VIDEO DISPLAY CORP
Form 10-K
May 29, 2018
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended February 28, 2018

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from __________ to __________

Commission file number 0-13394

VIDEO DISPLAY CORPORATION

(Exact name of registrant as specified in its charter)

Georgia	**58-1217564**
(State of	**(IRS Employer**
Incorporation)	**Identification No.)**
1868 Tucker Industrial Road, Tucker Georgia	**30084**
(Address of principal executive offices)	**(Zip code)**

Registrant s telephone number, including area code: (770) 938-2080

Securities Registered Pursuant to Section 12(b) of the Act:

Title of each class	**Name of each exchange on which registered**
Common Stock, no par value	**OTCMKTS**

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES NO

Indicate by check mark whether the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. YES NO

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of large accelerated filer, accelerated filer, smaller reporting company, and emerging growth company in Rule 12b-2 of the Exchange Act.

Large accelerated filer	Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company)	Smaller reporting company
	Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the

Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Securities Exchange Act of 1934). YES NO

As of August 31, 2017, the aggregate market value of the voting and non-voting common equity held by non-affiliates based upon the closing sales price for the Registrant s common stock as reported in the Over the Counter Markets OTCMKTS was $363,599

The number of shares outstanding of the registrant s Common Stock as of May 1, 2018 was 5,887,148.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive proxy statement to be delivered to stockholders in connection with our 2018 Annual Meeting of Stockholders are incorporated by reference in Part III of this Form 10-K. In addition, certain exhibits previously filed with the registrant s prior Forms 10-K, Forms 8-K, Form S-18 and Schedule 14A are incorporated by reference in Part IV of this Form 10-K.

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VIDEO DISPLAY CORPORATION

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PART I

Item 1. Business.

General

Video Display Corporation and subsidiaries (the Company , us or we) is a provider and manufacturer of video products, components, and systems for visual display and presentation of electronic information media in a variety of requirements and environments. The Company designs, engineers, manufactures, markets, distributes and installs technologically advanced display products and systems, from basic components to turnkey systems, for government, military, aerospace, medical, industrial, and commercial organizations. The Company markets its products worldwide primarily from facilities located in the United States. Please read the comments under the caption Forward looking statements and risk factors in Item 1A Risk Factors of this Annual Report on Form 10-K.

Description of Principal Business

The Company generates revenues from the manufacturing and distribution of displays and display components. The Company operates primarily in five divisions: simulation and training products, cyber secure products, Data display CRTs, broadcast and control center products and other computer products.

Consolidated Net Sales by division for fiscal 2018 are comprised of the following:

Simulation and Training Products (40%)

Cyber Secure Products (19%)

Data Display CRTs (28%)

Broadcast and Control Center Products (9%)

Other Computer Products (4%)

A more detailed discussion of sales by category of product is included under the section entitled Principal Products by Division.

The Company s manufacturing and distribution facilities are located in Kentucky, Georgia and Florida.

The Company continues to explore opportunities to expand its product offerings in the display industry. The Company anticipates that this expansion will be achieved by adding new products or by acquiring existing companies that would enhance the Company s position in the display industry. Management continually evaluates product trends externally in the industry and internally in the divisions in which the Company operates. During the last year, the Company did not expend any funds towards research and development and expended $0.1 million in fiscal 2017 related to high-resolution projection displays and active matrix liquid crystal display (AMLCD) technologies, for commercial and military applications.

Segment Information

We operate and manage our business as one segment. The five divisions have similarities such as the types of products and markets served. Therefore, we believe they meet the criteria for aggregation under the applicable authoritative guidance and, as such, are reported as one segment within the Consolidated Financial Statements.

Principal Products by Division

Simulation and Training Products

The Company s simulation and training products operations are conducted in Cocoa, Florida s VDC Display Systems (Display Systems).

This portion of the Company s operations, which contributed approximately 40% of fiscal 2018 consolidated net sales, involves the design, engineering, and manufacture of digital projector display units. The Company customizes these units for specific applications, including ruggedization for military uses or size reduction due to space limitations in industrial and medical applications. Because of the Company s flexible and cost efficient manufacturing, it is able to handle low volume orders that generate higher margins.

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This portion of the Company s operations targets niche markets where competition from major multinational electronics companies tends to be lower. The prime customers for these products include defense, security, training, and simulation areas of the United States of America (U.S.) and foreign militaries as well as the major defense contractors such as the Boeing Company, L-3 Communications Corporation, Lockheed Martin Corporation, and others. Flight simulator displays are produced to provide a full range of flight training simulations for military and commercial applications.

Cyber Secure Products

The Company acquired the AYON Cyber Security (ACS) division in March 2012. ACS was formerly known as Hetra Products and most recently as StingRay56 before becoming part of Video Display Corporation**.** ACS specializes in advanced TEMPEST technology, also known as Emanation Security (EMSEC), products and custom engineering solutions to include extreme environmental performance and survivability technologies (MIL-STD-810 and DO-160) in support of military forces, intelligence agencies, prime contractors and niche commercial sectors worldwide. ACS has a long history of specializing in TEMPEST technology. In addition to its TEMPEST products and services, the business also provides various contract services to government agencies and prime contractors. Services performed include design and testing solutions for defense and niche commercial uses worldwide. ACS has office in the U.S., a representative in Canada, a Reseller Relationship/Partner in Europe and technology partners around the globe. This division represented approximately 19% of fiscal 2018 consolidated net sales.

Data Display CRTs

Since its organization in 1975, the Company has been engaged in the distribution and original equipment manufacturers (OEMs) of Cathode ray tubes (CRTs) using new and recycled CRT glass bulbs, primarily in the replacement market, for use in data display screens, including computer terminal monitors, medical monitoring equipment and various other data display applications and in television sets.

The Company s CRT manufacturing operation of new and recycled CRTs is conducted at a facility located in Lexington, Kentucky (Lexel). The Company s Tucker, Georgia location is the Company s primary distribution point for data display CRTs purchased from outside sources.

The Company maintains the capability of manufacturing a full range of monochrome CRTs as well as remanufacturing color CRTs from recycled glass. In addition, our Lexel operations manufactures a wide range of radar, infrared, camera and direct-view storage tubes for military and security applications. All CRTs manufactured by the Company are tested for quality in accordance with standards approved by Underwriters Laboratories.

The Company also distributes new CRTs and other electronic tubes purchased from OEMs. The Company sells CRTs into the replacement market which sometimes takes five to seven years to develop; these purchased inventories sometimes do not sell as quickly as other inventories. Bulk CRT purchases have declined over the past few years as the Company is managing current inventory levels against the anticipated reduction in future CRT demand due to the growth of flat panel technology.

The Company maintains an internal sales organization to sell directly to OEMs and their service organizations.

In addition to factors affecting the overall market for such products, the Company s sales volume in the CRT replacement markets is dependent upon the Company s ability to provide prompt response to customers orders, while maintaining quality control and competitive pricing. The Data Display division represented approximately 28% of fiscal 2018 consolidated net sales.

Broadcast and Control Center Products

The Company began a start-up operation in July 2011, AYON Visual Solutions, as the North American distributor of a German company, eyevis GmbH. The division sells high-end visual display products for use in video walls and command and control centers.

The division has been built thus far by partnering with consultants and system integrators. These partners have first-hand knowledge of the needs of the market and have been educated about the division s products. Management believes the division will continue to grow by expanding their network of partners and product offerings as eyevis GmbH introduces new products. This division represented approximately 9% of fiscal 2018 consolidated net sales.

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Other Computer Products

The Company acquired a small keyboard company on October 23, 2017. The Company long term plans are to use this as a platform to manufacture cyber-secure keyboards as part of the cyber security division. This division was 4% of the 2018 consolidated net sales.

Patents and Trademarks

The Company holds patents with respect to certain products and services. The Company also sells products under various trademarks and trade names. The Company believes that success in its industry primarily will be dependent upon incorporating emerging technology into new product line introductions, frequent product enhancements, and customer support and service.

Seasonal Variations in Business

Historically, there has not been seasonal variability in the Company s business.

Working Capital Practices

Currently, The Company has a $0.5 million line of credit with the Brand Banking Company with a current balance of $0.2 million at February 28, 2018. The other outstanding debts of the Company are $0.1 million secured by a building owned by its subsidiary, Teltron Technologies, Inc. in Birdsboro, PA. and $0.1 million on a note payable associated with the acquisition of Unicomp, a keyboard manufacturer.

Management has implemented a plan to improve the liquidity of the Company. The Company has been implementing a plan to increase revenues at all the divisions, each structured to the particular division with an increase in the current backlog and growth in revenues subsequent to February 28, 2018. The Company moved two of its plants in an effort to reduce expenses and increase efficiencies. The plant move at its subsidiary in Lexington, Kentucky, took longer than anticipated and negatively affected cash flow. The long term prospects for this subsidiary are promising and management is now seeing a turn around. The plant move at the Florida operations was successful as the Company merged two businesses and was able to keep production on schedule. Management continues to explore options to monetize certain long-term assets of the business, including the possible sale of a building in Pennsylvania. If additional and more permanent capital is required to fund the operations of the Company, no assurance can be given that the Company will be able to obtain the capital on terms favorable to the Company, if at all

The Company is currently operating using cash from operations and investing activities. The Company has a $2.8 million working capital balance at February 28, 2018, including $0.3 million in liquid assets.

Concentration of Customers

The Company sells to a variety of domestic and international customers on an open-unsecured account basis. These customers principally operate in the medical, military, industrial and avionics industries. The Company had direct and indirect net sales to the U.S. government, primarily the Department of Defense for training and simulation programs that comprised approximately 50% and 32% of consolidated net sales for fiscal 2018 and 2017, respectively. Sales to foreign customers were approximately 16% and 21% of consolidated net sales for fiscal 2018 and 2017, respectively. The Company had one customer, Lockheed Martin that comprised 24.9% of the Company s consolidated net sales in fiscal 2018. The Company attempts to minimize credit risk by reviewing customers credit history before extending credit, and by monitoring customers credit exposure on a daily basis. The Company establishes an allowance for

doubtful accounts receivable based upon factors surrounding the credit risk of specific customers, historical trends and other information.

Backlog

The Company s backlog is comprised of undelivered, firm customer orders, which are scheduled to ship within eighteen months. The Company s backlog was approximately $ 7.4 million at February 28, 2018 and $5.9 million at February 28, 2017. It is anticipated that more than 90% of the February 28, 2018 backlog will ship during fiscal 2019.

Environmental Matters

The Company s operations are subject to federal, state, and local laws and regulations relating to the generation, storage, handling, emission, transportation, and discharge of materials into the environment. The costs of complying with environmental protection laws and regulations have not had a material adverse impact on the Company s consolidated financial condition, results of operations, or cash flow in the past and are not expected to have a material adverse impact in the foreseeable future.

Research and Development

The objectives of the Company s research and development activities are to increase efficiency and quality in its manufacturing and assembly operations and to enhance its existing product line by developing alternative product applications to existing display systems and electron optic technology. The Company includes research and development expenditures in the consolidated financial statements as a part of general and administrative costs. The Company did not incur any research and development costs in the fiscal year ended 2018 and $0.1 in the fiscal year ended 2017.

