	65.2	**56.2**	61.4
Gross profit margin	**40.7**	34.8	**43.8**	38.6
Selling, general and administrative	**25.3**	29.0	**24.2**	28.6
Research and development	**18.8**	20.1	**16.5**	17.8
Operating (loss) income	**(3.4)**	(14.3)	**3.1**	(7.9)
Gain on sale of assets	**-**	275.5	**-**	134.6
Interest expense	**(3.4)**	(3.0)	**(3.2)**	(6.5)
Net (loss) earnings before taxes	**(6.8)**	258.2	**(0.1)**	120.2
Income tax expense	**-**	(4.1)	**-**	(2.0)
Net (loss) earnings	**(6.8)%**	254.1%	**(0.1)%**	118.2%

The operating results for the three and six months ended February 26, 2016 were a net loss of $(61,000) or $(0.05) per share and a net loss of $(1,700) or less than $(0.01) per share, respectively, compared to net earnings of $2,280,000 or $0.17 per share and net earnings of $2,171,000 or $0.17 per share, respectively, for the three and six months ended February 27, 2015. The operating results for the three and six months ended February 27, 2015 included a one time gain on sale of assets in the amount of $2,473,000.

Revenues - Revenues for the three months ended February 26, 2016, increased $10,000 or 1.1% to $907,000 from $897,000 for the same period in fiscal 2015. Revenues for the six months ended February 26, 2016 increased $152,000 or 8.3% to $1,989,000 from $1,837,000 for the same period in fiscal 2015.

Revenues in the second quarter and first six months of fiscal 2016 were adversely affected by lower than expected shippable bookings for the periods primarily as a result of customer delays in purchasing decisions and a deferral of project expenditures. Revenues and order backlog are subject to the timing of significant orders from customers and remain difficult to forecast. As a result, we expect future revenue levels and operating results to continue to fluctuate from quarter to quarter.

The second quarter and first six month fiscal 2016 revenues included (i) our next generation broadcast radio receiver, the ipump® 8640, to Westwood One (formerly Dial Global) for equipment upgrades to its radio network; (ii) ipump® 6420 audio media receivers and Unity® 4600 receivers to Educational Media Foundation for network upgrades; (iii) ipump® 6400 media receivers, Unity® 202 receivers and ipump® 562 media receivers to the Army & Air Force Exchange Service for network upgrades and expansion; and (iv) extended maintenance contract revenues and product repair services. In addition, second quarter fiscal 2016 revenues included ipump® 564 and ipump® 562 media servers and Compel upgrades to SSL Digital S.A. for business expansion.

Fiscal 2015 second quarter and first six month revenues included (i) ipump® 762 and 6400 media receivers and component assemblies to SSL Digital S.A. for continued business expansion of their customer's digital signage networks, (ii) ipump®

6400 and 562 media receivers and component assemblies to Comtelsat S.A. for their continued business growth, (iii) our next generation broadcast radio receiver, the ipump® 8640, to Westwood One for evaluation and a pilot field trial, (iv) product repair services and (v) extended maintenance contract revenues. In addition the first six month revenues of fiscal 2015 included shipments of Unity® 4600 DVB S2 demod upgrade kits to BBC World Service for network upgrades and ipump® 6420 audio media receivers and Unity® 4600 DVB S2 demod upgrade kits to Educational Media Foundation for network expansion and upgrades. Revenues in the second quarter and first six months of fiscal 2015 were adversely impacted as a result in delays in purchases of our Unity® 550 receivers which resulted in insufficient inventory levels. We were unable to ship approximately $197,000 of orders for Unity® 550 receivers primarily to a faith-based private network customer due to insufficient inventory.

For the three months ended February 26, 2016, three customers accounted for 37.8%, 32.0%, and 12.3% of revenues, respectively. For the six months ended February 26, 2016, these same three customers accounted for 18.0%, 53.8% and 11.2% of revenues, respectively. For the three months ended February 27, 2015, three customers accounted for 43.4%, 23.5%, and 17.3% of revenues, respectively. For the six months ended February 27, 2015, these three customers and one additional customer accounted for 34.1%, 12.7% 13.1% and 15.7% of revenues, respectively. 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.

