WEGENER CORPORATION
ANNUAL REPORT
(Unaudited)
YEAR ENDED SEPTEMBER 2, 2016
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PART I

ITEM 1. BUSINESS

Wegener® Corporation, together with its subsidiary, is referred to herein as "we," "our," "us," the "Company" or "Wegener." All references herein to 2016 and 2015 refer to the fiscal years ended September 02, 2016 and August 28, 2015, 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 radio, television and private 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® and Compel®2 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, 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 2016 revenues increased $295,000, or 9.2%, to $3,482,000 from $3,187,000 in fiscal 2015. Our net loss for fiscal 2016 was $(195,000) or $(0.01) per share compared to net earnings of 1,589,000 or $0.12 per share for fiscal 2015. 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 and continue to receive additional day to day liquidity assistance from our existing lender, 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 $1.7 million at September 2, 2016. The total multi-year backlog at September 2, 2016, was approximately $1.9 million. Approximately $1.7 million of the September 2, 2016 backlog is expected to ship during fiscal 2017.

Our bookings and revenues during fiscal 2016, as well as to date in fiscal 2017, 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 2016 bookings were approximately $395,000, $378,000, $1,285,000 and $257,000, respectively. During fiscal 2015 total 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. The amount of orders scheduled to ship during each quarter of

fiscal 2017 from the September 2, 2016 backlog, along with bookings subsequent to September 2, 2016, are currently insufficient to provide adequate levels of liquidity on a consistent quarterly and day to day basis during those periods. Significant fiscal 2017 shippable bookings are currently required to meet our quarterly financial and cash flow projections throughout each quarter of fiscal 2017 and beyond. There can be no assurances that the Company will be able to achieve its projected level of bookings and revenues in 2017 and beyond.

Our cash flow requirements during fiscal 2016 were financed primarily by an increase in borrowings on our line of credit and from working capital. Additional liquidity was provided by a non-binding discretionary inventory purchase arrangement with Novra (see discussion below). At September 2, 2016, the outstanding balance on our line of credit was at the maximum limit of $1,328,000 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 21 full-time employees at September 2, 2016. Additional headcount reductions during fiscal 2017 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 September 2, 2016, approximately $1,510,000 of cumulative inventory purchase orders was placed under this arrangement and cumulatively approximately $1,439,000 of the inventory purchases was received as of September 2, 2016. Approximately $393,000 was owed to Novra pursuant to the purchase arrangement and is included in the accounts payable balance at September 2, 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, we would likely not have sufficient inventory on hand to meet anticipated quarterly revenue levels in fiscal 2017 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. We continue to expand our footprint of digital signage networks, primarily in Latin America 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. and Comtelsat 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.

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) and in Mexico; Canal 22, OnceTV, Congreso Channel, SPR, RTC, TV UNAM and DGTVE.

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 Westwood One (formerly Dial Global), BBC World Service, 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. (See iPump® Media Servers product discussion below)

PRODUCTS

Our products include: iPump® Media Servers, Unity® Satellite Receivers, Compel®2 Network Control, 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 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®2 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®2 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 2016. The iPump® 6400 Professional Media Server is designed for broadcast television and private network customers and enables the delivery of customized programming controlled through Compel 2.

The new iPump® 8640 Audio Media Server is designed specifically to meet the next generation needs of radio broadcasters. The new iPump® 8640 Audio Media Server is an IP/satellite audio distribution platform designed specifically for the modern radio network. It delivers diverse local and regional customization using both live and file-based audio programming, along with relay cues and program associated data. Under the management of the Compel®2 control system, it supplies a complete programming feed to one, two, or four separate radio stations. An On Air Signal Verification option is available on either the four Channel or single Channel iPump® 8640. Using on-board am/fm tuners to sample locally-aired signals, the iPump® 8640 compares live or file-based audio playout without the use of watermarking techniques. This highly accurate proprietary technology provides confirmation of audio play out and is included in the "as-run report" used to create affidavits to verify the broadcasting of radio advertisements. The iPump® 8640 also offers microcasting features which include: (1) custom programming and content targeted to a specific market; (2) flex clock with no mandatory breaks; (3) network only or local control versions availability; (3) satellite and/or internet delivery; (4) OPX automation for local programming, voice-tracking and production.

The iPump® 562/564 and iPump® 525 Enterprise Media Servers are designed specifically for private network and enterprise applications, such as digital signage. The iPump® 562/564 and iPump® 525 Media Servers support MPEG-4/h.264 video decoding for high definition and standard definition video. In addition, the iPump® 562/564 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 includes the iPump® 762 and iPump 725 Media Servers targeted for digital signage applications. The iPump® 700 series product family features the ability to produce multiple video outputs from a single box. The iPump® 700 series will feature the capacity to display on five landscape or three portrait screens; or on two landscape and two portrait displays. We believe our iPump® 700 series product family has competitive advantages utilized with our Compel®2 control system providing multiple screen support and our ability to support Multicast features.

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® 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® and Compel®2 Network Control Systems have been a key differentiator to our products since 1989. We believe our Compel® and Compel®2 Network Control Systems offer significant features and functionalities for complex network control applications and as a mature and proven control system with thousands of devices under its control, provide us with a competitive offering. These systems are used in networks worldwide to control over 100,000 receivers. They feature advanced grouping and addressing controls that provide flexibility in network management. Receivers can be controlled as individual sites and as members of 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® and Compel®2 network

control systems are used for radio broadcasting, background music applications, advanced content ingestion, content management, digital signage and live and file-based video applications.

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® and Compel®2 Network Control System, so the markets for Compel® and Compel®2 are the same as for iPump® and Unity® receivers.

The newest 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 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 2016 and fiscal 2015.

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.

MARKET OPPORTUNITY

Our revenue opportunities are primarily in the technologies in which we have been making our R&D investments, including file-based broadcasting technology, digital signage and IP terrestrial distribution. See "Research and Development" below.

We have completed shipments of file-based broadcasting networks, including iPump® and Compel®2, in multiple applications, including digital signage, virtual channel generation and broadcast radio. Some examples of iPump® applications are described below.

Three of the largest bank chains in Mexico deploy signage to thousands of screens in their branches. Wegener's system integrator partner provides full service management, hosting and content creation support for satellite-based retail media networks. This major supplier of managed digital signage in Mexico reaches thousands of customer-facing screens. Their banking solution makes use of digital signage to inform waiting customers about available services, display general information, such as, currency exchange rates, and point customers to appropriate bank personnel. Driven by the Compel® Network Control Systems, Wegener's media distribution platform addresses a variety of client requests, such as live video, digital signage, background audio, easy management of thousands of screens, and servicing multiple time zones.