Employees

As of February 28, 2018, the Company employed 86 persons on a full-time basis. Of these, 13 were employed in executive, administrative, and clerical positions, 6 were employed in sales and distribution, and 67 were employed in manufacturing operations. The Company believes its employee relations to be satisfactory.

Competition

The Company believes that it has a competitive advantage in the display industry due to its ability to engineer custom display solutions for a variety of industrial, military and commercial applications, its ability to provide internally produced component parts, and its manufacturing flexibility. As a result, the Company can offer more customization in the design and engineering of new products. With the operations of VDC Display Systems, AYON Visual Solutions and AYON Cyber Security, the Company believes it has become one of the leading suppliers within each of these specialty display markets.

The Company now operates in several markets in the areas of custom electronic solutions. The Company s VDC Display Systems division specializes in projector design and video solutions, and the Company s AYON Cyber Security division specializes in making electronic devices cyber secure. The Company became the North American distributor for the German company, Eyevis GmbH, focusing on configurable visual solutions for command and control and other large format visuals in the energy, utility, transportation, industrial and security markets.

The Company is a wholesale distributor and manufacturer of OEM CRTs. The Company believes it is the only company that offers complete service in replacement markets with its manufacturing and recycling capabilities. The Company s ability to compete effectively in this market is dependent upon its continued ability to respond promptly to customer orders and to offer competitive pricing.

Item 1A. Risk Factors.
Forward looking statements and risk factors

All statements other than statements of historical facts included in this report, including, without limitation, those statements contained in Item 1, are statements that constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 as amended and Section 21E of the Securities Exchange Act of 1934. The words expect , estimate , anticipate , predict , believe and similar expressions and variations thereof are intended to identify forward-looking statements. Such statements appear in a number of places in this report and

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include statements regarding the intent, belief or current expectations of the Company, its directors or its officers with respect to, among other things: (i) trends affecting the Company s consolidated financial condition, results of operations or cash flows; (ii) the Company s financing plans; (iii) the Company s business and growth strategies, including potential acquisitions; and (iv) other plans and objectives for future operations. Investors are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties and actual results may differ materially from those predicted in the forward-looking statements or which may be anticipated from historical results or trends.

Our Company operates in technology-based markets that involve a number of risks, some of which are beyond our control. The following discussion highlights some risks and uncertainties that investors should consider, in conjunction with all other information in this Annual Report on Form 10-K. Additional risks and uncertainties not presently known to the Company may impair the Company s business and operations. If any of the following risks actually occur, the Company s business, consolidated financial condition, cash flows, or results of operations could be materially affected.

History of losses and declining liquidity

Declining liquidity and lack of credit availability could have important consequences, including:

- generating insufficient cash flows from operating activities to meet our payment obligations;
- increasing our vulnerability to general economic and industry conditions;
- requiring a substantial portion of cash flow for operating activities and as a result reducing our ability to use our cash flow to fund capital expenditures, capitalize on future business opportunities and expand our business and execute our strategy;
- causing us to make non-strategic divestitures;
- limiting our ability to adjust to changing market conditions and to react to competitive pressure and placing us at a competitive disadvantage compared to our competitors who may have access to a line of credit.

Changes in government priorities may affect military spending, and our consolidated financial condition and results of operations or cash flows could suffer if their purchases decline.

We currently derive a portion of our net sales (50% in fiscal 2018) from direct and indirect sales to the U.S. government. If we are unable to replace expiring contracts, which are typically less than twelve months in duration, with contracts for new business, our sales could decline, which would have a material adverse effect on our business, consolidated financial condition, results of operations, or cash flows. We expect that direct and indirect sales to the U.S. government will continue to account for a substantial portion of our sales in the foreseeable future. We have no assurance that these government-related sales will continue to reach or exceed historical levels in future periods.

Our inability to secure financing could negatively affect the future of our business.

Our inability to secure financing with our current bank or others, if necessary, could expose us to the risk of losing business; and

Our inability to secure financing with a commercial bank could expose us to the risk of increased interest rates.

Our industry is highly competitive and competitive conditions may adversely affect our business.

Our success depends on our ability to compete in markets that are highly competitive, with rapid technological advances and products that require constant improvement in both price and performance. In most of our markets, we are experiencing increased competition, and we expect this trend to continue. This environment may result in changes in relationships with customers or vendors, the ability to develop new relationships, or the business failure of customers or vendors, which may negatively affect our business. If our competitors are more successful than we are in developing new technology and products, our business may be adversely affected.

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Competitive pressures may increase or change through industry consolidation, entry of new competitors, marketing changes or otherwise. There can be no assurance that the Company will be able to continue to compete effectively with existing or potential competitors.

Competitors or third-parties may infringe on our intellectual property.

The Company holds patents with respect to certain products and services. The Company also sells products under various trademarks and trade names. Should competitors or third-parties infringe on these rights, costly legal processes may be required to defend our intellectual property rights, which could adversely affect our business.

Migration to flat panel and other technology may negatively affect our CRT business.

The Company acquires CRT inventory when the replacement market appears to demonstrate adequate future demand and the purchase price allows a reasonable profit for the risk. Due to the extended time frame for the replacement market to develop (five to seven years), these purchased inventories may not sell as quickly as other inventories. If the Company is unable to manage CRT inventory levels in coordination with reduced future CRT demand due to the growth of flat panel technology, the marketability of inventory on hand may be affected and the Company may incur significant costs in the disposal of excess inventory.

The Company anticipates that flat panel and other technology products, due to their lower space and power requirements, has become the display of choice in many display applications. Given this shift, the Company has focused its efforts and its acquisition strategy toward flat panel technologies. If the Company is unable to replace any future declines in CRT sales with products based on other technologies, our business may be adversely affected.

Future acquisitions may not provide benefits to the Company.

The Company s growth strategy includes expansion through acquisitions that enhance the profitability and shareholder value of the Company. The Company continues to seek new products through acquisitions and internal development that complement existing profitable product lines. There can be no assurance that the Company will be able to complete further acquisitions or that past or future acquisitions will not have a material adverse impact on the Company s consolidated operations.

If we are unable to retain certain key personnel and hire new, highly-skilled personnel, we may not be able to execute our business plan.

Our future success depends on the skills, experience, and efforts of our senior managers. The loss of services of any of these individuals, or our inability to attract and retain qualified individuals for key management positions, could negatively affect our business.

Our business operations could be disrupted if our information technology systems fail to perform adequately.

We depend upon our information technology systems in the conduct of our operations and financial reporting. If our major information systems fail to perform as anticipated, we could experience difficulties in maintaining normal business operations. Such systems-related problems could adversely affect product development, sales, and profitability.

Changes to accounting rules or regulations may adversely affect our results of operations.

New accounting rules or regulations and varying interpretations of existing accounting rules or regulations have occurred and may occur in the future. Future changes to accounting rules or regulations or the questioning of current accounting practices may adversely affect our consolidated financial condition or results of operations.

The Company s stock price may be negatively affected by a variety of factors.

In addition to any impact the Company s operating performance, potential future Company sales or repurchases of common stock, the Company s dividend policies or possible anti-takeover measures available to the Company may have, changes in securities markets caused by general foreign or domestic economic, consumer or business trends, the impact of interest rate policies by the federal reserve board, and other factors outside the Company s control may negatively affect our stock price.

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Our stock may be traded infrequently and in low volumes, so you may be unable to sell your shares at or near the quoted bid price if you need to sell your shares.

Our stock is now quoted on the OTC Markets and the shares of our common stock may trade infrequently and in low volumes, meaning that the number of persons interested in purchasing our common shares at or near bid prices at any given time may be relatively small or non-existent. An investor may find it difficult to obtain accurate quotations as to the market value of our common stock or to sell his or her shares at or near bid prices, if at all.

Changes to estimates, or operating results that are lower than our current estimates, may cause us to incur impairment charges.

If the Company determines it is more likely than not that the fair value of a reporting unit is less than the carrying value, then it applies the processes prescribed in FASB ASC Topic 360 *Property, Plant, and Equipment.* We make certain estimates and projections in connection with our impairment analyses for other long-term assets. If these estimates or projections change or prove incorrect, we may be required to record impairment charges. If these impairment charges were significant, our consolidated financial position or results of operations would be adversely affected.

International factors could negatively affect our business.

A significant portion of our consolidated net sales (16% in fiscal 2018) is made to foreign customers. We also receive a significant amount of our raw materials from foreign vendors. We are subject to the risks inherent in conducting our business across national boundaries, many of which are outside of our control. These risks include the following:

- Economic downturns;
- Currency exchange rate and interest rate fluctuations;
- Changes in governmental policy or laws including, among others, those relating to taxation;
- International military, political, diplomatic and terrorist incidents;
- Government instability;
- Nationalization of foreign assets;
- Natural disasters; and
- Tariffs and governmental trade policies.

We cannot ensure that one or more of these factors will not negatively affect our international customers and, as a result, our business and consolidated financial performance.

Item 1B. Unresolved Staff Comments.

None.

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Item 2. Properties.

The Company leases its corporate headquarters at 1868 Tucker Industrial Road in Tucker, Georgia (within the Atlanta metropolitan area). Its headquarters occupy approximately 10,000 square feet of the total 59,000 square feet at this location. The remainder is utilized as warehouse and assembly facilities. This location, and one other, are leased from a related party at current market rates. See Part III, Item 13 Certain Relationships and Related Transactions in this Annual Report on Form 10-K. Management believes the facilities to be adequate for its needs.

The following table details manufacturing, warehouse, and administrative facilities:

Location	Square Feet	Lease Expires
Tucker, Georgia	59,000	March 31, 2022
Palm Bay, Florida	8,640	Month to Month
Birdsboro, Pennsylvania	40,000	Company Owned (a)
Lexington, Kentucky	40,000	June 30, 2022
Cocoa, Florida	34,500	February 19, 2025

(a) The Birdsboro, Pennsylvania property secures mortgage loans from a bank with a principal balance of $0.1 million as of February 28, 2018. This mortgage loan bears an interest rate of approximately 5.00%. Monthly principal and interest payments of approximately $5,000 are payable through October 2021.

Item 3. Legal Proceedings.

The Company is involved in various legal proceedings relating to claims arising in the ordinary course of business.

Item 4. Submission of Matters to a Vote of Security Holders.

No matters were submitted to a vote of security holders during the fourth quarter of the fiscal year covered by this Annual Report.

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Video Display Corporation and Subsidiaries

Consolidated Balance Sheets

(in thousands)

PART II

Item 5. Market for Registrant s Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities.

The Company s common stock is traded on the Over the Counter Market (OTCMKTS) under the symbol VIDE. The Company had previously traded on National Association of Securities Dealers Automated Quotation System (NASDAQ) national market system under the symbol VIDE until April 30, 2015.

The following table shows the range of prices for the Company s common stock as reported by NASDAQ and the OTCMKTS for each quarterly period beginning on March 1, 2016. The prices reflect inter-dealer prices, without mark-up, mark-down, or commission, and may not necessarily represent actual transactions.

