

TAYLOR DEVICES INC
Form DEF 14A
September 28, 2009

SCHEDULE 14A INFORMATION

**Proxy Statement Pursuant to Section 14(a)
of the Securities Exchange Act of 1934 (Amendment No.)**

Filed by the Registrant [X]

Filed by a Party other than the Registrant []

Check the appropriate box:

- [] Preliminary Proxy Statement
- [] Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- [X] Definitive Proxy Statement
- [] Definitive Additional Materials
- [] Soliciting Material Pursuant to Section 240.14a-12

TAYLOR DEVICES, INC.
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the
Registrant)

Payment of Filing Fee (Check the appropriate box):

- [X] No fee required
- [] Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

1) Title of each class of securities to which transaction applies:

2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

4) Proposed maximum aggregate value of transaction:

5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

- 1) Amount Previously Paid:
- 2) Form, Schedule or Registration Statement No.:
- 3) Filing Party:
- 4) Date Filed:

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**TAYLOR DEVICES, INC.
90 TAYLOR DRIVE
NORTH TONAWANDA, NEW YORK 14120-0748**

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

TO THE SHAREHOLDERS OF TAYLOR DEVICES, INC.

NOTICE IS HEREBY GIVEN that the Annual Meeting of Shareholders of TAYLOR DEVICES, INC. (the "Company") will be held at the Holiday Inn, 1881 Niagara Falls Boulevard, Amherst, New York on November 6, 2009 at 11:00 A.M. for the following purposes:

1. To elect two Class 2 directors of the Company to serve a three-year term expiring in 2012, or until the election and qualification of their successors.
2. To transact such other business as may properly come before the meeting or any adjournment or adjournments thereof.

The Board of Directors has fixed the close of business on September 25, 2009 as the record date for determining which shareholders shall be entitled to notice of and to vote at the Annual Meeting. **SHAREHOLDERS WHO ARE UNABLE TO BE PRESENT PERSONALLY MAY ATTEND THE MEETING BY PROXY. SUCH SHAREHOLDERS ARE REQUESTED TO DATE, SIGN AND RETURN THE ENCLOSED**

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PROXY. THE PROXY MAY BE REVOKED AT ANY TIME BEFORE IT IS VOTED.

BY ORDER OF THE BOARD OF DIRECTORS

/s/ Reginald B. Newman II

Reginald B. Newman II
Secretary

DATED: September 28, 2009
North Tonawanda, New York

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE
SHAREHOLDER MEETING TO BE HELD ON NOVEMBER 6, 2009**

The proxy statement and the annual report to shareholders are available at
www.taylordevices.com/investors.html

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**PROXY STATEMENT
FOR THE
ANNUAL MEETING OF SHAREHOLDERS
OF
TAYLOR DEVICES, INC.
90 TAYLOR DRIVE
NORTH TONAWANDA, NEW YORK 14120-0748**

**TO BE HELD AT THE HOLIDAY INN
1881 NIAGARA FALLS BOULEVARD
AMHERST, NEW YORK
NOVEMBER 6, 2009**

This Proxy Statement is furnished to shareholders by the Board of Directors of Taylor Devices, Inc. in connection with the solicitation of proxies for use at the Annual Meeting of Shareholders to be held on November 6, 2009 at 11:00 A.M., and at any adjournments of the meeting, for the purposes set forth in the accompanying Notice of Annual Meeting of Shareholders. This Proxy Statement and the accompanying form of proxy are being mailed to shareholders commencing on or about September 28, 2009.

BY ORDER OF THE BOARD OF DIRECTORS

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If the enclosed form of proxy is properly executed and returned, the shares represented by the proxy will be voted in accordance with the proxy's instructions. Any proxy given pursuant to this solicitation may be revoked by the shareholder at any time prior to its use by written notice to the Secretary of the Company.

The Board of Directors has fixed the close of business on September 25, 2009 as the record date for determining the holders of common stock entitled to notice of and to vote at the meeting. On September 25, 2009, the Company had outstanding and entitled to vote a total of 3,222,329 shares of common stock. Each outstanding share of common stock is entitled to one vote on all matters to be brought before the meeting.