After years of planning, designing, and installing digital display systems in different phases, a chain of Mexican luxury shops have advanced the innovative use of digital signage in retail by deploying hundreds of screens

to improve the experience of its customers. Wegener media players provide twenty-five channels of video and channels of 22 audio throughout each facility. This unique centrally managed digital signage system improves the customers' shopping experience and also allow the chain grow in revenue through the sale of advertising and promotion programs.

Jail-TV uses Wegener digital signage players to take control of inmate television programming under the control of Wegener's Compel® Network Control System. Jail-TV provides the ability to push information to the inmates about services and programs that are available to them while in custody and when they return to society. Special screens and crawl messages communicate jail management information in real-time. This network uses the inmates desire to watch television to the advantage of corrections and the benefit of the inmates. The television becomes a partner in corrections by changing the television into a tool to influence inmate behavior. Every television is individually programmable and can deliver unique messages however every television is also linked together and can deliver the same messages to all televisions, or groups of televisions can be addressed together if desired.

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.

We have fielded multiple networks in the digital signage market with over four 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.

SALES AND MARKETING

Domestically, we sell our products principally through our own direct sales force and through relationships with value added resellers and system integrators. Internationally, we sell primarily through independent distributors and system 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 2016 and 2015, we used offshore manufacturers for a significant amount of our finished goods or component inventories, as well as local state-side vendors. One offshore manufacturer, with facilities located in Taiwan accounted for approximately 78% of inventory purchases in fiscal 2016. The same offshore manufacturer and one additional offshore manufacturer with facilities located in Taiwan and the Peoples Republic of China, accounted for approximately 40% and 22%, respectively, of inventory purchases in fiscal 2015. 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. In a prior fiscal year we sold certain patents and retained 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. We believe 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 September 2, 2016, 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 Westwood One and SSL Digital S.A. de C.V. approximately 55.8% and 17.2% of revenues, respectively in fiscal 2016. 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. At September 2, 2016, one customer accounted for approximately 95.7% of our accounts receivable while at August 28, 2015, three customers accounted for approximately 68.6%, 6.6% and 5.2%, 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 2017 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 $1,745,000 at September 2, 2016, and $2,880,000 at August 28, 2015. Approximately $1,729,000 of the September 2, 2016, backlog is expected to ship during fiscal 2017. At September 2, 2016, two customers accounted for 79% of the eighteen month backlog and 79% of the backlog expected to ship during fiscal 2017. 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

Broadcast Radio

Competition is currently limited to a few companies for our iPump® Media Server in the broadcast radio market. Our solution includes Compel®2 Network Control and our full-featured iPump® 8640 Media Server. Broadcast radio networks are currently operating on aging networks. As a result, we believe there is a current need in the market place to replace this equipment while updating the technology deployed. We secured two orders from one major radio broadcaster and are pursuing opportunities with other networks. We believe the iPump® 8640 Media Server and Compel®2 Network Control with the product features discussed above provides a competitive solution for the broadcast radio market.

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. The digital signage application for business and private networks is very competitive especially from low cost single screen box competitors. We believe our digital signage products, discussed above, provide a competitive solution for complex digital signage applications and along with our multiple screen output from a single box will provide a competitive solution for low cost applications.

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 2016 and 2015 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®2 network control software. WCI's research and development expenses totaled $590,000 in fiscal 2016 and $653,000 in fiscal 2015. 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 2016, 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® and Compel®2 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®2 products had major additions to the digital signage offerings during fiscal 2016 and 2015 to better serve the market.

Network control and management have long been a differentiator for our Unity® receivers and iPump® media servers. Through fiscal 2016, 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®2, manage such operations.

Employees

As of September 2, 2016, we had 21 full-time employees 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	69	President and Chief Executive Officer of the Company and WCI

Controller for Scientific-Atlanta, Inc. from March 1975 to June 1988.

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 and continue to receive additional day to day liquidity assistance from our existing lender, 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 at September 2, 2016 was at the maximum available credit limit of $1,328,000 and the balance on the demand discretionary credit facility was at the maximum limit of $300,000. Our cash flow requirements during fiscal 2016 were financed primarily by an increase in borrowings on our line of credit and from working capital. 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 September 2, 2016 compared to $5,821,000 at August 28, 2015. Our bookings and revenues during fiscal 2016, as well as to date in fiscal 2017, 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 2017 from the September 2, 2016 backlog, along with bookings subsequent to September 2, 2016, 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 2016 and continuing to date in fiscal 2017 has been adversely impacted by our low level of revenues and bookings. Although no assurances may be given and significant fiscal 2017 bookings are currently needed to meet our fiscal 2017 forecast, we believe fiscal 2017 revenues will increase compared to fiscal 2016. If revenues increase in fiscal 2017 as forecasted, our available cash liquidity would increase during fiscal 2017 compared to fiscal 2016 as revenues convert to cash collections. However, we believe on a day to day operating basis within each of the fiscal 2017 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 2017 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 2017 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 September 2, 2016, our net inventory balances were $466,000 compared to $425,000 at August 28, 2015, and $319,000 at August 29, 2014. We will need to increase inventory purchases beginning in the first quarter of fiscal 2017 and continuing through the remainder of fiscal 2017 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 September 2, 2016, approximately $1,510,000 of cumulative inventory purchase orders was placed under this arrangement and cumulatively approximately $1,439,000 of the inventory purchases was received as of September 2, 2016. Approximately $393,000 was owed to Novra pursuant to the purchase arrangement and is included in the accounts payable balance at September 2, 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, we will not have sufficient inventory on hand to meet anticipated quarterly revenue levels in fiscal 2017 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 2016, as well as to date in fiscal 2017, have been insufficient to attain profitable operations and to provide adequate levels of cash flow from operations. During prior fiscal years, due to insufficient cash flow from operations and maximum borrowing limitations under our loan facility, we negotiated extended payment terms with one offshore vendor 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 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, 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. 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®2 network control software, 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 2017 and beyond. In fiscal two customers accounted for approximately 55.8% and 17.2% of revenues, respectively. In fiscal 2015, four customers accounted for approximately 27.1%, 12.2%, 11.0% and 10.3% of revenues, respectively. At September 2, 2016, three customers accounted for 79% of the eighteen month backlog and 79% of the backlog expected to ship during fiscal 2017. 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. One offshore manufacturer, with facilities located in Taiwan accounted for approximately 78% of inventory purchases in fiscal 2016. The same offshore manufacturer and one additional offshore manufacturer with facilities located in Taiwan and the Peoples Republic of China, accounted for approximately 40% and 22%, respectively, of inventory purchases in fiscal 2015. 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 each of one year. Rental payments are $15,000 per month during the initial term and $18,000 per month during any renewal term. Subsequent to September 2, 2016, WCI renewed the lease for the first one year 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, 2016, 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 2016 and 2015 were as follows:

	Fiscal 2016		Fiscal 2015	
	High	**Low**	High	Low
First Quarter	**$.02**	**$.01**	**$.05**	**$.03**
Second Quarter	**.02**	**.01**	**.03**	**.01**
Third Quarter	**.02**	**.01**	**.04**	**.04**
Fourth Quarter	**.02**	**.01**	**.02**	**.01**

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 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 June 30, 2016, the Board of Directors authorized a third amendment to the September 16, 2013, option to extend the expiration date to December 31, 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.