	For Fiscal Years Ended			
	February 28, 2018		February 28, 2017	
Quarter Ended	**High**	**Low**	**High**	**Low**
May	1.25	.91	$ 1.03	$ 0.69
August	1.26	.90	1.20	0.90
November	1.15	1.00	1.19	0.86
February	1.68	.85	1.14	0.87

There were approximately 120 holders of record of the Company s common stock as of May 15, 2018.

Payment of cash dividends in the future will be dependent upon the consolidated earnings and financial condition of the Company and other factors that the Board of Directors may deem appropriate.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table provides information as of February 28, 2018 regarding compensation plans (including individual compensation arrangements) under which common stock of the Company is authorized for issuance.

Stock Option Plan	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans

			(excluding securities reflected in first column)
Equity compensation plans approved by security holders	200,000	$ 0.82	614,000

Issuer Purchases of Equity Securities

The Company has a stock repurchase program, pursuant to which it had been authorized to repurchase up to 2,632,500 shares of the Company s common stock in the open market. On January 20, 2014, the Board of Directors of the Company approved a continuation of the stock repurchase program, and authorized the Company to repurchase up to 1,500,000 additional shares of the Company s common stock in the open market. There is no minimum number of shares required to be repurchased under the program. During the fiscal year ended February 28, 2018, the Company repurchased 3,600 shares at an average price of $1.24 per share, which were added to treasury shares on the consolidated balance sheet. Under this program, an additional 499,044 shares remain authorized to be repurchased by the Company at February 28, 2018. During the fiscal year ended February 28, 2017, the Company did not purchase any shares of Video Display Corporation stock.

Item 6. Selected Financial Data

N/A

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Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations.
Overview

The Company manufactures and distributes a wide range of display devices, encompassing, among others, industrial, military, medical, and simulation display solutions. The Company is comprised of one segment - the manufacturing and distribution of displays and display components. The Company is organized into five interrelated operations aggregated into one reportable segment:

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

Cyber Secure Products provides advanced TEMPEST technology and (EMSEC) products. This business also provides various contract services including the design and testing solutions for defense and niche commercial uses worldwide.

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

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

Other Computer Products offers keyboard products with a plan to manufacture and offer cyber-secure keyboards as part of the cyber secure products division.

During fiscal 2018, management of the Company focused key resources on strategic efforts to support the efforts of operations to increase market share. The Company also seeks to look for acquisition opportunities that enhance the profitability and shareholder value of the Company. The Company continues to seek new products through acquisitions and internal development that complement existing profitable product lines. Challenges facing the Company during these efforts include:

Inventory management - The Company monitors its inventory for obsolescence due to the rapid changes in display technology. The Company increased the inventory reserves $0.6 million in the fiscal year ending February 28, 2018 and disposed of $1.2 million in various raw material parts and demo equipment at its VDC Display division and AYON Cyber Security divisions.

The Company s remaining business units utilize different inventory components than the divisions had in the past. The Company provides for an obsolescence reserve at each of its divisions to offset any obsolescence although most purchases are for current orders, which should reduce the amount of obsolescence in the future. The Company still has CRT inventory in stock and, although it believes the inventory will be sold in the future, will continue to reserve for any additional obsolescence. Management believes its inventory reserves at February 28, 2018 to be adequate.

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Operations

The following table sets forth, for the fiscal years indicated, the percentages that selected items in the Company s consolidated statements of operations bear to total revenues (amounts in thousands):

(See Item 1. Business Description of Principal Business and Principal Products for discussion about the Company s Products and Divisions.)

	2018		2017	
	Amount	**%**	**Amount**	**%**
Net Sales				
Simulation and Training	**4,827**	40.4%	$ 6,809	34.7%
Data Display CRTs	**3,287**	27.5	7,658	39.0
Broadcast and Control Centers	**1,011**	8.5	3,446	17.5
Cyber Secure Products	**2,283**	19.1	1,726	8.8
Other Computer Products	**536**	4.5		
Total Company	**11,944**	100.0	19,639	100.0
Costs and expenses				
Cost of goods sold	**$ 11,354**	95.1%	$ 16,900	88.9%
Selling and delivery	**967**	8.1	1,030	5.2
General and administrative	**3,291**	27.5	3,229	16.4
	15,612	130.7	21,159	107.7
Loss from operations	**(3,668)**	(30.7)	(1,520)	(7.7)
Interest income/(expense)	**(20)**	(0.2)	(7)	0.0
Investment gain/ (loss)	**17**	0.2	218	1.1
Other income, net	**733**	6.1	322	1.6
Loss before income taxes	**(2,938)**	(24.6)	(987)	(5.0)
Income tax expense			19	0.1
Net (loss)	**(2,938)**	(24.6)	$ (1,006)	(5.1)%

Fiscal 2018 Compared to Fiscal 2017

Net Sales

Consolidated net sales decreased $7.7 million or 39.2% to $11.9 million for fiscal 2018, compared to $19.6 million for fiscal 2017 due to decreases at all of its divisions except the cyber security division and the other computer products division which includes the results from the fiscal 2018 acquisition of keyboard manufacturer, Unicomp. AYON Cyber Security, which services the emanation security market, increased sales by 32.3% and is sitting on its largest backlog since being acquired by Video Display Corporation in 2012. Display Systems was down approximately 25%

with its largest customer and 29% overall. Displays Systems also is going into the new fiscal year with a substantial increase in its backlog, $2.2 million compared to $0.6 million at the prior year-end. AYON Visual Solutions (AVS) sales decreased by the amount of its largest project last year, $2.4 million, from $3.4 million for the year ended February 28, 2017 to $1.0 million for the year-ended February 28, 2018. AVS has several large projects they are bidding on this year and expects to improve over last year. The display divisions was greatly impacted by the move of the Lexel Imaging facility and the sale of certain assets of the business. Lexel s move to a much less expensive building, which will save the Company approximately $600 thousand in rent expense per year, did not go as planned and it took Lexel approximately six months to begin producing any product regularly. This impacted Lexel Imaging and Data Displays. With Lexel Imaging now producing products again, the display divisions are expected to improve over last year. The acquisition of Unicomp added an additional $0.5 million in sales from October 23, 2017 to February 28, 2018. They are currently developing a new line and are expected to produce approximately $1.4 million in sales in the new fiscal year.

The Company has transitioned into a video display solutions company, but still services the existing CRT markets, which overall account for approximately 28% of the Company s revenues. The Company s largest remaining division is VDC Display Systems, which services the simulation and training markets. VDC Display Systems sales decreased by 29.1% in fiscal 2018 compared to fiscal 2017, $4.8 million in fiscal 2018 to $6.8 million in fiscal 2017. The division is expected to improve this next fiscal year due to new business in the government-related sector and by expanding its product offerings.

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Gross Margins

Consolidated gross margins decreased to 4.9% for fiscal 2018 from 14.0% for fiscal 2017. Overall gross margin dollars decreased by $2.1 million versus the prior fiscal year due to lower revenues.

The Company s gross margins were affected by the Company s decrease in sales, which were affected by the move of the Lexel Imaging plant in Lexington, KY, the change in management at the Florida operations, and the lack of any large projects at the Company s video wall division. All the divisions saw a decrease in their sales and their gross margins except for the cyber security division. AYON Cyber Security saw their gross margins increase by 163%. This division has been slowly increasing their customer base and their repeat business with these customers. Lexel Imaging moved to their new plant in July, 2017 with the expectation of being productive by September, 2017. The move did not go as anticipated and as a result their production and shipments declined in the last two quarters of the fiscal year negatively impacting their sales and gross margins. VDC Display Systems had a low back log to start the year, spent the year incorporating another division into their building, and had personnel changes in key positions. For the year their gross margins were down approximately $0.7 million, but they began to increase their business in the fourth quarter and their gross margins were up $0.2 million in the fourth quarter. AYON Visual Solutions gross margins were down $0.5 million for the year due to no large projects to drive the business. Management expects to see improvement in margins at all divisions through increased sales and controlling costs.

Operating Expenses

Operating expenses as a percentage of sales increased from 21.6% for fiscal 2017 to 35.7% for fiscal 2018 primarily reflecting a decrease in sales with no change in expenses. In fiscal 2018, actual expenses were flat. The Company has reduced expenses in the manufacturing side of the business this past year, but it is not reflected in the results due to the large decrease in sales.

The Company is working to reduce costs in all areas of the business to bring its cost structure in line with the current size of the business. The Company has made strategic cuts at the corporate level and is working towards merging its two Florida locations, VDC Display Systems and AYON Cyber Security, which is anticipated to save considerable operating expenses. The Florida operations will be completely in the Cocoa location by May 31, 2018. The remaining business units are also making changes to maximize profitability.

Interest Expense

Interest expense was $20 thousand for fiscal 2018 and $16 thousand for fiscal 2017. Interest expense includes (approximately $0.5 thousand per month) relating to debt owed on a building the Company owns in Pennsylvania, interest on a line of credit and on the margin balance in the Company s investment account, which is 2%.

Other Income (loss)

In fiscal 2018, the Company earned $0.7 million in other income, primarily due to the gain on sale of certain assets of Lexel Imaging of $0.3 million, $0.3 million in royalty income and $0.1 million in rental income. In fiscal 2017, the Company earned $0.5 million in other income, primarily due to investment gains of $0.2 million in realized and unrealized gains in the investment account, $0.2 million in royalty income and $0.2 million in rental income, offset by $0.1 million in disposal of fixed assets.

Income Taxes

The Company had net loss before taxes of approximately $2.9 million and an income tax benefit of $0.8 million before the valuation allowance of $0.8 million for fiscal 2018, an effective rate of (0%). The difference between the statutory rate and the effective rate is primarily due to the valuation allowances on the deferred tax assets and the change in the corporate tax rates from the new tax law. The Company had net loss before taxes of approximately $1.0 million and an income tax benefit of $0.4 million before the valuation allowance of $0.6 million offset by rate variances of $0.2 million for a net realized tax expense of approximately $19 thousand for fiscal 2017, an effective rate of (1.8%)

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Liquidity and Capital Resources

The accompanying consolidated financial statements were prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company has sustained losses for each of the last three years and has seen a decline in both its working capital and liquid assets during this time. These losses were a combination of low revenues at all divisions without a commensurate reduction of expenses. Related to these operational results the Company s working capital and liquid asset position deteriorated during the year ended February 28, 2018 as presented below:

	February 28, 2018	February 28, 2017
Working capital	**$ 2,762**	$ 6,408
Liquid assets	**$ 261**	$ 503

Management has implemented a plan to improve the liquidity of the Company. The Company has been implementing a plan to increase revenues at all the divisions, each structured to the particular division with an increase in the current backlog and growth in revenues subsequent to February 28, 2018. The Company moved two of its plants in an effort to reduce expenses and increase efficiencies. The plant move at its subsidiary in Lexington, Kentucky, took longer than anticipated and negatively affected cash flow. The long term prospects for this subsidiary are promising and management is now seeing a turn around. The plant move at the Florida operations was successful as the Company merged two businesses and was able to keep production on schedule. Management continues to explore options to monetize certain long-term assets of the business, including the possible sale of a building in Pennsylvania. If additional and more permanent capital is required to fund the operations of the Company, no assurance can be given that the Company will be able to obtain the capital on terms favorable to the Company, if at all.