For shares held in the name of a broker or other nominee, the owner may vote such shares at the meeting if the owner brings with him or her a letter from the broker or nominee confirming his or her ownership as of the record date, and a legal proxy.

Directions for attending the meeting may be obtained at www.mapquest.com or by calling the Company at (716) 694-0800.

CERTAIN BENEFICIAL OWNERS

There are no persons known by the Company to be the beneficial owners of more than 5% of the Company's common stock.

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ELECTION OF DIRECTORS

Each year directors comprising one of the three Classes of the Board of Directors of the Company are proposed for election by the shareholders, each to serve for a three-year term, or until the election and qualification of his successor. Messrs. Hill and Burgess are management's nominees to be elected to Class 2 at this Annual Meeting for a term expiring in 2012. Messrs. Hill and Burgess have previously served as directors and have been elected at prior annual meetings of shareholders.

The persons named on the enclosed form of proxy will vote all shares present at the Annual Meeting *for* the election of the nominee, unless a shareholder, by his or her proxy, directs otherwise. Should Messrs. Hill or Burgess be unable to serve, proxies will be voted in accordance with the best judgment of the person or persons acting under such authority. Management expects that the nominees will be able to serve.

Management recommends a vote FOR the Nominees.

Nominees and Directors

Certain information, including beneficial ownership of the Company's common stock, is set forth below for the directors standing for election, as well as for directors whose terms of office will continue beyond the date of the 2009 Annual Meeting of Shareholders. Unless otherwise indicated, each person shown below has held the position indicated either with the Company or another organization for the past five years, and has sole voting and investment power with respect to the securities beneficially owned. Beneficial ownership includes securities which can be acquired pursuant to currently exercisable options, or options which become exercisable within 60 days of the date of this Proxy Statement.

NOMINEES FOR DIRECTORS

Nominees for Class 2 Directors - Term expiring in 2009

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| Name | Age | Principal Occupation | First Elected Director | Number of Shares | % of Class |
|------------------------|------------|---|-------------------------------|-------------------------|-------------------|
| Richard G. Hill (1) | 59 | Executive Vice President of the Company | 1991 | 110,789 (2)(4) | 3.6 |
| John Burgess (3) | 64 | Operating partner at Summer Street Capital Partners | 2007 | 15,000 (4) | 0.5 |

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DIRECTORS CONTINUING IN OFFICE

Class 3 Directors - Term expiring in 2010

| Name | Age | Principal Occupation | First Elected Director | Number of Shares | % of Class |
|--------------------------|------------|--|-------------------------------|-------------------------|-------------------|
| Douglas P. Taylor (1) | 61 | President, CEO and Chairman of the Board of Directors of the Company | 1976 | 117,728 (4)(5) | 3.7 |
| Randall L. Clark (6) | 66 | Chairman of the Board of Directors of Dunn Tire, LLC | 1996 | 40,000 (4) | 1.2 |

Class 1 Director -- Term expiring in 2011

| Name | Age | Principal Occupation | First Elected Director | Number of Shares | % of Class |
|---|------------|--|-------------------------------|-------------------------|-------------------|
| Reginald B. Newman II (7) | 71 | Chairman of the Board of Directors of Prior Aviation Service, Inc. | 2006 | 30,000 (4) | 0.9 |
| All directors and executive officers as a group (6 persons) | | | | 325,517 (8) | 10.1 |

(1) Messrs. Taylor and Hill are brothers in law and both are directors of Tayco Realty Corporation ("Tayco Realty"), an affiliate of the Company.

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- (2) Includes 27,365 shares, held beneficially and of record by Joyce Taylor Hill, wife of Mr. Hill and sister of Douglas P. Taylor. As to these shares, Mr. Hill disclaims any beneficial ownership.
- (3) From 2002 until his retirement in 2008, Mr. Burgess served as the Chairman and Chief Executive Officer of Reichert, Inc., a company engaged in the design, development, manufacture and sale of ophthalmic and analytical instruments.
- (4) Includes options granted to directors and officers and which have not been exercised: 20,000 by Mr. Hill, 15,000 by Mr. Burgess, 25,000 by Mr. Taylor, 35,000 shares held by Mr. Clark, and 20,000 by Mr. Newman. These options were granted pursuant to the 1998 Taylor Devices, Inc. Stock Option Plan ("1998 Plan"), the 2001 Taylor Devices, Inc. Stock Option Plan ("2001 Plan") and the 2005 Taylor Devices, Inc. Stock Option Plan ("2005 Plan").