As of September 2, 2016, 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 September 2, 2016, 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	138,000	$0.255	1,895,000
Equity Compensation Plans Not Approved by Security Holders	-	-	-
Total	138,000	$0.255	1,895,000

ITEM 6. SELECTED FINANCIAL DATA

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

	September 2, 2016	August 28, 2015	August 29, 2014	August 30, 2013	August 31, 2012
Revenues, net	**$3,482**	$3,187	$3,163	$4,522	$7,195
Operating (loss)	**(59)**	(708)	(1,255)	(1,687)	(2,413)
Net (loss) earnings (a)	**(195)**	1,589	(1,638)	(2,056)	(2,782))
Net (loss) earnings per share					
Basic	**$ (.01)**	$ .12	$ (.12)	$ (.16)	$ (.21)
Diluted	**$ (.01)**	$ .12	$ (.12)	$ (.16)	$ (.21)
Cash dividends paid per share (b)	**-**	-	-	-	-
Total assets	**$1,170**	$1,119	$2,093	$2,495	$4,915
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 2017 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.

We believe the uncertain and adverse economic and credit conditions in prior years along with slow economic recovery conditions, foreign currency fluctuations and the recent decrease in crude oil prices have adversely affected our business, financial condition and results of operations in fiscal years 2016 and 2015.

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 radio, television, private 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, 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 year 2016 contained fifty-three weeks while 2015 contained fifty-two weeks. All references herein to 2016 and 2015 refer to the fiscal years ended September 2, 2016 and August 28, 2015, respectively.

Our fiscal 2016 revenues increased $295,000, or 9.2%, to $3,482,000 from $3,187,000 in fiscal 2015. Our net loss for fiscal 2016 was $(195,000) or $(0.01) per share compared to net earnings of $1,589,000 or $0.12 per share for fiscal 2015. 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 2016 bookings were approximately $395,000, $378,000, $1,285,000 and $257,000, respectively. These fiscal 2016 bookings and fiscal 2017 bookings to date, as well as our fiscal 2015 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 2016 and continuing to date in fiscal 2017 has been adversely impacted by our low level of revenues and bookings. Although no assurances may be given and significant fiscal 2017 bookings are currently needed to meet our fiscal 2017 forecast, we believe fiscal 2017 revenues will increase compared to fiscal 2016. If revenues increase in fiscal 2017 as forecasted, our available cash liquidity would increase during fiscal 2017 compared to fiscal 2016 as revenues convert to cash collections. However, we believe on a day to day operating basis within each of the fiscal 2017 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 2017 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 2017 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 2016 were financed primarily by an increase in borrowings on our line of credit and from working capital. Additional liquidity was provided by a non-binding discretionary inventory purchase arrangement with Novra (see discussion below). At September 2, 2016, the outstanding balance on our line of credit was at the maximum limit of $1,328,000 and the balance on the demand discretionary credit facility was at the maximum limit of $300,000.

Operating activities provided $177,000 of cash, investing activities used $359,000 of cash for capitalized software and equipment additions and financing activities provided $203,000 from additional line of credit borrowings. (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:

	September 2, 2016	August 28, 2015
Revenues, net	**100.0%**	100.0%
Cost of revenues	**58.8**	69.4
Gross margin	**41.2**	30.6
Selling, general, and administrative	**25.9**	32.3
Research and development	**17.0**	20.5
Operating (loss)	**(1.7)**	(22.2)
Gain on sale of assets	**-**	77.6
Interest expense	**(3.9)**	(5.5)
Net earnings (loss)	**(5.6)**	49.8%

Net loss for the year ended September 2, 2016 was $(195,000) or $(0.01) per share, compared to net earnings of 1,589,000 or $0.12 per share for the year ended August 28, 2015. Net earnings for fiscal 2015 included a one time gain on sale of assets in the amount of $2,473,000. Fiscal 2016 net loss included non-cash share-based compensation expense charges of $39,000 compared to less than $1,000 in fiscal 2015. (See below for further discussion and Note 7 to the Consolidated Financial Statements, "Accrued Expenses").

Revenues for fiscal 2016 increased $295,000, or 9.2%, to $3,482,000 from $3,187,000 in fiscal 2015. Our revenue levels are not subject to significant annual fluctuations in unit pricing. Revenues for fiscal 2016, 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 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® 564 and ipump® 6400 media receivers to SSL Digital S.A. for business expansion, (iii) Unity® 202 receivers and ipump® 6400 media receivers to the Army & Air Force Exchange Service for network upgrades and expansion, (iv)ipump® 6420 audio media receivers and Unity® 4600 receivers to Educational Media Foundation for network upgrades (v) product repair services and (vi) extended maintenance contract revenues. 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.

WCI's backlog of orders scheduled to ship within 18 months was approximately $1,745,000 at September 2, 2016 and $2,880,000 at August 28, 2015. The total multi-year backlog at September 2, 2016 was approximately $1,928,000 compared to $2,905,000 at August 28, 2015. Approximately $1,729,000 of the September 2, 2016, backlog is expected to ship during fiscal 2017. At September 2, 2016, two customers accounted for 79 % of the eighteen month backlog and 79% of the backlog expected to ship during fiscal 2017.

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 2017 and beyond. In fiscal 2016 two customers accounted for approximately 55.8% and 17.2% of revenues, respectively. 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 $650,000 or 18.7% of revenues in fiscal 2016 compared to $1,533,000 or 48.1% of revenues in fiscal 2015. 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 41.2% in fiscal 2016 compared to 30.6% in fiscal 2015. Gross profit margin dollars increased $459,000 or 47.0% in fiscal 2016, compared to the same period in fiscal 2015. Capitalized software amortization expenses included in cost of revenues in fiscal 2016 were $324,000, compared to $394,000 in fiscal 2015. No inventory reserve provisions or warranty provisions were charged to cost of revenues in fiscal years 2016 and 2015. The increases in the profit margin percentage and dollars in fiscal 2016 compared to the same period in fiscal 2015 were primarily due to the increase in revenues and lower overhead expenses primarily due to the decrease in capitalized software amortization expenses, a decrease in freight expense and lower depreciation expense which was partially offset by an increase in rent expense.