The ability of the Company to continue as a going concern is dependent upon the success of management s plans to improve the operational effectiveness of the operations, to sell strategic assets as noted above, the procurement of suitable financing, or a combination of these. The uncertainty regarding the potential success of management s plan create substantial doubt about the ability of the Company to continue as a going concern.

Cash provided by operations was $0.9 million in fiscal 2018 and cash used by operations was $1.2 million in fiscal 2017. During fiscal 2018, the net loss from operations was $2.9 million and adjustments to reconcile net loss to net cash were $0.9 million, including $0.6 million to increase inventory reserves, and $0.3 million in depreciation. Changes in working capital provided $2.9 million, primarily due to a decrease in accounts receivable of $2.1 million, a decrease in prepaid expenses of $0.2 million, a decrease in deferred revenue of $0.1 million, and by a decrease in inventories of $0.9 million, offset by decrease in accounts payable of $0.4 million. During fiscal 2017, the net loss from operations was $1.0 million and adjustments to reconcile net loss to net cash were $1.1 million to increase inventory reserves, $0.2 million in depreciation, offset by $0.2 in investment gains. Changes in working capital used $1.4 million, primarily due to an increase in accounts receivable of $1.2 million, an increase in prepaid expenses of $0.1 million, a decrease in customer deposits of $0.2 million, a decrease in deferred revenue of $0.1 million and a decrease in billings on uncompleted contracts of $ 0.2 million, offset by a decrease in inventories of $0.3 million, and an increase in accounts payable of $0.1 million.

Investing activities used $0.7 million in fiscal 2018 and provided $0.0 million of cash in fiscal 2017. Investing activities in fiscal 2018 consisted of the sale of investment securities of $2.5 million, the purchase of investment securities of $2.3 million, capital expenditures of $0.4 million, the purchase of an interest in an LLC of $0.4 million and the acquisition of Unicomp of $0.1 million. Investing activities in fiscal 2017 consisted of the sale of $1.4 million

in investment securities, the purchase of $1.1 million of investment securities and capital expenditures of $0.3 million. The Company is expected to invest an additional $0.1 million to upgrade the Cocoa, Florida location to accommodate the merger of the two Florida businesses into one facility. The Company does not anticipate any additional significant investments in capital assets for fiscal 2019 beyond normal maintenance requirements.

Financing activities used $0.3 million in fiscal 2018, primarily from the repayment of related party loans of $0.2 million and payments of $0.1 million for payments on a mortgage. Financing activities provided cash of $0.7 million in fiscal 2017. Payments from marginal float on the investment account were $3.6 million, and purchase of treasury stock was $0.1 million.

The Company has a stock repurchase program, pursuant to which it has been authorized to repurchase up to 2,632,500 shares of the Company s common stock in the open market. On January 20, 2014, the Board of Directors of the Company approved a one-time continuation of the stock repurchase program, and authorized the Company to repurchase up to 1,500,000 additional shares of the Company s common stock, depending on the market price of the shares. There is no minimum number of shares required to be repurchased under the program. During the fiscal year ended February 28, 2018, the Company repurchased 3,600 shares of Company stock at an average price of $1.24 per share and during the fiscal year ended February 28, 2017, the Company did not repurchase any shares. Under this program, an additional 499,044 shares remain authorized to be repurchased by the Company at February 28, 2018.

Transactions with Related Parties, Contractual Obligations, and Commitments

The Company leases one building from the Company s CEO in Tucker, Georgia and one building owned by Ordway Properties LLC in Cocoa, Florida. The building in Tucker, Georgia serves as the warehouse operations for the CRT division and the corporate headquarters. The building in Cocoa, Florida will be the new operational site for both VDC Display Systems (currently in Cape Canaveral) and AYON Cyber Security (currently in Palm Bay). See Note 9.

The Company also borrows money from the Chief Executive Officer on a short term basis when funds are needed. See Note 4. On March 30, 2016 Video Display Corporation entered into an assignment with recourse of their note receivable from Z-Axis, Inc. with Ronald D. Ordway

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and Jonathan R. Ordway for the sum of $912 thousand. The Company also retains the right to repurchase the note at any time for 80% of the outstanding principle balance. In the event of default by Z-Axis, the Company is obligated to repurchase the note for 80% of the remaining balance plus any accrued interest.

Contractual Obligations

Future contractual maturities of long-term debt, future contractual obligations due under operating leases, and other obligations at February 28, 2018 are as follows (in thousands):

	Payments due by period				
	Total	Less than 1 year	1 3 years	3 5 years	More than 5 years
Long-term debt obligations	$ 78	$ 55	$ 23	$	$
Short term obligations	327	327			
Interest obligations on long-term debt (a)	3	3			
Operating lease obligations	3,059	620	1,192	867	380
Warranty reserve obligations	127	127			
Total	$ 3,594	$ 1,132	$ 1,215	$ 867	$ 380

(a) This line item was calculated by utilizing the effective rate on outstanding debt as of February 28, 2018.

Critical Accounting Estimates

Management s Discussion and Analysis of Consolidated Financial Condition and Results of Operations are based upon the Company s consolidated financial statements. These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). These principles require the use of estimates and assumptions that affect amounts reported and disclosed in the consolidated financial statements and related notes. The accounting policies that may involve a higher degree of judgments, estimates, and complexity include reserves on inventories, contract revenue recognition as well as profitability or loss recognition estimates, and the sufficiency of the valuation reserve relating to deferred tax assets. The Company uses the following methods and assumptions in determining its estimates:

Reserves on inventories

Reserves on inventories result in a charge to operations when the estimated net realizable value declines below cost. Management regularly reviews the Company s investment in inventories for declines in value and establishes reserves when it is apparent that the expected net realizable value of the inventory falls below its carrying amount. In fiscal 2018, the Company decreased the inventory reserves by $0.5 million, primarily at VDC Display Systems. The Company determined VDC Display Systems is the most vulnerable to inventory obsolescence due to the size and age of its inventory and the changes in its market segment. In fiscal 2018, the Company disposed of an additional $1.2 million of inventory, $0.7 million direct write-offs and $0.5 million against the reserves as they reduced inventories they are holding for legacy repairs. The reserve for inventory obsolescence was approximately $1.4 million and $1.9 million at February 28, 2018 and February 28, 2017, respectively.

The Company s remaining business units utilize different inventory components than the divisions had in the past. The Company provides monthly for an obsolescence reserve at each of its divisions to offset any obsolescence although most purchases are for current orders, which should reduce the amount of obsolescence in the future. The Company still has CRT inventory in stock and, although it believes the inventory will be sold in the future, will continue to reserve for any additional obsolescence.

There have been significant changes in management s estimates in fiscal 2018 and 2017 due to the rapidly changing business conditions in the display markets and the Company adjusted its reserves based on the remaining inventories and the remaining businesses it operates. The Company cannot guarantee the accuracy of future forecasts since these estimates are subject to change based on market conditions.

Revenue recognition

Revenues are recognized when there is persuasive evidence of an arrangement, delivery has occurred, the price has been fixed or is determinable and collectability can be reasonably assured. The Company s delivery term typically is F.O.B. shipping point.

Shipping and handling fees billed to customers are classified in net sales in the consolidated statements of operations. Shipping and handling costs incurred for the delivery of product to customers are classified in selling and delivery in the consolidated statements of operations.

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

Other loss contingencies

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

Income Taxes

Deferred income taxes are provided to reflect the tax consequences in future years of differences between the tax bases of assets and liabilities and their financial reporting amounts based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. The Company has established a valuation allowance of $5.8 million on the Company s current and non-current deferred tax assets.

The Company accounts for uncertain tax positions under the provisions of ASC Topic 740, which contains a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates it is more likely than not, that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount, which is more than 50% likely of being realized upon ultimate settlement. The Company considers many factors when evaluating and estimating the Company s tax positions and tax benefits, which may require periodic adjustments. At February 28, 2018, the Company did not record any liabilities for uncertain tax positions.

Recent Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update No. (ASU 2014-09), *Revenue from Contracts with Customers* . This guidance modifies how an entity will determine the measurement of revenue and timing of when it is recognized. The guidance provides for a five-step approach in applying the standard: 1) identifying the contract with the customer, 2) identifying separate performance obligations in the contract, 3) determining the transaction price, 4) allocating the transaction price to separate performance obligations, and 5) recognizing the revenue when the performance obligation has been satisfied. The new guidance requires enhanced disclosures for the nature, amount, timing, and uncertainty of revenue that is being recognized. The guidance is effective for public companies for interim and annual reporting periods beginning after December 15, 2017. Companies may use either a full retrospective or a modified retrospective approach to adopt ASU 2014-09. We are in the process of assessing the impact of the new standard and anticipate no material impact from adopting ASU 2014-09 in how we recognize revenue. We will adopt ASU 2014-09 using the modified retrospective approach in the first quarter of fiscal year 2019.

In July 2015, the FASB issued Accounting Standards Update No. (ASU 2015-11), *Simplifying the Measurement of Inventory*. ASU 2015-11 requires an entity to measure inventory within the scope of this update at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less reasonably predictable costs of completion, disposal and transportation. The guidance is effective for annual reporting periods beginning after December 15, 2016 and related interim periods. Early adoption is permitted. The Company adopted ASU 2015-11 and it did not have a material effect on the consolidated financial statements.

In November 2015, the FASB issued Accounting Standards Update No. (ASU 2015-17), *Balance Sheet Classification of Deferred Taxes*. ASU 2015-17 requires deferred tax assets and liabilities, along with related valuation allowances, to be classified as noncurrent on the balance sheet. Each tax jurisdiction will now only have one net noncurrent deferred tax asset or liability. The new guidance does not change the existing requirement that prohibits offsetting deferred tax liabilities from one jurisdiction against deferred tax assets of another jurisdiction. The guidance is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Early adoption is permitted. The adoption of this update did not have an impact on the Company s consolidated financial statements.

In February 2016, the FASB issued Accounting Standards Update No. (ASU 2016-02), *Leases*. ASU 2016-02 increases transparency and comparability among organizations by requiring entities to recognize lease assets and lease liabilities on the balance sheet and disclose key information about the lease arrangements. The guidance is effective for annual reporting periods beginning after December 15, 2018, including interim periods within that reporting period. Early adoption is permitted. The Company is in the process of evaluating the impact of this guidance on the Company s consolidated financial statements.

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Impact of Inflation

Inflation has not had a material effect on the Company s results of operations to date.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

The Company s primary market risks include changes in technology and government spending. The rapid advances in video and projection technology present a challenge for the Company s management and engineers to be able to meet the ever changing demands in the markets in which it operates. The Company did a significant amount of business with the government (50% of revenues) in fiscal 2018. Failure of the government to continue to fund programs in the Company s markets could have a detrimental effect on the Company.

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Item 8. Financial Statements and Supplementary Data.