Our backlog is comprised of undelivered, firm customer orders which are scheduled to ship within eighteen months. The backlog was approximately $1.7 million at February 26, 2016 compared to $2.9 million at August 28, 2015, and $2.2 million at February 27, 2015. One customer accounted for approximately 69.4% of the backlog at February 26, 2016. Approximately $404,000 of the February 26, 2016, eighteen month backlog is scheduled to ship during the third quarter of fiscal 2016, $385,000 during the fourth quarter of fiscal 2016 and $1,037,000 in fiscal 2017. The total multi-year backlog at February 26, 2016 was approximately $1.8 million compared to approximately $2.9 million at August 28, 2015 and $2.3 million at February 27, 2015.

Gross Profit Margin - The Company's gross profit margin percentages were 40.7% and 43.8 % for the three and six month periods ended February 26, 2016, compared to 34.8% and 38.6 % for the three and six month periods ended February 27, 2015. Capitalized software amortization expenses included in cost of products sold for the three and six months ended February 26, 2016, were $80,000 and $176,000, respectively, compared to $114,000 and $187,000, respectively, for the same periods in fiscal 2015. No inventory reserve provisions or warranty provisions were made in the second quarter and first six months of fiscal 2016 and fiscal 2015. Gross profit margin dollars increased $57,000 and $162,000 for the three and six months ended February 26, 2016, respectively, compared to the same periods in fiscal 2015. The increases in margin percentages and dollars in the second quarter of fiscal 2016 were mainly due to lower overhead expenses primarily due to the decrease in capitalized software amortization expense. The increases in margin percentages and dollars in the first six months of fiscal 2016 were mainly due to the increase in revenues which resulted in lower unit fixed overhead costs.

Selling, General and Administrative - Selling, general and administrative (SG&A) expenses decreased $32,000, or 12.0%, to $229,000 for the three months ended February 26, 2016, from $261,000 for the three months ended February 27, 2015. For the six months ended February 26, 2016, SG&A expenses decreased $44,000, or 8.4%, to $482,000 from $526,000 for the same period ended February 27, 2015. Corporate SG&A expenses in the second quarter of fiscal 2016 increased $9,000, or 15.5%, to $66,000 from $57,000 for the same period in fiscal 2015. For the six months ended February 26, 2016, corporate SG&A expenses increased $11,000, or 9.5%, to $125,000 from $114,000 in the same period in fiscal 2016. The increases for the three and six month periods were primarily due to increases in non-cash share-based compensation expense of $15,000 and $14,000, respectively. WCI's SG&A expenses for the three months ended February 26, 2016 decreased $40,000, or 19.7%, to $163,000 from $204,000 and for the six months ended February 26, 2016, decreased $55,000, or 13.4%, to $357,000 from $412,000 in the same periods in fiscal 2015. The decreases in WCI's SG&A expenses were mainly due to bad debt recoveries in the amount of $36,000 during the second quarter of fiscal 2016 and $51,000 during the first six months of fiscal 2016. As a percentage of revenues, SG&A expenses were 25.3% and 24.2% for the three and six month periods ended February 26, 2016, compared to 29.0% and 28.6% in the same periods in fiscal 2015.

Research and Development - Research and development (R&D) expenditures, including capitalized software development costs, decreased $30,000, or 10.6%, to $250,000 for the three months ended February 26, 2016, from $280,000 for the three months ended February 27, 2015. For the six months ended February 26, 2016, R&D expenditures decreased $35,000, or 6.4%, to $510,000 from $545,000 for the same period in fiscal 2015. The decreases in expenditures in the second quarter and first six months of fiscal 2016 compared to the same periods of fiscal 2015 were mainly due to a decrease in consulting expenses. Capitalized software development costs in the second quarter and first six months of fiscal 2016 amounted to $80,000 and $182,000, respectively, compared to $100,000 and $218,000, respectively, in the same periods of fiscal 2015.