Selling, general, and administrative (SG&A) expenses decreased $126,000, or 12.3%, to $904,000 in fiscal 2016 from $1,030,000 in fiscal 2015. As a percentage of revenues, SG&A expenses were 25.9% of revenues in fiscal 2016 and 32.3% in fiscal 2015. Corporate SG&A expenses in fiscal 2016 increased $24,000, or 11.0%, to $245,000 from $221,000 in fiscal 2015. Corporate SG&A expenses in fiscal 2016 included non-cash share-based compensation expense of $39,000 compared to less than $1,000 in fiscal 2015. WCI's SG&A expenses decreased $151,000, or 18.6%, to $658,000 in fiscal 2016 from $809,000 in fiscal 2015. Decreases in WCI's SG&A expenses in fiscal 2016 included salaries of $42,000 primarily due to a reduction in headcount, a one time benefit of forfeited accrued vacation of $32,000 and sales commissions of $11,000 due to the low level of bookings. In addition, WCI's SG&A expenses in fiscal 2016 benefited from a reduction in the provision for bad debts in the amount of $59,000.

Research and development expenditures, including capitalized software development costs, decreased $103,000 to $948,000 or 9.7% in fiscal 2016 from $1,051,000 in fiscal 2015. The decrease in expenditures in fiscal 2016 compared to fiscal 2015 was mainly due to a decrease in consulting expenses and salaries and related personnel costs due to a reduction in headcount. Capitalized software development costs in fiscal 2016 amounted to $358,000 compared to $397,000 in fiscal 2015. The amount of capitalized software development costs was limited to the $358,000 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 September 2, 2016, as discussed in Note 2 to the Consolidated Financial Statements. Research and development expenses were $590,000 or 17.0% of revenues in fiscal 2016 and $653,000 or 20.5% of revenues in fiscal 2015. The decrease in research and development expenses in fiscal 2016 compared to fiscal 2015 was due to the decrease in expenditures discussed above which was partially offset by the decrease in the amount of capitalized software development costs.

Interest expense was $136,000 in fiscal 2016 compared to $176,000 in fiscal 2015. The reduction in interest expense during fiscal 2016 was due to the reduction in the outstanding balance on the loan facility during the second quarter of fiscal 2015. (See Liquidity and Capital Resources section below).

No income tax benefit was recorded for fiscal 2016 due to an increase in the deferred tax asset valuation allowance primarily due to an increase in the net operating loss carryforward. In fiscal 2016, the deferred tax asset increased $56,000 primarily due to an increase in the net operating loss carryforward. 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.

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 2017. Our assessment indicated that a full valuation allowance for our net deferred tax assets was required as of September 2, 2016 and August 28, 2015.

At September 2, 2016, we had a federal net operating loss carryforward of $19,996,000, 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, $1,379,000 in fiscal 2033, $858,000 in fiscal 2034, $628,000 in fiscal 2035

and $211,000 in 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

We have experienced recurring net losses which have caused an accumulated deficit of approximately $26,814,000 at September 2, 2016. We had a working capital deficit of approximately $5,994,000 at September 2, 2016 compared to a working capital deficit of $5,821,000 at August 28, 2015.

Our cash flow requirements during fiscal 2016 were financed primarily by an increase in borrowings on our line of credit and from working capital. Additional liquidity was provided by a non-binding discretionary inventory purchase arrangement with Novra (see discussion below). At September 2, 2016, the outstanding balance on our line of credit was at the maximum limit of $1,328,000 and the balance on the demand discretionary credit facility was at the maximum limit of $300,000.

Our bookings and revenues during fiscal 2016, as well as to date in fiscal 2017, 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 2016 bookings were approximately $395,000, $378,000, $1,285,000 and $257,000, respectively. During fiscal 2015 total 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. The amount of orders scheduled to ship during each quarter of fiscal 2017 from the September 2, 2016 backlog, along with bookings subsequent to September 2, 2016, are currently insufficient to provide adequate levels of liquidity on a consistent quarterly and day to day basis during those periods. Significant fiscal 2017 shippable bookings are currently required to meet our quarterly financial and cash flow projections throughout each quarter of fiscal 2017 and beyond. There can be no assurances that the Company will be able to achieve its projected level of bookings and revenues in 2017 and beyond.

During prior fiscal years we have made reductions in head count to the current level of 21 full-time employees at September 2, 2016. Additional headcount reductions during fiscal 2017 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 2016 and continuing to date in fiscal 2017 has been adversely impacted by our low level of revenues and bookings. Although no assurances may be given and as stated above, significant fiscal 2017 bookings are currently needed to meet our fiscal 2017 forecast, we believe fiscal 2017 revenues will increase compared to fiscal 2016. If revenues increase in fiscal 2017 as forecasted, our available cash liquidity would increase during fiscal 2017 compared to fiscal 2016 as revenues convert to cash collections. However, we believe on a day to day operating basis within each of the fiscal 2017 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 2017 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 2017 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 approximately 8.5% of our outstanding common stock. The loan facility provides a maximum credit limit at September 2, 2016 of $1,328,000 excluding any accrued unpaid interest and bears interest at the rate of eight percent (8.0%) per annum. At September 2, 2016, the outstanding balance on the loan facility was at the maximum credit limit of $1,328,000 and accrued unpaid interest amounted to approximately $2,059,000. 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. Subsequent to September 2, 2016 the loan facility decreased by payments of $300,000 and increased by borrowings of $215,000. Any additional borrowings are at the sole discretion of the Trust. At November 25, 2016, the outstanding balance and maximum credit limit on the line of credit increased to $1,243,000. 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, 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 facility's debt covenants, we are required to retain certain executive officers and are precluded from paying dividends. At September 2, 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 September 2, 2016, the outstanding balance on the Credit Facility was at the maximum limit of $300,000 and accrued unpaid interest amounted to approximately $71,000. 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 November 16, 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%). On June 30, 2016, the maturity date of the Note was again extended until December 31, 2016, bearing interest at the same annual rate of four percent (4.00%).

Operating Activities

Cash provided by operating activities was $177,000 in fiscal 2016 while in fiscal 2015 operating activities used $201,000 of cash. Fiscal 2016 net loss adjusted for expense provisions and depreciation and amortization (before working capital changes) provided cash of $127,000. Changes in inventories and other assets used cash of $26,000 while changes in accounts receivable, customer deposits and deferred revenue provided cash of $196,000. Changes in accounts payable, accrued expenses used cash of $121,000.

Net accounts receivable decreased $13,000 to $487,000 at September 2, 2016, from $500,000 at August 28, 2015. The allowance for doubtful accounts was $3,000 at September 2, 2016 and $66,000 at August 28, 2015. In fiscal 2016, bad debt recoveries amounted to $30,000 as a result of a partial collection of fully reserved account receivable balances and reductions in the allowance for bad debts amounted to $29,000 compared to none in fiscal 2015. No additional provisions were made to the allowance for doubtful accounts in fiscal 2016 and 2015.