Video Display Corporation and Subsidiaries

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Report of Independent Registered Public Accounting Firm

To the Board of Directors

Video Display Corporation

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of Video Display Corporation and subsidiaries (the Company) as of February 28, 2018, and the related consolidated statements of operations, stockholders equity, and cash flows for the year then ended, and the related notes (collectively referred to as the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of February 28, 2018, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company has incurred recurring net losses and a decline in working capital and liquid assets. These conditions raise substantial doubt about the Company s ability to continue as a going concern. Management s plans regarding those matters also are described in Note 1. The accompanying consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on the Company s consolidated financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company s internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/ Hancock Askew & Co., LLP

We have served as the Company s auditor since 2017.

Norcross, Georgia

May 29, 2018

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Report of Independent Registered Public Accounting Firm

To the Board of Directors

Video Display Corporation

We have audited the accompanying consolidated balance sheet of Video Display Corporation and subsidiaries (the Company) as of February 28, 2017, and the related consolidated statements of operations, shareholders equity, and cash flows for the year then ended. The Company s management is responsible for these consolidated financial statements. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Video Display Corporation and subsidiaries as of February 28, 2017, and the results of their operations and their cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company has incurred recurring net losses and a decline in working capital and liquid assets. These conditions raise substantial doubt about the Company s ability to continue as a going concern. Management s plans regarding those matters also are described in Note 1. The accompanying consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Carr, Riggs & Ingram, LLC

Atlanta, Georgia

May 30, 2017

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Video Display Corporation and Subsidiaries

Consolidated Balance Sheets

(in thousands)

	February 28, 2018	February 28, 2017
Assets		
Current Assets		
Cash and cash equivalents	**$ 81**	$ 135
Trading investments, at fair value	**180**	368
Accounts receivable, less allowance for bad debts of $19 and $20, respectively	**664**	2,771
Note receivable (Note 4)	**191**	175
Inventories, net	**4,584**	5,838
Prepaid expenses and other current assets	**65**	246
Total current assets	**5,765**	9,533
Property, plant and equipment:		
Land	**154**	154
Buildings	**2,799**	2,712
Machinery and equipment	**5,753**	5,539
	8,706	8,405
Accumulated depreciation	**(7,243)**	(7,124)
Net property, plant and equipment	**1,463**	1,281
Note receivable (Note 4)	**398**	590
Investment in real estate partnership related party (Note 9)	**375**	
Other assets	**26**	26
Total assets	**$ 8,027**	$ 11,430

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

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	February 28, 2018	February 28, 2017
Liabilities and Shareholders Equity		
Current liabilities		
Accounts payable	**$ 1,054**	$ 1,397
Accrued liabilities	**877**	834
Customer deposits	**439**	418
Income taxes payable		10
Line of credit	**227**	237
Current maturities of long-term debt	**55**	54
Deferred rent	**60**	120
Note payable for acquisition (Note 13)	**100**	
Notes payable to officers and directors (Note 4)	**191**	175
Total current liabilities	**3,003**	3,245
Long-term debt, less current maturities	**23**	77
Notes payable to officers and directors (Note 4)	**398**	590
Deferred rent		60
Other liabilities	**17**	
Total liabilities	**3,441**	3,972
Commitments and Contingencies (Note 9)		
Shareholders Equity		
Preferred stock, no par value 10,000 shares authorized; none issued and outstanding		
Common stock, no par value 50,000 shares authorized; 9,732 issued and 5,887 outstanding at February 28, 2018, and 9,732 issued and 5,891 outstanding at February 28, 2017	**7,293**	7,293
Additional paid-in capital	**256**	186
Retained earnings	**13,309**	16,247
Treasury stock, 3,845 and 3,841 shares at February 28, 2018 and February 28, 2017, at cost	**(16,272)**	(16,268)
Total shareholders equity	**4,586**	7,458
Total liabilities and shareholders equity	**$ 8,027**	$ 11,430

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

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Video Display Corporation and Subsidiaries

Consolidated Statements of Operations

(in thousands, except per share data)

	For the Years Ended	
	February 28, 2018	February 28, 2017
Net sales	**$ 11,944**	$ 19,639
Cost of goods sold	**11,354**	16,900
Gross profit	**590**	2,739
Operating expenses		
Selling and delivery	**967**	1,030
General and administrative	**3,291**	3,229
	4,258	4,259
Operating loss	**(3,668)**	(1,520)
Other income (expense)		
Interest income (expense), net	**(20)**	(7)
Investment gain/(loss)	**17**	218
Other, net	**733**	322
Total other income (expense)	**730**	533
Loss before income taxes	**(2,938)**	(987)
Income tax expense		19
Net loss	**$ (2,938)**	$ (1,006)
Net loss per share:		
Net loss per share-basic	**$ (0.50)**	$ (0.17)
Net loss per share-diluted	**$ (0.50)**	$ (0.17)
Average shares outstanding basic	**5,890**	5,891
Average shares outstanding diluted	**5,890**	5,891

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

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Video Display Corporation and Subsidiaries

Consolidated Statements of Shareholders Equity

(in thousands)

	Common Shares*	Share Amount	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Total Shareholders Equity
Balance, February 29, 2016	5,891	$ 7,293	$ 182	$ 17,253	$ (16,268)	$ 8,460
Net loss				(1,006)		(1,006)
Share based compensation			4			4
Balance, February 28, 2017	5,891	$ 7,293	$ 186	$ 16,247	$ (16,268)	$ 7,458
Net loss				(2,938)		(2,938)
Repurchase of treasury stock	(4)		2		(4)	(2)
Share based compensation			68			68
Balance, February 28, 2018	5,887	$ 7,293	$ 256	$ 13,309	$ (16,272)	$ 4,586

* Common Shares are shown net of Treasury Shares

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

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Video Display Corporation and Subsidiaries

Consolidated Statements of Cash Flows

(in thousands)

	February 28, 2018	February 28, 2017
Operating Activities		
Net loss	**$ (2,938)**	$ (1,006)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	**261**	237
Provision for doubtful accounts	**(1)**	24
Provision for inventory reserve	**569**	1,076
Non-cash charge for share based compensation	**68**	4
Loss on disposal of assets	**21**	94
Realized/unrealized gain on investments	**(14)**	(218)
Other	**4**	
Changes in working capital items:		
Accounts receivable	**2,109**	(1,215)
Inventories	**884**	302
Note receivable	**175**	16
Prepaid expenses and other assets	**181**	(105)
Accounts payable and accrued liabilities	**(335)**	91
Customer deposits	**21**	(185)
Deferred rent	**(120)**	(120)
Other liabilities	**42**	
Cost, estimated earnings and billings, net on uncompleted contracts		(160)
Income taxes refundable/payable		(1)
Net cash provided by (used in) operating activities	**927**	(1,166)
Investing Activities		
Capital expenditures	**(463)**	(300)
Investment in real estate partnership related party	**(375)**	
Purchases of investments	**(2,301)**	(1,096)
Acquisition of business, net of cash acquired (Note 13)	**(100)**	
Proceeds from sale of investments	**2,509**	1,373
Net cash used in investing activities	**(730)**	(23)
Financing Activities		
Proceeds from note receivable		912
Repayments of long-term debt	**(54)**	(52)
Proceeds from line of credit	**1,192**	593

Repayments to line of credit	**(1,202)**		(356)
Purchase of treasury stock	**(4)**		
Payments on marginal float	**(8)**		(283)
Repayments of notes payable to officers and directors	**(175)**		(85)
Net cash provided by (used in) financing activities	**(251)**		729
Net change in cash and cash equivalents	**(54)**		(460)
Cash and cash equivalents, beginning of year	**135**		595
Cash and cash equivalents, end of year	**81**	$	135

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

See Note 11 for supplemental cash flow information.

Notes to Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies

Nature of Business

Video Display Corporation and subsidiaries (the Company , our or we) is a provider and manufacturer of video products, components, and systems for data display and presentation of electronic information media in various requirements and environments. The Company designs, engineers, manufactures, markets, distributes and installs technologically advanced display products and systems, from basic components to turnkey systems for government, military, aerospace, medical and commercial organizations.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries after elimination of all intercompany accounts and transactions.

Fiscal Year

All references herein to 2018 and 2017 mean the fiscal years ended February 28, 2018 and February 28, 2017, respectively.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP 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 consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Examples include provisions for returns, warranty reserves, bad debts, inventory reserves, valuations on deferred income tax assets, other intangible assets, accounting for percentage of completion contracts and the length of product life cycles and fixed asset lives. Actual results could vary from these estimates.

Banking and Liquidity

The accompanying consolidated financial statements were prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company has sustained losses for each of the last three years and has seen a decline in both its working capital and liquid assets during this time. These losses were a combination of low revenues at all divisions without a commensurate reduction of expenses. Related to these operational results the Company s working capital and liquid asset position deteriorated during the year ended February 28, 2018 as presented below:

	February 28, 2018	February 28, 2017
Working capital	**$ 2,762**	$ 6,408
Liquid assets	**$ 261**	$ 503

Management has implemented a plan to improve the liquidity of the Company. The Company has been implementing a plan to increase revenues at all the divisions, each structured to the particular division with an increase in the current

backlog and growth in revenues subsequent to February 28, 2018. The Company implemented a plan to reduce expenses at the divisions, as well as at the corporate location during the fiscal year ending February 28, 2018 with the expectation that expenses will be decreased by more than $0.7 million. The Company moved two of its plants in an effort to reduce expenses and increase efficiencies. The plant move at its subsidiary in Lexington, Kentucky, took longer than anticipated and negatively affected cash flow. The plant move at the Florida operations was successful as the Company merged two businesses and was able to keep production on schedule. Management continues to explore options to monetize certain long-term assets of the business, including the possible sale of a building in Pennsylvania. If additional and more permanent capital is required to fund the operations of the Company, no assurance can be given that the Company will be able to obtain the capital on terms favorable to the Company, if at all.

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The ability of the Company to continue as a going concern is dependent upon the success of management s plans to improve the operational effectiveness of the operations, to sell strategic assets as noted above, the procurement of suitable financing, or a combination of these. The uncertainty regarding the potential success of management s plan create substantial doubt about the ability of the Company to continue as a going concern.

Revenue Recognition

Revenues are recognized when there is persuasive evidence of an arrangement, delivery has occurred, the price has been fixed or is determinable and collect-ability can be reasonably assured. The Company s delivery term typically is F.O.B. shipping point.

Shipping and handling fees billed to customers are classified in net sales in the consolidated statements of operations. Shipping costs of $0.1 million were included in the fiscal years ended 2018 and 2017, respectively.

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

Research and Development

The Company includes research and development expenditures in the consolidated financial statements as a part of general and administrative expenses. The Company did not incur any research and development costs in the fiscal year ended 2018 and $0.1 in the fiscal year ended 2017.

Cash and Cash Equivalents and Investments

Highly liquid investments with a maturity date of three months or less at the date of purchase are considered to be cash equivalents. Investment securities that are held by the Company, are bought and held principally for the purpose of selling them in the near term, are classified as trading and principally consist of equity securities and mutual funds. These trading investments are carried at fair value with realized gains or losses and changes in fair value included in operations. Realized and unrealized gains/ (losses) on trading securities held were approximated $0.0 million for the year ended February 28, 2018 and $0.2 million for the year ended February 28, 2017 respectively.