The amount of capitalized software development costs was limited to the $80,000 and $182,000 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 February 26, 2016, as discussed in Note 2 to the Consolidated Financial Statements. R&D expenses, excluding capitalized software expenditures, were $170,000, or 18.8% of revenues, and $328,000, or 16.5% of revenues, for the three and six months ended February 26, 2016, compared to $180,000, or 20.1% of revenues, and $328,000, or 17.8%, of revenues, in the same periods of fiscal 2015.

Interest Expense - Interest expense increased $4,000 to $31,000 for the three months ended February 26, 2016, from $27,000 for the three months ended February 27, 2015. For the six months ended February 26, 2016, interest expense decreased $57,000 to $63,000 from $120,000 for the same period ended February 27, 2015. The reduction in interest expense during the first six months of fiscal 2016 was due to the reduction in the outstanding balance on the loan facility. (See Liquidity and Capital Resources section below).

Income Tax Expenses - For the six months ended February 26, 2016, no income tax benefit was recorded due to an increase in the deferred tax asset valuation allowance. The valuation allowance increased $1,000 in the first six months of fiscal 2016. At February 26, 2016, net deferred tax assets of $9,388,000 were fully reserved by a valuation allowance. At February 26, 2016, we had a federal net operating loss carryforward of approximately $19,581,000, which expires beginning fiscal 2021 through fiscal 2036. Additionally, we had an alternative minimum tax credit of $134,000 which was fully offset by the valuation allowance.

LIQUIDITY AND CAPITAL RESOURCES
SIX MONTHS ENDED FEBRUARY 26, 2016

We have experienced recurring net losses from operations, which have caused an accumulated deficit of approximately $26,621,000 at February 26, 2016. We had a working capital deficit of approximately $5,798,000 at February 26, 2016 compared to a working capital deficit of $5,821,000 at August 28, 2015.

Our cash flow requirements during the first six months of fiscal 2016 were financed primarily by conversion of working capital to cash primarily as a result of a reduction in accounts receivable as a result of increased collections during the second quarter of fiscal 2016. At February 26, 2016, the outstanding balance on our revolving line of credit was at the maximum limit of $1,073,000 and the balance on the demand discretionary credit facility was at the maximum limit of $300,000. Subsequent to February 26, 2016 the loan facility increased by borrowings of $251,000. At April 15, 2016, the outstanding balance and maximum credit limit on the line of credit was $1,324,000, the balance on the demand discretionary credit facility remained at $300,000.

Our bookings and revenues during the second quarter and first six months of fiscal 2016, as well as to date, have been insufficient to attain profitable operations and to provide adequate levels of cash flow from operations. During the second quarter and first six months of fiscal 2016 bookings were approximately $378,000 and $773,000, respectively, compared to $482,000 and $1,251,000, respectively, in the same periods of fiscal 2015. Bookings subsequent to February 26, 2016 amounted to approximately $1,256,000 as of April 15, 2016. Total fiscal year 2015 bookings were $3.3 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. Our backlog scheduled to ship within 18 months was approximately $1.7 million at February 26, 2016. The total multi-year backlog at February 26, 2016, was approximately $1.8 million. Approximately $0.8 million of the February 26, 2016 backlog is scheduled to ship during the remainder of fiscal 2016. The amount of orders scheduled to ship during each remaining quarter of fiscal 2016 from the February 26, 2016 backlog, along with bookings subsequent to February 26, 2016, 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 the remaining quarters 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 the remainder of fiscal 2016 and beyond.