Customer deposits were $561,000 at September 2, 2016, and also $561,000 at August 28, 2015. Customer deposits vary with the timing and terms of customer bookings.

At September 2, 2016, our net inventory balances increased $41,000 to $466,000 from $425,000 at August 28, 2015, which compared to $319,000 at August 29, 2014. As discussed above, we will need to increase inventory purchases beginning in the first quarter of fiscal 2017 and continuing through the remainder of fiscal 2017 in order to have sufficient inventory balances to support anticipated revenue levels during these periods. Some of the anticipated inventory purchases have long lead time delivery schedules and require various down payments at time of order and/or at time of shipment. A substantial portion of future inventory purchases will currently be with one offshore supplier which requires substantial down payments upon order and prior to shipment with a final balance due upon receipt of goods. 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, due to insufficient cash flow from operations and the borrowing limitations under our loan facility, we negotiated extended payment terms with one offshore vendor 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.

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 September 2, 2016, approximately $1,510,000 of inventory purchase orders was placed under this arrangement and cumulatively approximately $1,439,000 of the inventory purchases was received as of September 2, 2016. Approximately $393,000 was owed to Novra pursuant to the purchase arrangement and is included in the accounts payable balance at September 2, 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, we would likely not have sufficient inventory on hand to meet anticipated quarterly revenue levels in fiscal 2017 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 2016 and 2015. Inventory reserves were decreased by write-offs of fully reserved inventory of $321,000 in fiscal 2016 and $1,877,000 in fiscal 2015. Increases in inventories in fiscal 2016 and 2015 used cash of $41,000 and $107,000, respectively.

Investing Activities

In fiscal 2016, cash used by investing activities was $358,000 for capitalized software additions and $1,000 for equipment additions. Cash used by investing activities in fiscal 2015 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. The amount of capitalized software additions in fiscal 2016 and 2015 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 September 2, 2016 and at August 28, 2015, as discussed above and in Note 2 to the Consolidated Financial Statements.

Financing Activities

In fiscal 2016**,** financing activities provided $203,000 from additional line of credit borrowings. 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.

Contractual Obligations

At September 2, 2016, outstanding purchase commitments under the Novra purchasing assistance agreement amounted to $70,000. The following summarizes our contractual obligations as of September 2, 2016 and the effects such obligations are expected to have on liquidity and cash flow in future periods:

	Payments Due by Period			
Contractual Obligations	Total	One Year	2 –3 Years	4 –5 Years
Operating leases	$ 262,000	$ 208,000	$54,000	$ -
Line of credit, Credit Agreement and Note payable	1,728,000	1,728,000	-	-
Purchase commitments	70,000	70,000	-	-
Total	$2,060,000	$2,006,000	$54,000	$ -

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 September 2, 2016, 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 year ended September 2, 2016, revenues recorded as bill and hold transactions amounted to $1,040,000, For the year ended August 28, 2015, 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 September 2, 2016, inventories, net of reserve provisions of approximately $1,648,000, amounted to $467,000. At August 28, 2015, inventories, net of reserve provisions of approximately $1,969,000, amounted to $425,000.

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 September 2, 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. Amortization expense, included in cost of revenues, was $324,000 in fiscal 2016 and $394,000 in fiscal 2015. Software development costs capitalized during fiscal 2016 were limited to $358,000 based on our evaluation of the net realizable value at September 2, 2016. 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. At September 2, 2016, capitalized software costs, net of accumulated amortization, amounted to $79,000. At August 28, 2015, capitalized software costs, net of accumulated amortization, amounted to $45,000.

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 increased $56,000 in fiscal 2016 and decreased $701,000 in fiscal 2015. At September 2, 2016 and at August 28, 2015, net deferred tax assets of $9,443,000 and $9,387,000, 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 September 2, 2016, accounts receivable net of allowances for doubtful accounts amounted to $487,000. At August 28, 2015, accounts receivable net of allowances for doubtful accounts amounted to $500,000.

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. 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.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA
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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 2016. No audit was performed for the fiscal years ended September 2, 2016 and August 28, 2015.



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

CONSOLIDATED STATEMENTS OF OPERATIONS

	Years ended	
	September 2, 2016 (Unaudited)	August 28, 2015 (Unaudited)
Revenues, net	**$3,481,517**	$3,186,785
Operating costs and expenses		
Cost of revenues	**2,046,810**	2,211,039
Selling, general and administrative	**903,673**	1,030,111
Research and development	**590,329**	653,247
Operating costs and expenses	**3,540,812**	3,894,397
Operating loss	**(59,295)**	(707,612)
Gain on sale of assets	**-**	2,472,656
Interest expense-related party	**(131,893)**	(172,704)
Interest expense	**(4,124)**	(3,754)
Net (loss) earnings	**$ (195,312)**	$1,588,586
Net (loss) earnings per share		
Basic and diluted	**$ (.01)**	$ .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

	September 2, 2016 (Unaudited)	August 28, 2015 (Unaudited
Assets		
Current assets		
Cash	**$ 57,244**	$ 35,937
Accounts receivable, net	**486,551**	499,793
Inventories, net	**466,587**	425,140
Other	**78,899**	94,452
Total current assets	**1,089,281**	1,055,322
Property and equipment, net	**1,234**	502
Capitalized software costs, net	**78,891**	44,897
Other assets	**729**	18,548
Total assets	**$1,170,135**	$1,119,269
Liabilities and Capital Deficit		
Current liabilities		
Line of credit and credit agreement-related party	**$1,628,000**	$1,425,000
Note payable	**100,000**	100,000
Accounts payable	**1,370,217**	1,580,205
Accrued expenses	**3,040,389**	2,950,216
Deferred revenue	**384,333**	259,553
Customer deposits	**560,623**	561,410
Total current liabilities	**7,083,562**	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	**20,769,496**	20,730,496
Accumulated deficit	**(26,814,394)**	(26,619,082)
Total capital deficit	**(5,913,427)**	(5,757,115
Total liabilities and capital deficit	**$1,170,135**	$1,119,269