Fair Value Measurements and Financial Instruments

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

Level 1 Quoted prices in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide

pricing information on an ongoing basis.

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

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Assets measured at fair value on a recurring basis by the Company consist of investment securities held for trading using Level 1 inputs. The following table sets forth our financial assets and liabilities that were accounted for at fair value on a recurring basis as of February 28, 2018 and February 28, 2017 (in thousands):

	February 28,2018	Level 1 Assets and Liabilities	Level 2 Assets and Liabilities	Level 3 Assets and Liabilities
Current trading investments:				
Stocks, options, and ETF (long)	291	291		
Stocks, options, and ETF (short)	(5)	(5)		
Total value of investments	286	286		
Current liabilities:				
Margin balance	(106)	(106)		
Total value of liabilities	(106)	(106)		
Total	180	180		

	February 28,2017	Level 1 Assets and Liabilities	Level 2 Assets and Liabilities	Level 3 Assets and Liabilities
Current trading investments:				
Stocks, options, and ETF (long)	$ 484	$ 484		
Stocks, options, and ETF (short)	(2)	(2)		
Total value of investments	482	482		
Current liabilities:				
Margin balance	(114)	(114)		
Total value of liabilities	(114)	(114)		
Total	$ 368	$ 368		

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

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are customer obligations due under normal trade terms. The Company sells its products primarily to general contractors, government agencies, manufacturers, and consumers of video displays and CRTs. Management

performs continuing credit evaluations of its customers financial condition and although the Company generally does not require collateral, letters of credit may be required from its customers in certain circumstances, such as foreign sales. The allowance for doubtful accounts is determined by reviewing all accounts receivable and applying credit loss experience to the current receivable portfolio with consideration given to the current condition of the economy, assessment of the financial position of the creditors as well as payment history and overall trends in past due accounts compared to established thresholds. The Company monitors credit exposure and assesses the adequacy of the allowance for doubtful accounts on a regular basis. Historically, the Company s allowance has been sufficient for any customer write-offs. Management believes accounts receivable are stated at amounts expected to be collected.

The following is a roll-forward of the allowance for doubtful accounts (in thousands):

Description	Balance at Beginning of Period	Additions: Charged to Costs and Expenses	Deductions	Balance at End of Period
February 28, 2018	$ 20	$	$ (1)	$ 19
February 28, 2017	$ 16	$ 24	$ (20)	$ 20

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Warranty Reserves

The Company records a liability for estimated warranty obligations at the date products are sold. Adjustments are made as new information becomes available.

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

Inventories

Inventories consist primarily of CRTs, electron guns, monitors, digital projectors, video components and electronic parts. Inventories are stated at the lower of cost (primarily first-in, first-out) or market.

Reserves on inventories result in a charge to operations when the estimated net realizable value declines below cost. Management regularly reviews the Company s investment in inventories for declines in value and establishes reserves when it is apparent that the expected net realizable value of the inventory falls below its carrying amount. The Company provides for an obsolescence reserve at each of its divisions to offset any obsolescence although most purchases are for current orders, which should reduce the amount of obsolescence in the future. The Company still has CRT inventory in stock and, although it believes the inventory will be sold in the future, will continue to reserve for any additional obsolescence. The reserve for inventory obsolescence was approximately $1.4 million and $1.9 million at February 28, 2018 and February 28, 2017, respectively.

Property, Plant and Equipment

Property, plant, and equipment are stated at cost. Depreciation is computed principally by the straight-line method for financial reporting purposes over the following estimated useful lives: Buildings ten to twenty-five years; Machinery and Equipment five to ten years. Depreciation expense totaled approximately $261 thousand and $237 thousand for the fiscal years ended 2018 and 2017, respectively. Substantial betterments to property, plant, and equipment are capitalized and routine repairs and maintenance are expensed as incurred. The Company is expected to invest an additional $0.1 million to upgrade the Cocoa, Florida location to accommodate the merger of the two Florida businesses into one facility. The Company does not anticipate any additional significant investments in capital assets for fiscal 2019.

Management reviews and assesses long-lived assets, which includes property, plant, and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In performing the review for recoverability, management estimates the future cash flows expected to result from the use of the asset. If the sum of the undiscounted expected cash flows is less than the carrying amount of the asset, an impairment loss is recognized based upon the estimated fair value of the asset.

Stock-Based Compensation Plans

The Company accounts for employee share-based compensation under the fair value method and uses an option pricing model for estimating the fair value of stock options at the date of grant.

Income Taxes

The Company accounts for income taxes under the asset and liability method which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in the Company s consolidated financial statements or tax returns. In estimating future tax consequences, the Company generally considers all expected future events other than possible enactments of changes in the tax laws or rates.

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Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. The Company has determined that a valuation allowance is needed due to recent taxable net operating losses, the sale of profitable divisions and the limited taxable income in the carry back periods. The effect on deferred tax assets and liabilities of a change in tax rates is recognized as income or expense in the period that includes the enactment date.

Deferred income taxes as of February 28, 2018 and February 28, 2017 reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes and certain tax loss carryforwards, less any valuation allowance.

The Company accounts for uncertain tax positions as required in that a position taken or expected to be taken in a tax return is recognized in the consolidated financial statements when it is more likely than not (i.e., a likelihood of more than fifty percent) that the position would be sustained upon examination by tax authorities. A recognized tax position is then measured at the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. As of February 28, 2018 and February 28, 2017 the Company did not have any material unrecognized tax benefits.

The Company recognizes accrued interest and penalties related to unrecognized tax benefits as components of interest expense and other expense, respectively, in arriving at pretax income. The Company did not have any interest and penalties accrued as of February 28, 2018 and February 28, 2017.

The Company s tax years ended February 28, 2017, 2016 and 2015 remain open to examination by the Internal Revenue Service (IRS).

Earnings (Loss) per Share

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

The following is a reconciliation of basic earnings (loss) per share to diluted earnings (loss) per share for 2018 and 2017, (in thousands, except for per share data):

	Net Income (loss)	Average Shares Outstanding	Net Income(loss) Per Share
2018			
Basic	(2,938)	5,890	(0.50)
Effect of dilution:			
Options			
Diluted earnings per share	(2,938)	5,890	(0.50)

2017					
Basic	$	(1,006)	5,891	$	(0.17)
Effect of dilution:					
Options					
Diluted earnings per share	$	(1,006)	5,891	$	(0.17)

Stock options, debentures, and other liabilities convertible into 200,000 and 69,000 shares, respectively, of the Company s common stock were anti-dilutive and, therefore, were excluded from the fiscal 2018 and 2017 diluted earnings (loss) per share calculation.

Segment Reporting

We operate and manage our business as one reportable segment. All of our divisions have similarities such as products and markets served; therefore, we believe they meet the criteria for aggregation under the applicable authoritative guidance and, as such, these operations are reported as one segment within the Consolidated Financial Statements.

Sales to foreign customers were 16% of consolidated net sales for fiscal 2018 and 21% for fiscal 2017.

Recent Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update No. (ASU 2014-09), *Revenue from Contracts with Customers* . This guidance modifies how an entity will determine the measurement of revenue and timing of when it is recognized. The guidance provides for a five-step approach in applying the standard: 1) identifying the contract with the customer, 2) identifying separate performance obligations in the contract, 3) determining the transaction price, 4) allocating the transaction price to separate performance obligations, and 5) recognizing the revenue when the performance obligation has been satisfied. The new guidance requires enhanced disclosures for the nature, amount, timing, and uncertainty of revenue that is being recognized. The guidance is effective for public companies for interim and annual reporting periods beginning after December 15, 2017. Companies may use either a full retrospective or a modified retrospective approach to adopt ASU 2014-09. We are in the process of assessing the impact of the new standard and anticipate no material impact from adopting ASU 2014-09 in how we recognize revenue. We will adopt ASU 2014-09 using the modified retrospective approach in the first quarter of fiscal year 2019.

In July 2015, the FASB issued Accounting Standards Update No. (ASU 2015-11), *Simplifying the Measurement of Inventory* . ASU 2015-11 requires an entity to measure inventory within the scope of this update at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less reasonably predictable costs of completion, disposal and transportation. The guidance is effective for annual reporting periods beginning after December 15, 2016 and related interim periods. Early adoption is permitted. The Company adopted ASU 2015-11 and it did not have a material effect on the consolidated financial statements.

In November 2015, the FASB issued Accounting Standards Update No. (ASU 2015-17), *Balance Sheet Classification of Deferred Taxes* . ASU 2015-17 requires deferred tax assets and liabilities, along with related valuation allowances, to be classified as noncurrent on the balance sheet. Each tax jurisdiction will now only have one net noncurrent deferred tax asset or liability. The new guidance does not change the existing requirement that prohibits offsetting deferred tax liabilities from one jurisdiction against deferred tax assets of another jurisdiction. The guidance is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Early adoption is permitted. The adoption of this update did not have an impact on the Company s consolidated financial statements.

In February 2016, the FASB issued Accounting Standards Update No. (ASU 2016-02), *Leases* . ASU 2016-02 increases transparency and comparability among organizations by requiring entities to recognize lease assets and lease liabilities on the balance sheet and disclose key information about the lease arrangements. The guidance is effective for annual reporting periods beginning after December 15, 2018, including interim periods within that reporting period. Early adoption is permitted. The Company is in the process of evaluating the impact of this guidance on the Company s consolidated financial statements.

Note 2. Inventories

Inventories consisted of the following (in thousands):

	February 28, 2018	February 28, 2017
Raw materials	**4,657**	$ 5,217
Work-in-process	**403**	1,001
Finished goods	**923**	1,519
	5,983	7,737
Reserves for obsolescence	**(1,399)**	(1,899)
	4,584	$ 5,838

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The following is a roll forward of the Inventory Reserves (in thousands):

Description	Balance at Beginning of Period	Additions: Charged to Costs and Expenses	Deductions	Balance at End of Period
February 28, 2018	$ 1,899	$ 673	$ (1,173)	$ 1,399
February 28, 2017	$ 1,270	$ 1,076	$ (447)	$ 1,899

During fiscal 2018, the Company wrote off or disposed of inventories of $1.1 million of which were previously reserved for through inclusion in the inventory reserve. During fiscal 2017, the Company disposed of inventories of $0.4 million of which none were previously reserved for through inclusion in the inventory reserve.

Note 3. Line of Credit and Long-Term Debt

The Company has a $0.5 million line of credit with the Brand Banking Company with a current balance of $0.2 million at February 28, 2018. The line matures on June 30, 2018, is personally guaranteed by the Chief Executive Officer and has an interest rate of LIBOR plus 3.75%. The Company was in violation of certain financial covenants related to the line of credit at February 28, 2018 and has obtained a debt covenant waiver. The Company is currently in discussions to amend its line of credit.

The only other commercial debt of the Company is $0.1 million it owes on a building owned by its subsidiary, Teltron Technologies, Inc. in Birdsboro, PA.