Our day to day liquidity during the first six months of fiscal 2016 and continuing to date has been adversely impacted by our low level of revenues and bookings. Based on our most current forecast, we believe third quarter fiscal 2016 revenues will be lower than second quarter fiscal 2016 revenues due to slippage of customer orders into the fourth quarter of fiscal 2016 and into fiscal 2017. Although no assurances may be given, and as stated above, significant fiscal 2016 bookings are currently needed to meet our forecast for the remainder of fiscal 2016, we believe total fiscal 2016 revenues will increase compared to fiscal 2015. If revenues increase in fiscal 2016 as forecasted, our available cash liquidity would increase during the fourth quarter of fiscal 2016 and into the first quarter of fiscal 2016 as revenues and accounts receivable convert to cash collections. However, we believe on a day to day operating basis within each of the remaining fiscal 2016 quarters and beyond, 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 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 through the remaining quarters of fiscal 2016 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 the remainder of 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 prior fiscal years we have made reductions in head count to the current level of 21 full-time employees and one part-time employee at February 26, 2016. 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. (See Cash Flows section below for further discussion).

Financing Agreements

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. 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, the outstanding balance and the maximum credit limit on the loan facility was reduced by $3,480,000. 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 was two years with an option to renew for up to three consecutive renewal terms of one year each. Monthly rental payments are $15,000 per month during the initial term and $18,000 per month during any renewal term. The loan facility at February 26, 2016, provided a maximum credit limit of $1,073,000 excluding any accrued unpaid interest and bears interest at the rate of eight percent (8.0%) per annum. At February 26, 2016, the outstanding balance on the loan facility was at the maximum credit limit of $1,073,000 and accrued unpaid interest amounted to approximately $2,000,000. Subsequent to February 26, 2016 the loan facility increased by borrowings of $251,000. Any additional borrowings are at the sole discretion of the Trust. At April 15, 2016, the outstanding balance and maximum credit limit on the line of credit was $1,324,000. 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 matures on April 7, 2016, 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 loan facility's debt covenants we are required to retain certain executive officers and we are precluded from paying dividends. At February 26, 2016, 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 February 26, 2016, the outstanding balance on the Credit Facility was at the maximum limit of $300,000 and accrued unpaid interest amounted to approximately $59,000. 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 the Trust 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 April 15, 2016, 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 maturity date of the Note was extended until February 26, 2016, bearing interest at the same annual rate of four percent (4.00%). On February 26, 2016, the maturity date of the Note was further extended until June 30, 2016, bearing interest at the same annual rate of four percent (4.00%).

Cash Flows

During the first six months of fiscal 2016, operating activities provided $235,000 of cash. Net loss adjusted for expense provisions, depreciation and amortization (before working capital changes) provided cash of $205,000 and changes in accounts receivable, deferred revenue and customer deposit balances provided $36,000 of cash. Changes in accounts payable and accrued expenses used $56,000 of cash and changes in inventories and other assets provided $49,000 of cash. Cash used by investing activities amounted to $182,000 for capitalized software additions and less than $1,000 for equipment additions. Financing activities used $52,000 of cash to reduce the line of credit outstanding balance.

At February 26, 2016, our net inventory balances were $367,000 compared to $425,000 at August 28, 2015, and $319,000 at August 29, 2014. As discussed above, we will need to increase inventory purchases beginning in the third 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 and likely require various prepayments at time of order and/or at time of shipment. As discussed above, there is no assurance we will have sufficient liquidity on a day to day basis to provide for the timely payment of inventory purchases to meet the requirements of forecasted revenues.

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 extended 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 certain vendors will not pursue legal means to collect remaining 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. In addition, certain domestic and offshore vendors are currently requiring various amounts of prepayments upon order placement and with balances paid upon shipment and/or upon receipt of goods.

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 February 26, 2016, approximately

$1,379,000 of cumulative inventory purchase orders was placed under this arrangement and cumulatively approximately $1, 225,000 of the inventory purchases was received as of February 26, 2016. Approximately $417,000 was owed to Novra pursuant to the purchase arrangement and is included in the accounts payable balance at February 26, 2016. 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, it is likely we would 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.

Contractual Obligations

At February 26, 2016, outstanding purchase commitments under a purchasing assistance agreement with Novra amounted to $154,000.