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CAPITAL DEFICIT

	Common Stock		Additional Paid-in	Accumulated
	Shares	Amount	Capital	Deficit
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)
Share-based compensation	-	-	39,000	-
Net loss for the year	-	-	-	(195,312)
BALANCE at September 2, 2016 (Unaudited)	**13,147,051**	**$131,471**	**$20,769,496**	**$(26,814,394)**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended	
	September 2, 2016 (Unaudited)	August 28, 2015 (Unaudited)
Cash flows from operating activities		
Net (loss) earnings	**$(195,312)**	$1,588,586
Adjustments to reconcile net (loss) earnings to cash provided by (used for) operating activities		
Depreciation and amortization	**344,207**	482,939
Gain on sale of assets	**-**	(2,472,656)
Share-based compensation expense	**39,000**	669
Decrease in provision for bad debts	**(58,700)**	-
Changes in assets and liabilities		
Accounts receivable	**71,942**	(122,595)
Inventories	**(41,447)**	(106,615)
Other assets	**15,553**	(33,600)
Accounts payable	**(209,988)**	54,097
Accrued expenses	**88,112**	141,601
Deferred revenue	**124,780**	(27,921)
Customer deposits	**(787)**	294,262
Net cash provided by (used for) operating activities	**177,360**	(201,233)
Cash flows from investing activities		
Property and equipment expenditures	**(1,207)**	(3,180)
Capitalized software additions	**(357,846)**	(397,358)
Proceeds from sale of assets	**-**	3,480,000
Net cash (used for) provided by investing activities	**(359,053)**	3,079,462
Cash flows from financing activities		
Change in borrowings under credit agreement-related party	**203,000**	(3,125,000)
Note payable borrowings	**-**	100,000
Net cash provided by (used for) financing activities	**203,000**	(3,025,000)
Increase (decrease) in cash	**21,307**	(146,771)
Cash, beginning of year	**35,937**	182,708
Cash, end of year	**$ 57,244**	$ 35,937
Supplementary information:		
Cash paid for interest	**$ 5,705**	$ 3,561

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 $26,814,000 at September 2, 2016. We had a working capital deficit of approximately $5,994,000 at September 2, 2016 compared to a working capital deficit of $5,821,000 at August 28, 2015.

Our cash flow requirements during fiscal 2016 were financed primarily by an increase in borrowings on our line of credit and from working capital. Additional liquidity was provided by a non-binding discretionary inventory purchase arrangement with Novra (see discussion below). At September 2, 2016, the outstanding balance on our line of credit was at the maximum limit of $1,328,000 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 $1.7 million at September 2, 2016. The total multi-year backlog at September 2, 2016, was approximately $1.9 million. Approximately $1.5 million of the September 2, 2016 backlog is expected to ship during fiscal 2017.

Our bookings and revenues during fiscal 2016, as well as to date in fiscal 2017, 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 2016 bookings were approximately $395,000, $378,000, $1,285,000 and $257,000, respectively. During fiscal 2015 total 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. The amount of orders scheduled to ship during each quarter of fiscal 2017 from the September 2, 2016 backlog, along with bookings subsequent to September 2, 2016, are currently insufficient to provide adequate levels of liquidity on a consistent quarterly and day to day basis during those periods. Significant fiscal 2017 shippable bookings are currently required to meet our quarterly financial and cash flow projections throughout each quarter of fiscal 2017 and beyond. There can be no assurances that the Company will be able to achieve its projected level of bookings and revenues in 2017 and beyond.

During prior fiscal years we have made reductions in head count to the current level of 21 full-time employees at September 2, 2016. Additional headcount reductions during fiscal 2017 may be required to reduce operating expenses depending on near term bookings, revenue levels and near term available cash liquidity.

During prior fiscal years, due to insufficient cash flow from operations and the borrowing limitations under our loan facility, we negotiated extended payment terms with one offshore vendor 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 fiscal 2016 and continuing to date in fiscal 2017 has been adversely impacted by our low level of revenues and bookings. Although no assurances may be given and as stated above, significant fiscal 2017 bookings are currently needed to meet our fiscal 2017 forecast, we believe fiscal 2017 revenues will increase compared to fiscal 2016. If revenues increase in fiscal 2017 as forecasted, our available cash liquidity would increase during fiscal 2017 compared to fiscal 2016 as revenues convert to cash collections. However, we believe on a day to day operating basis within each of the fiscal 2017 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 2017 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 2017 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 September 2, 2016, approximately $1,510,000 of cumulative inventory purchase orders was placed under this arrangement. Approximately $1,439,000 of the inventory purchases was received as of September 2, 2016. Approximately $393,000 was owed to Novra pursuant to the purchase arrangement and is included in the accounts payable balance at September 2, 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.

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 year 2016 contains 53 weeks while 2015 contained fifty-two weeks. All references herein to 2016 and 2015 refer to the fiscal years ended September 2, 2016 and August 28, 2015, 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 September 2, 2016 and at August 28, 2015 outstanding checks in the amount of $15,000 and $66,000, 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. Any 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 September 2, 2016, deferred extended service maintenance revenues were $229,000 and deferred revenues related to the fair value of undelivered elements were $156,000 and are expected to be recognized as revenue in varying amounts throughout fiscal 2017.

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 year ended September 2, 2016, revenues recorded as bill and hold transactions amounted to $1,040,000, For the year ended August 28, 2015, 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 September 2, 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. Amortization expense, included in cost of revenues, was $324,000 in fiscal 2016 and $394,000 in fiscal 2015. Software development costs capitalized during fiscal 2016 and 2015 were limited to $358,000 and $397,000, respectively based on our evaluation of the net realizable value at September 2, 2016 and August 28, 2015. Capitalized software costs, net of accumulated amortization, were $79,000 at September 2, 2016 and $45,000 at August 28, 2015. Accumulated amortization amounted to $2,156,000 at September 2, 2016 and $2,372,000 at August 28, 2015. During fiscal years 2016 and 2015, approximately $539,000 and $690,000, 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 September 2, 2016 and August 28, 2015 or fiscal 2016 and fiscal 2015 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 $4,000 and $8,000 for fiscal years 2016 and 2015, 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 2016 and 2015, share-based compensation expense included in selling, general and administrative expenses amounted to $39,000 and less than $1,000, 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 September 2, 2016, net deferred tax assets were fully offset by a valuation allowance of $9,443,000.

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 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.

	Years ended	
	September 2, 2016	August 28, 2015
Basic and diluted		
Net (loss) earnings	**$ (195,312)**	$ 1,588,586
Weighted average shares outstanding	**13,147,051**	13,147,051
Net (loss) earnings per share	**$ (.01)**	$ .12

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

	Years ended	
	September 2, 2016	August 28, 2015
Common stock options:		
Number of underlying shares	**15,138,000**	15,650,800
Range of exercise prices	**$.03 to $1.03**	$.03 to $1.34

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 September 2, 2016, 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. 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.

3. Accounts Receivable

Accounts receivable are summarized as follows:

	September 2, 2016	August 28, 2015
Accounts receivable – trade	**$ 489,910**	$ 565,711
Less: allowance for doubtful accounts	**(3,359)**	(65,918)
Accounts receivable, net	**$ 486,551**	$ 499,793

A relatively small number of major customers have typically comprised a majority of our revenues and that trend is expected to continue throughout fiscal 2017 and beyond (see Note 13). At September 2, 2016, one customer accounted for approximately 95.7% of our accounts receivable while at August 28, 2015, three customers accounted for approximately 68.6%, 6.6% and 5.2% of our accounts receivable.