The Company had outstanding margin account borrowing of $0.1 million as of February 28, 2018 and $0.1 million as of February 28, 2017. The margin account borrowings are used to purchase marketable equity securities and are netted against the investments in the balance sheet to show net trading investments. The gross investments as of February 28, 2018 were $0.3 million leaving net investments of $0.2 million after the margin account borrowings of $0.1 million and were gross investments were $0.5 million leaving net investments of $0.4 million after the margin account borrowings of $0.1 million as of February 28, 2017. The margin interest rate is 2%.

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

	February 28, 2018	February 28, 2017
Mortgage payable to bank; interest rate at BB&T Bank base rate plus 0.5% (5.00% as of February 28, 2018); monthly principal and interest payments of $5 thousand payable through October 2021; collateralized by land and building of Teltron Technologies, Inc.	**$ 78**	**$ 131**
	78	**131**
Less current maturities	**(55)**	**(54)**

23	**$**	**77**

Future maturities of debt pertaining to the note with BB&T are as follows (in thousands):

Year	**Amount**	
2019	$	55
2020		23
	$	78

Note 4. Notes Payable to Officers and Directors

The Company s owed the Chief Executive officer $85 thousand dollars at the beginning of the Company s fiscal year ended February 28, 2017. The Company repaid the $85 thousand during the first quarter of the fiscal year ended February 28, 2017. The interest rate was eight percent. The Company paid $1 thousand interest on this loan for fiscal 2017. The Company has no outstanding loans from the Chief Executive officer at February 28, 2018.

On March 30, 2016, the Company entered into an assignment with recourse of the note receivable from Z-Axis Inc. (Z-Axis) with Ronald D. Ordway, CEO, and Jonathan R. Ordway, related parties, for the sum of $912 thousand. The note receivable is collateralized by a security interest in the shares of Z-Axis as well as a personal guaranty of its majority shareholder. Z-Axis is current on all scheduled payments regarding this note. The Company retains the right to repurchase the note at any time for 80% of the outstanding principle balance. Also, in the event of default by Z-Axis, the Company is obligated to repurchase the note for 80% of the remaining principle balance plus any accrued interest. Accordingly, the Company has recognized this transaction as a secured borrowing. The $0.9 million, 9% interest rate note originated on March 30, 2016, with payments beginning on April 16, 2016 and continuing for 56 months thereafter. The balance of the note at February 28, 2018 was $589 thousand with $191 thousand classified as a current as of February 28, 2018. Under the terms of the arrangement, $191, $209 and $189 thousand are expected to be received in fiscal 2019, 2020 and 2021, respectively.

Note 5. Accrued Expenses and Warranty Obligations

The following provides a reconciliation of changes in the Company s warranty reserve for fiscal years 2018 and 2017. The Company provides no other guarantees.

	2018	2017
Balance at beginning of year	**127**	$ 125
Provision for current year sales	**54**	148
Warranty costs incurred	**(54)**	(146)
Balance at end of year	**127**	$ 127

Accrued liabilities consisted of the following (in thousands):

	February 28, 2018	February 28, 2017
Accrued compensation and benefits	**$ 342**	$ 386
Accrued customer deposits	**439**	418
Accrued warranty	**127**	127
Accrued professional fees		133
Accrued other	**408**	188
	$ 1,316	$ 1,252

Note 6. Stock Options and Stock Repurchase Plan

Stock Options

Upon recommendation of the Board of Directors of the Company, on August 25, 2006, the shareholders of the Company approved the Video Display Corporation 2006 Stock Incentive Plan (Plan), whereby options to purchase up to 500,000 shares of the Company s common stock may be granted and up to 100,000 restricted common stock shares may be awarded. Options may not be granted at a price less than the fair market value, determined on the day the

options are granted. Options granted to a participant who is the owner of ten percent or more of the common stock of the Company may not be granted at a price less than 110% of the fair market value, determined on the day the options are granted. The exercise price of each option granted is fixed and may not be re-priced. The life of each option granted is determined by the plan administrator, but may not exceed the lesser of seven years from the date the participant has the vested right to exercise the option, or nine years from the date of the grant. The life of an option granted to a participant who is the owner of ten percent or more of the common stock of the Company may not exceed five years from the date of grant. All full-time or part-time employees, and Directors of the Company, are eligible for participation in the Plan. In addition, any consultant or advisor who renders bona fide services to the Company, other than in connection with the offer or sale of securities in a capital-raising transaction, is eligible for participation in the Plan. The plan administrator is appointed by the Board of Directors of the Company.

The plan expired on August 25, 2016 and all options related to the plan have expired or were terminated. A separate stock option agreement with the Company s Chief Financial Officer dated March 21,2017, a non-qualifying plan, are the only stock options open.

Information regarding the stock option plans is as follows:

	Number of Shares (in thousands)	Average Exercise Price Per Share	
Outstanding at February 29, 2016	83	$	3.73
Granted			
Forfeited or expired	(14)		5.07
Outstanding at February 28, 2017	69	$	3.46
Granted	200		0.82
Forfeited or expired	(69)		3.46
Outstanding at February 28, 2018	200	$	0.82
Options exercisable			
February 28, 2017	59	$	3.87
February 28, 2018	60	$	0.82

The Company estimates the fair value of stock options granted using the Black-Scholes option-pricing model, which requires the Company to estimate the expected term of the stock option grants and expected future stock price volatility over the term. The term represents the expected period of time the Company believes the options will be outstanding based on historical information. Estimates of expected future stock price volatility are based on the historic volatility of the Company s common stock. The Company calculates the historic volatility based on the weekly stock closing price, adjusted for dividends and stock splits. The fair value of the stock options is based on the stock price at the time the option is granted, the annualized volatility of the stock and the discount rate at the grant date.

The Company granted 200 stock options during fiscal 2018 with no options granted in fiscal 2017. The fair value assumptions used for the stock options granted in fiscal 2018 are as follows

The assumptions used and the weighted average calculated value of the units is as follows for the years ended February 28, 2018.

Risk-free interest rate	1.50%
Expected dividend yield	
Expected volatility	63%
Expected life in years	7
Service period in years	2

For the fiscal years ended February 28, 2018 and February 28, 2017, the Company recognized $68 and $4 thousand, respectively, of share-based compensation in general and administrative expense in the statements of operations. As of February 28, 2018, total unrecognized compensation costs related to stock options and shares of restricted stock

granted was $25 thousand. The amount of unrecognized share based compensation cost is expected to be recognized ratably over a period of approximately one year. The weighted average remaining contractual life at February 28, 2018 was 8 years.

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Stock Repurchase Program

The Company has a stock repurchase program, pursuant to which it had been authorized to repurchase up to 2,632,500 shares of the Company s common stock in the open market. On January 20, 2014 the Board of Directors of the Company approved a one-time continuation of the stock repurchase program, and authorized the Company to repurchase up to 1,500,000 additional shares of the Company s common stock in the open market. There is no minimum number of shares required to be repurchased under the program. During the fiscal year ended February 28, 2018, the Company repurchased 3,600 shares at an average price of $1.24 per share, which were added to treasury shares on the consolidated balance sheet, and during the fiscal year ended February 28, 2017, the Company did not repurchase any shares of Company in the fiscal year ended February 28, 2017. Under this program, an additional 499,044 shares remain authorized to be repurchased by the Company at February 28, 2018.

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Note 7. Income Taxes

Provision (benefit) for income taxes in the consolidated statements of operations consisted of the following components (in thousands):

	Fiscal Year Ended	
	February 28, 2018	February 28, 2017
Current:		
Federal	**$**	$
State		19
		19
Deferred:		
Federal		
State		
Total	**$**	$ 19

The provision for income taxes differs from the amount computed by applying the federal statutory rate of 34% for the fiscal year ended February 28, 2017 and 24% for the fiscal year ended February 28, 2018 taxable income as follows (in thousands):

	Fiscal Year Ended	
	February 28, 2018	February 28, 2017
Statutory U.S. federal income tax rate	**(780)**	$ (370)
State income taxes, net of federal benefit	**(31)**	19
Tax rate adjustment 34% to 21%	**2,243**	
Valuation allowance	**(1,593)**	530
Other	**161**	(160)
Taxes at effective income tax rate	**$**	$ 19

The income tax expense effective tax rate for fiscal 2018 was 0% compared to 1.8% for fiscal 2017. The higher effective rate in 2017 compared to the effective rate in 2018 was primarily due to state taxes owed related to the Lexel Imaging subsidiary which is located in Kentucky, due to profitability reported related to Lexel in fiscal 2017 with no offsetting state net operating losses. There was no income tax expense reported for fiscal 2018 due to net operating losses generated.

The deferred tax assets were reduced by a valuation allowance because, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. The Company has determined that a 100% valuation allowance is needed due to recent taxable net operating losses and the limited taxable income in the carry back periods.

The sources of the temporary differences and carry forwards, and their effect on the net deferred tax asset consisted of the following (in thousands):

	February 28, 2018	February 28, 2017
Current deferred tax assets(liabilities):		
Uniform capitalization costs	**$ 88**	$ 87
Inventory reserves	**336**	703
Accrued liabilities	**70**	127
Allowance for doubtful accounts	**5**	7
Other	**(1)**	(3)
Valuation Allowance	**(498)**	(921)
Net current deferred tax assets		
Non-current deferred tax assets:		
Amortization of intangibles	**19**	55
Deferred rent	**14**	67
Non-deductible losses	**1,373**	2,107
State net operating loss carry-forward	**732**	534
Federal net operating loss carry-forward	**2,733**	3,174
Federal tax credit carry forward	**318**	318
Foreign tax credit carry-forward	**99**	99
Basis difference of property, plant and equipment	**33**	106
Valuation allowance	**(5,321)**	(6,460)
Net non-current deferred tax assets		
Net deferred tax assets	**$**	$

The Company has available federal and state net operating loss carryforwards of $13.0 million and $9.4 million in fiscal years ending February 28, 2018 and February 28, 2017, respectively. The net operating loss carryforwards expire at various dates through fiscal 2038, if not used.

Note 8. Benefit Plan

The Company maintains defined contribution plans that are available to all employees. The Company did not make a contribution in the fiscal year ended February 28, 2018 or February 28, 2017 to the Company s 401(k) plan.

Note 9. Commitments and Contingencies

Operating Leases

The Company leases various manufacturing facilities and transportation equipment under leases classified as operating leases, expiring at various dates through 2025. These leases provide that the Company pay taxes, insurance, and other expenses on the leased property and equipment. Rent expense for all leases was approximately $1.1 million and $1.4 million in fiscal 2018 and 2017, respectively.

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Future minimum rental payments due under these leases are as follows (in thousands):

Fiscal Year	Amount
2019	$ 620
2020	598
2021	594
2022	594
2023	273
Thereafter	380
	$ 3,059

Related Party Leases

Included above are leases for manufacturing and warehouse facilities leased from the Company s chief executive officer and Ordway Properties, LLC (an entity in which the chief executive officer has an ownership interest in) under operating leases expiring at various dates through 2025. Rent expense under these leases totaled approximately $0.5 million in fiscal 2018 and $0.4 million in fiscal 2017.