The Company's long-term contractual obligations as of February 26, 2016, consisted of:

	Payments Due by Period			
Contractual Obligations	Total	Fiscal 2016	Fiscal 2017-2018	Fiscal 2019-2020
Operating leases	$ 137,000	$ 91,000	$46,000	$ -
Line of credit-related party	1,473,000	1,473,000	-	-
Purchase commitments	154,000	154,000	-	-
Total	$1,764,000	$1,718,000	$46,000	$ -

CRITICAL ACCOUNTING POLICIES

The accounting policies and related estimates that we believe are the most critical to understanding our consolidated financial statements, financial condition and results of operations and those that require management judgment and assumptions, or involve uncertainties 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 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. Bill and hold transactions amounted to $518,000 in the first six months of fiscal 2016.

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 Reserves - Inventories are valued at the lower of cost (at standard cost, 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 for obsolete or slow-moving inventories as necessary to properly reflect inventory value. 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 February 26, 2016, inventories, net of reserve provisions, amounted to $367,000.

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 February 26, 2016. 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. Software development costs were capitalized during the three and six months ended February 26, 2016, were limited to $80,000 and $182,000, respectively, based on our evaluation of the net realizable value at February 26, 2016. During the three and six months ended February 26, 2016, amortization expense, included in cost of revenues, was $80,000 and $176,000, respectively. At February 26, 2016, capitalized software costs, net of accumulated amortization, amounted to $51,000.

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, or asset group, an impairment loss is recognized in the amount that the carrying amount of the asset or asset group exceeds its fair value. Fair value is determined based on discounted future net cash flows associated with the use of the asset or asset group.

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 credit carryforwards if it is more likely than not that the tax benefits will be realized. Realization of our deferred tax assets depends on generating sufficient future taxable income prior to the expiration of the loss and credit carryforwards. At February 26, 2016, net deferred tax assets of $9,388,000 were fully reserved by a valuation allowance. For the six months ended February 26, 2016, the valuation allowance was increased by $1,000.

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 would be required. At February 26, 2016, accounts receivable, net of allowances for doubtful accounts, amounted to $284,000.

PART II. OTHER INFORMATION

ITEM 1A. RISK FACTORS

Our operations and financial results are subject to various risks and uncertainties that could adversely affect our business, financial condition, results of operations, and the market price for our Common Stock. Part I, Item 1A, "Risk Factors," contained in our Annual Report (unaudited) for the year ended August 28, 2015, includes a detailed discussion of these factors which have not changed materially from those included in the Annual Report.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

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 expired unexercised five years from the date of issuance. In addition, 500,000 shares of restricted common stock were granted to two executive officers. Such shares may not be sold until a six-month restricted period expires. 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 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 with 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 December 1, 2015, the Board of Directors authorized an additional amendment to the Option Agreement to further extend the expiration date to June 30, 2016, 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.

A registration statement for the 2010 Incentive Plan and for the Option Agreement has not been filed. Therefore, all of the foregoing securities are deemed restricted securities for purposes of the Securities Act.

ITEM 6. EXHIBITS

The following documents are filed as exhibits to this report. An asterisk identifies those exhibits previously filed and incorporated herein by reference. For each such asterisked exhibit there is shown below the description of the prior filing. Exhibits which are not required for this report are omitted.

Exhibit No.		Description of Exhibit
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. (4)
3.1.3	*	Amendment to Certificate of Incorporation effective February 1, 2011. (5)
3.1.4	*	Amendment to Certificate of Incorporation effective January 31, 2012. (6)
3.2	*	By-laws of the Company, as Amended and Restated May 17, 2006. (3)

(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 17, 2006, as filed with the Commission on May 22, 2006.+

(4) 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.+

(5) 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.+

(6) 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

SIGNATURES

WEGENER CORPORATION

Date: April 19, 2016

By: /s/ C. Troy Woodbury, Jr.
C. Troy Woodbury, Jr.
President and Chief Executive Officer
(Principal Executive Officer)

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