4. Inventories

Inventories are summarized as follows:

	September 2, 2016	August 28, 2015
Raw materials	**$ 1,190,008**	$ 1,345,138
Work-in-process	**175,678**	232,348
Finished goods	**748,512**	816,689
	2,114,198	2,394,175
Less: inventory reserves	**(1,647,611)**	(1,969,035))
Inventories, net	**$ 466,587**	$ 425,140

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 $1,647,000 at September 2, 2016, is to provide for items that are potentially slow-moving, excess or obsolete. During fiscal years 2016 and 2015, approximately $321,000 and $1,877,000, respectively 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)	**September 2, 2016**	August 28, 2015
Land	-	**$ -**	$ -
Buildings and improvements	3-30	**-**	-
Machinery and equipment	3-5	**10,012,585**	10,011,830
Furniture and fixtures	5	**509,010**	509,010
Total property and equipment		**10,521,595**	10,520,840
Less accumulated depreciation		**(10,520,361)**	(10,520,338)
Property and equipment, net		**$ 1,234**	$ 502

Depreciation expense for fiscal 2016 and 2015 totaled approximately $3,000 and $35,000, respectively. Repair and maintenance expenses during fiscal years 2016 and 2015 amounted to approximately $44,000 and $31,000, respectively.

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. Subsequent to September 2, 2016, WCI renewed the lease for the first one year renewal term.

6. Other Assets

Other assets consisted of the following:

	September 2, 2016		
	Cost	**Accumulated Amortization**	**Net**
License agreements	**$ 961,300**	**$ (961,050)**	**$ 250**
Patents	**214,677**	**(214,677)**	**-**
Trademarks	**81,951**	**(81,472)**	**479**
	$1,257,928	**$(1,257,199)**	**$ 729**

	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
Other			
	$1,257,928	$(1,239,380)	$18,548

Amortization expense of other assets amounted to $18,000 and $54,000 for fiscal years 2016 and 2015, 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 September 2, 2016, the cost of registered patents amounted to $215,000 and was fully amortized and the cost of trademarks amounted to $82,000 and the balance, net of amortization, was less than $1,000. 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:

	September 2, 2016	August 28, 2015
Vacation	**$ 297,314**	$ 372,675
Interest	**2,144,202**	2,015,619
Payroll and related expenses	**66,821**	63,966
Royalties	**308,863**	258,948
Warranty	**22,538**	22,538
Taxes and insurance	**63,941**	60,522
Commissions	**12,924**	12,924
Professional fees	**90,422**	96,079
Other	**33,364**	46,945
	$3,040,389	$2,950,216

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 2016 and 2015, no additional warranty provisions were made.

Accrued Vacation
During fiscal 2016, forfeited vacation compensation due to a reduction in personnel from a resignation resulted in a decrease in accrued vacation balances of approximately $32,000 which was credited to selling and general administrative expense. 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 September 2, 2016, deferred extended service maintenance revenues were $229,000 and revenue related to the fair value of undelivered elements were $156,000 and are expected to be recognized as revenue in varying amounts throughout fiscal 2017.

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 September 2, 2016 of $1,328,000 excluding any accrued unpaid interest and bears interest at the rate of eight percent (8.0%) per annum. At September 2, 2016, the outstanding balance on the loan facility was at the maximum credit limit of $1,328,000 and accrued unpaid interest amounted to approximately $2,059,000. 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. Subsequent to September 2, 2016, WCI renewed the lease for the first one year renewal term. Rental payments are $15,000 per month during the initial term and $18,000 per month during any renewal term. Subsequent to September 2, 2016 the loan facility decreased by payments of $300,000 and increased by borrowings of $215,000. Any additional borrowings are at the sole discretion of the Trust. At October 28, 2016, the outstanding balance and maximum credit limit on the line of credit increased to $1,243,000. Any additional borrowings are at the sole discretion of the Trust. At October 28, 2016, the outstanding balance and maximum credit limit on the line of credit increased to $1,243,000. 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, 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 facility's debt covenants, we are required to retain certain executive officers and are precluded from paying dividends. At September 2, 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 September 2, 2016, the outstanding balance on the Credit Facility was at the maximum limit of $300,000 and accrued unpaid interest amounted to approximately $71,000. 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 28, 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%). On June 30, 2016, the maturity date of the Note was again extended until December 31, 2016, bearing interest at the same annual rate of four percent (4.00%).

10. Income Taxes

No income tax benefit was recorded for fiscal 2016 due to an increase in the deferred tax asset valuation allowance primarily due to an increase in the net operating loss carryforward. In fiscal 2016, the deferred tax asset increased $56,000 which was offset by a corresponding increase in the valuation allowance. 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.

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

	Years Ended	
	September 2, 2016	August 28, 2015
Statutory U.S. income tax rate	**34.0%**	34.0%
State taxes, net of federal benefits	**1.5**	1.9
Valuation allowance	**(28.7)**	(35.9)
Non-deductible expenses	**(6.8)**	(.1)
Other, net	**-**	.1
Effective income tax rate	**-%**	-%

The effective tax rate for fiscal 2016 and 2015 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:

	September 2, 2016	August 28, 2015
Deferred tax assets (liabilities):		
Inventory reserves	**$ 1,291,000**	$ 1,311,000
Accounts receivable allowance	**2,000**	22,000
Accrued expenses	**940,000**	910,000
Net operating loss carryforwards	**7,146,000**	7,023,000
AMT credit carryovers	**134,000**	134,000
Depreciation	**-**	1,000
Capitalized software costs	**(30,000)**	(17,000))
Other	**(40,000)**	3,000
Deferred tax assets	**9,443,000**	9,387,000
Valuation allowance	**(9,443,000)**	(9,387,000)
Net deferred tax asset	**$ -**	$ -
Consolidated balance sheet classifications:		
Current deferred tax asset	**$ 2,266,000**	$ 2,319,000
Noncurrent deferred tax asset	**7,177,000**	7,068,000
Valuation allowance	**(9,443,000)**	(9,387,000)
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 2017. Our assessment indicated that a full valuation allowance for our net deferred tax assets was required as of September 2, 2016 and August 28, 2015. The valuation allowance increased $56,000 in fiscal 2015. At September 2, 2016, net deferred tax assets of $9,387,000 were fully reserved by a valuation allowance.