On July 3, 2017, the Company and Ordway Properties, LLC purchased Honeyhill Properties, LLC which is the owner of the building at 510 Henry Clay Blvd. in Lexington, KY for $1,500,000. Video Display Corporation invested $500,000 towards the purchase price and is accounting for the investment under the cost method since Ordway Properties, LLC is the majority owner. During the period ending November 30, 2017 the Company reduced its share in the LLC by $125,000, selling to Ordway Properties, LLC. There was no gain or loss on the sale. The Company is a one third owner in Honeyhill Properties, LLC with Ordway Properties, LLC being a two thirds owner. The building is the new facility for the Company s Lexel Imaging subsidiary, which had previously signed a five (5) year lease agreement with Honeyhill Properties, LLC on June 15, 2017 before the sale took place.

Future minimum rental payments due under these leases with related parties are as follows (in thousands):

Fiscal Year	Amount
2019	$ 588
2020	594
2021	594
2022	594
2023	273
Thereafter	379
	$ 3,022

Legal Proceedings

The Company is involved in various legal proceedings relating to claims arising in the ordinary course of business.

On May 19, 2017, Lexel Imaging s Chapter 11 Bankruptcy case was dismissed upon approval of a settlement agreement between Lexel Imaging (Lexel) and its landlord, Alidade Bull Lea, LLC (Alidade). The settlement agreement required Lexel to surrender possession of the rental property on or before September 30, 2017 and remit to Alidade all past due rent of approximately $232 thousand. Lexel was also required to make payments totaling $100 thousand into an escrow account by July 28, 2017. These funds were held by Alidade s counsel until full and timely compliance with the settlement agreement was met, at which time the funds were returned to Lexel. The Company complied with all of the stipulations and successfully vacated the building on September 15, 2017.

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Note 10. Concentrations of Risk and Major Customers

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist principally of cash, accounts receivable and investments. At times, such cash in banks are in excess of the FDIC insurance limit.

The Company sells to a variety of domestic and international customers on an open-unsecured account basis, in certain cases requiring letters of credit. These customers principally operate in the medical, military, and avionics industries. The Company had direct and indirect net sales to the U.S. government, primarily the Department of Defense for training and simulation programs, which comprised approximately 50% and 32% of consolidated net sales in fiscal 2018 and 2017, respectively. Sales to foreign customers were 16% and 21% of consolidated net sales in fiscal 2018 and 2017, respectively. The Company had one customer who comprised more than 10% of the Company s sales in fiscal year 2018, Lockheed Martin (25%).

Note 11. Supplemental Cash Flow Information

	Fiscal Year Ended (in thousands)	
	February 28, 2018	February 28, 2017
Cash paid for:		
Interest	**$ 20**	$ 15
Income taxes, net of refunds	**$ 24**	$ 20
Non-cash activity:		
Note receivable paid directly to officer	**$ 175**	$ 147
Note payable to officer	**$ 175**	$ 147
Imputed interest expense	**$ 62**	$ 87
Imputed interest income	**$ 62**	$ 87
Capital additions transferred from inventory	**$ 113**	$

Note 12. Selected Quarterly Financial Data (unaudited)

The following table sets forth selected quarterly consolidated financial data for the fiscal years ended February 28, 2018 and February 28, 2017, respectively. The summation of quarterly net income (loss) per share may not agree with annual net income (loss) per share due to rounding:

	2018			
	First Quarter	**Second Quarter**	**Third Quarter**	**Fourth Quarter**

	(in thousands, except per share amounts)			
Net Sales	$ 3,897	$ 3,161	$ 1,666	$ 3,220
Gross profit (loss)	597	478	(144)	(341)
Net income (loss)	(266)	(221)	(1,203)	(1,248)
Basic net income (loss) per share	$ (0.05)	$ (0.04)	$ (0.20)	$ (0.21)
Diluted net income (loss) per share	$ (0.05)	$ (0.04)	$ (0.20)	$ (0.21)

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	2017			
	First Quarter	**Second Quarter**	**Third Quarter**	**Fourth Quarter**
	(in thousands, except per share amounts)			
Net Sales	$ 3,710	$ 3,632	$ 5,299	$ 6,998
Gross profit (loss)	416	590	898	835
Net income (loss)	(391)	(378)	(45)	(192)
Basic net income (loss) per share	$ (0.07)	$ (0.06)	$ (0.01)	$ (0.03)
Diluted net income (loss) per share	$ (0.07)	$ (0.06)	$ (0.01)	$ (0.03)

Note 13. Acquisition of Unicomp

On October 23, 2017, the Company acquired Unicomp, Inc., a keyboard manufacturer for a purchase price of $200 thousand. The Company paid $100 thousand in cash and a note with the seller for $100 thousand. The $100 thousand note is non-interest bearing with expected payment in fiscal 2019. The fair value related to the purchase price consideration has been allocated to inventory. The Company acquired Unicomp as an opportunity to develop, market and sell Tempest keyboards for its cyber security division.

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Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.
None.

Item9A (T). Controls and Procedures.

Evaluation of disclosure controls and procedures.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, conducted an evaluation of our disclosure controls and procedures, as such term is defined in Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended, as of the end of the period covered by this report (February 28, 2018). Our disclosure controls and procedures are intended to ensure that the information we are required to disclose in the reports that we file or submit under the Securities Exchange Act of 1934 is (i) recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission s rules and forms and (ii) accumulated and communicated to our management, including the Chief Executive Officer and Chief Financial Officer, as the principal executive and financial officers, respectively, to allow final decisions regarding required disclosures. Based on their evaluation of the Company s disclosure controls and procedures as of February 28, 2018, the CEO and CFO have concluded that the Company s disclosure controls and procedures were effective.

The required certifications of our Chief Executive Officer and our Chief Financial Officer are included as exhibits to this Annual Report on Form 10-K. The disclosures set forth in this Item 9A contain information concerning the evaluation of our disclosure controls and procedures, internal control over financial reporting and changes to internal control referred to in those certifications. Those certifications should be read in conjunction with this Item 9A for a more complete understanding of the matters covered by the certifications.

This annual report does not include an attestation report of the Company s registered public accounting firm regarding internal control over financial reporting. Management s report was not subject to attestation by the Company s registered public accounting firm pursuant to rules of the Securities and Exchange Commission that permit the Company to provide only management s report in this annual report.

Changes in Internal Controls

There were no changes in our internal controls over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fourth quarter of 2018 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

Management s Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended. A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and disposition of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on

the financial statements.

All internal controls, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an assessment of the effectiveness of the Company s internal control over financial reporting as of February 28, 2018. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) (2013 Framework) entitled *Internal Control- Integrated Framework.* Based on such assessment, our management concluded that as of February 28, 2018 our internal control over financial reporting was effective.

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This annual report does not include an attestation report of the Company s registered public accounting firm regarding internal control over financial reporting. Management s report was not subject to attestation by the Company s registered public accounting firm pursuant to rules of the Securities and Exchange Commission that permit the Company to provide only management s report in this annual report.

Limitations on the effectiveness of controls.

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that internal control over financial reporting and our disclosure controls and procedures will prevent all errors and potential fraud. Our disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives and our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures are effective at that reasonable assurance level. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within Video Display Corporation have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Item 9B. Other Information.
None.

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PART III

Item 10. Directors, Executive Officers and Corporate Governance.

The information contained in Video Display Corporation s Proxy Statement to be filed within 120 days of the Company s 2018 fiscal year end (the 2018 Proxy Statement), with respect to directors and executive officers of the Company under the headings Election of Directors and Executive Officers , is incorporated herein by reference in response to this item; provided, however, that the information contained in the 2018 Proxy Statement under the heading Compensation and Stock Option Committee Report or under the heading Performance Graph shall not be incorporated herein by reference.

Item 11. Executive Compensation.

The information contained in the 2018 Proxy Statement under the heading, Executive Compensation and Other Benefits , with respect to executive compensation, is incorporated herein by reference in response to this item.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information contained in the 2018 Proxy Statement under the headings Common Stock Ownership and Executive Compensation and Other Benefits , is incorporated herein by reference in response to this item.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

The information contained in the 2018 Proxy Statement under the heading, Transactions with Affiliates , is incorporated herein by reference in response to this item.

Item 14. Principal Accounting Fees and Services.

The information contained in the 2018 Proxy Statement under the heading, Audit Fees and All Other Fees is incorporated herein by reference in response to this item.

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PART IV

Item 15. Exhibits, Financial Statement Schedules.

(a) The following documents are filed as part of this Report:

Financial Statements:

The following consolidated financial statements of the Company and its consolidated subsidiaries and the Reports of the Independent Registered Public Accounting Firms are included in Part II, Item 8.

Report of Independent Registered Public Accounting Firms

Consolidated Balance Sheets as of February 28, 2018 and February 28, 2017.

Consolidated Statements of Operations - Fiscal Years Ended February 28, 2018 and February 28, 2017.

Consolidated Statements of Shareholders Equity Fiscal Years Ended February 28, 2018 and February 28, 2017.

Consolidated Statements of Cash Flows - Fiscal Years Ended February 28, 2018 and February 28, 2017.

Notes to Consolidated Financial Statements

(b) Exhibits

Exhibit Number	**Exhibit Description**
3(a)	Articles of Incorporation of the Company (incorporated by reference to Exhibit 3A to the Company s Registration Statement on Form S-18 filed January 15, 1985). (P)
3(b)	By-Laws of the Company (incorporated by reference to Exhibit 3B to the Company s Registration Statement on Form S-18 filed January 15, 1985). (P)
10(a)	Lease dated April 1, 2015 by and between Registrant (Lessee) and Ronald D. Ordway (Lessor) with respect to premises located at 1868 Tucker Industrial Road, Tucker, Georgia (incorporated by reference to Exhibit 10(c) to the Company s 2015 Annual Report on Form 10-K.)
10(b)	Lease dated February 19, 2015 by and between Registrant (Lessee) and Ordway Properties LLC (Lessor) with respect to premises located at 5155 King Street, Cocoa, FL. (incorporated by reference to Exhibit 10(g) to the Company s 2015 Annual Report on Form 10-K.)
10(c)	Video Display Corporation 2006 Stock Incentive Plan. (incorporated by reference to Appendix A to the Company s 2006 Proxy Statement on Schedule 14A)
21	Subsidiary Companies

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

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: May 29, 2018

VIDEO DISPLAY CORPORATION

By: /s/ Ronald D. Ordway
Ronald D. Ordway
Chairman of the Board and
Chief Executive Officer

POWER OF ATTORNEY

Know all men by these presents, that each person whose signature appears below constitutes and appoints Ronald D. Ordway as attorney-in-fact, with power of substitution, for him in any and all capacity, to sign any amendments to this Report on Form 10-K, and to file the same, with exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that said attorney-in-fact may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature -Name	Capacity	Date
/s/ Ronald D. Ordway Ronald D. Ordway	Chief Executive Officer, Treasurer and Director (Principal Executive Officer)	May 29, 2018
/s/ Gregory L. Osborn Gregory L. Osborn	Chief Financial Officer and Director (Principal Financial Officer)	May 29, 2018