At September 2, 2016, we had a federal net operating loss carryforward of $19,996,000, 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, $1,379,000 in fiscal 2033, $858,000 in fiscal 2034, $628,000 in fiscal 2035 and $211,000 in fiscal 2036. 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 September 2, 2016 and August 28, 2005, 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 2013 through 2016. 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 2016, options exercisable at $0.125 for 500,800 shares of common stock were forfeited. At September 2, 2016, 645,000 shares of common stock remained available for issuance under the 2010 Incentive Plan and options for 105,000 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 2016, options exercisable at $1.34 for 12,000 shares were forfeited. During fiscal 2015, options exercisable at (i) $1.29 for 153,000 shares; (ii) $2.50 for 12,000 shares and (iii) $1.38 for 10,000 shares of common stock were forfeited. At September 2, 2016, options for 33,000 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. 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. On June 30, 2016, the Board of Directors authorized a third amendment to the September 16, 2013, option to extend the expiration date to December 31, 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 $24,000 which was recognized as selling, general and administrative expenses in the fourth quarter of fiscal 2016. The weighted average fair value of the

stock option granted was $.0016. 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 - 0.36% based upon observed interest rates appropriate for the expected term of our stock option; expected life – six 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 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
Forfeited or cancelled	(512,800)	.125 – 1.34	.15
Outstanding at September 2, 2016	**15,138,000**	**$ .03 – 1.03**	**$ .03**
Available for issue at September 2, 2016	**1,895,000**	**-**	**-**
Options exercisable at:			
September 2, 2016	**15,138,000**	**$ .03 – 1.03**	**$ .03**
August 28, 2015	15,650,800	$ .03 – 1.34	$ .04

The weighted average remaining contractual life of options outstanding and exercisable at September 2, 2016, was approximately 4 months. There was no intrinsic value of the options outstanding and exercisable at September 2, 2016. The weighted average grant-date fair value of the option granted during fiscal year 2015 was $0.0223.

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 2016 and 2015.

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 2016 and 2015, 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	
	September 2, 2016	August 28, 2015
Direct Broadcast Satellite	**$3,321,002**	$2,853,807
Analog and Custom Products	**-**	3,876
Service	**160,515**	329,102
Revenues, net	**$3,481,517**	$3,186,785

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

	Years ended	
	September 2, 2016	August 28, 2015
Products:		
Private network receivers	**(a)**	10.6%
iPump media servers	**71.3%**	34.7%
Product service repairs	**(a)**	10.4%
Extended maintenance contracts	**17.2%**	20.3%

(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 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 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® 564 and ipump® 6400 media receivers to SSL Digital S.A. for business expansion, (iii) Unity® 202 receivers and ipump® 6400 media receivers to the Army & Air Force Exchange Service for network upgrades and expansion, (iv)ipump® 6420 audio media receivers and Unity® 4600 receivers to Educational Media Foundation for network upgrades (v) product repair services and (vi) extended maintenance contract revenues. 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.

Revenues by geographic areas are as follows:

	Years ended	
	September 2, 2016	August 28, 2015
Geographic Area:		
United States	**$2,831,708**	$1,653,786
Canada	**13,710**	110,576
Europe	**708**	284,005
Latin America and Mexico	**613,749**	1,085,270
Other	**21,642**	53,148
Revenues, net	**$3,481,517**	$3,186,785

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	
	September 2, 2016	August 28, 2015
Customer 1	**55.8%**	12.2%
Customer 2	**(a)**	11.0%
Customer 3	**17.2%**	27.1%
Customer 4	**(a)**	10.3%

(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 2017 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 September 2, 2016, one customer accounted for approximately 95.7% of our accounts receivable while at August 28, 2015, three customers accounted for approximately 68.6%, 6.6% and 5.2%, 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 2016 and 2015, we used offshore manufacturers for a significant amount of our finished goods or component inventories. One offshore manufacturer, with facilities located in Taiwan accounted for approximately 78% of inventory purchases in fiscal 2016. The same offshore manufacturer and one additional offshore manufacturer with facilities located in Taiwan and the Peoples Republic of China, accounted for approximately 40% and 22%, respectively, of inventory purchases in fiscal 2015. 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 September 2, 2016, outstanding purchase commitments under the Novra purchasing assistance agreement amounted to $70,000.

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, 2017 and the equipment lease expires during fiscal 2017. Subsequent to September 2, 2016, WCI renewed the manufacturing facility lease for its first one year renewal term. Approximate future minimum lease commitments are as follows: 2017-$208,000; 2018-$54,000. Rent expense under all leases was approximately $182,000 and $165,000 for fiscal years 2016 and 2015, 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 September 2, 2016 and August 28, 2015.

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)

	Balance at Beginning of Period	Charged (credited) to Costs and Expenses	Write-offs	Recoveries	Balance at End of Period
Allowance for doubtful accounts receivable:					
Year ended September 2, 2016	**$ 65,918**	**$(28,700)**	**$ (3,859)**	**$ (30,000)**	**$ 3,359**
Year ended August 28, 2015	$ 78,475	$ -	$(12,557)	$ -	$ 65,918
Inventory Reserves:					
Year ended September 2, 2016	**$1,969,035**	**$ -**	**$ (321,424)**	**$ -**	**$1,647,611**
Year ended August 28, 2015	$3,866,182	$ -	$(1,877,147)	$ -	$1,969,035
Accrued Warranty:					
Year ended September 2, 2016	**$ 22,538**	**$ -**	**$ -**	**$ -**	**$ 22,538**
Year ended August 28, 2015	$ 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.

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.
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)

Exhibit No.	Description of Exhibit
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)

Exhibit No.		Description of Exhibit
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. (39)
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 September 2, 2016.
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)

Exhibit No.	Description of Exhibit
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 Jun e 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.

(39) Incorporated by reference to the Company's Annual Report posted to the OTC Disclosure and News Service on December, 4, 2015.

SIGNATURES

WEGENER CORPORATION
Date: November 7, 2016

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

Signature	Title
/s/ C. Troy Woodbury, Jr. C. Troy Woodbury, Jr.	President and Chief Executive Officer, Director (Principal Executive Officer)
/s/ Stephen J. Lococo Stephen J. Lococo	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 2016 and 2015 were as follows:

	High	Low
Fiscal Year Ended September 2, 2016		
First Quarter	$.02	$ .01
Second Quarter	.02	.01
Third Quarter	.02	.01
Fourth Quarter	.02	.01
Fiscal Year Ended August 28, 2015		
First Quarter	$.05	$ .03
Second Quarter	.03	.01
Third Quarter	.04	.01
Fourth Quarter	.02	.01

The Company had less than 400* shareholders of record at October 16, 2016. 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 10.8

Description of Executive Compensation

For the fiscal year ended September 2, 2016, compensation paid to the executive officer consisted of individual salaries. These amounts were as follows:

Name and Position	Salary
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.