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- (5) Includes 7,307 shares, held beneficially and of record by Sandi Taylor, wife of Douglas P. Taylor. As to all such shares, Mr. Taylor disclaims any beneficial ownership.
- (6) Mr. Clark also serves on the board of directors of several other area corporations, including Computer Task Group Inc., which is a publicly traded company.
- (7) Mr. Newman also serves on the board of directors of Rand Capital Corporation, which is a publicly traded company.
- (8) Includes options of 12,000 shares granted to Mark V. McDonough, Treasurer and Chief Financial Officer of the Company, which have not been exercised.

BOARD OF DIRECTORS AND COMMITTEE MEETINGS

In fiscal 2009, the Board of Directors met four times with all of the directors in attendance. All Board members traditionally attend the annual meeting, notwithstanding that the Company does not have a policy with regard to attendance. In 2008, all Board members attended the annual meeting.

The Executive Committee, between meetings of the Board of Directors and to the extent permitted by law, exercises all of the powers and authority of the Board in the management of the business of the Company. The Executive Committee is comprised of Messrs. Taylor, Hill and Newman. The Committee did not meet in fiscal 2009.

The Audit Committee, comprised of Messrs. Clark, Newman and Burgess, is governed by an Audit Committee Charter which has been adopted by the Board of Directors. The Charter was revised on August 12, 2009 to provide for review, by the Audit Committee, of any related party transactions. Mr. Burgess serves as the Audit Committee financial expert. The Audit Committee met five times in fiscal 2009 with all members in attendance. Messrs. Clark, Newman and Burgess are independent directors within the meaning of Rule 5605(c)(2)(A) of the applicable NASDAQ Capital Market listing standards. A copy of the Audit Committee Charter is attached to this proxy statement as Appendix A.

The Compensation Committee, comprised of Messrs. Clark, Newman and Burgess, reviews the compensation of the Company's executive officers and makes recommendations in that regard to the Board as a whole. The Committee also administers the Company's stock option plans. The Compensation Committee met twice in fiscal 2009 with all members in attendance.

The Nominating Committee, comprised of Messrs. Clark, Newman and Burgess, met twice in fiscal 2009 with all members in attendance.

The Audit Committee Report

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The information contained in this Audit Committee Report shall not be deemed to be soliciting material, or deemed to be filed with or incorporated by reference in filings with the U.S. Securities and Exchange Commission, or subject to the liabilities of Section 18 of the Securities Exchange Act of 1934.

As required by the terms of the Audit Committee Charter, the undersigned members of the Audit Committee have:

1. reviewed and discussed the Company's audited financial statements with management of the Company;
2. reviewed and discussed with the Company's independent registered public accounting firm the matters required to be discussed by the Statement on Auditing Standards No. 114, as adopted by the Public Company Accounting Oversight Board in Rule 3200T;

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3. received the written disclosures and the letter from the independent accountants, as required by Public Company Accounting Oversight Board in Rule 3526 ("Communication With Audit Committees Concerning Independence") as adopted by the Public Company Accounting Oversight Board in Rule 3600T, and has discussed with the independent accountant, the independent accountants' independence; and
4. Based on the foregoing, the Audit Committee has recommended to the Company's Board of Directors that the audited financial statements be included in the Company's Annual Report on Form 10-K for fiscal 2009 for filing with the Securities and Exchange Commission ("SEC").

Respectfully submitted,

John Burgess
Randall L. Clark
Reginald B. Newman II

Nominating Committee

Nominating Committee members, Messrs. Clark, Newman and Burgess, are independent directors within the meaning of Rule 5605(a)(2) of the applicable NASDAQ Capital Market listing standards. The Nominating Committee is governed by the terms of the Nominating Committee Charter and its Attachments (together, the "Charter") with respect to the consideration and selection of nominees, including those recommended by shareholders, proposed for election to the Board of Directors. The Charter was approved by the Board of Directors on February 9, 2005.

The Criteria and Procedures.

The Company strives to have a Board of Directors which will work diligently to promote the long-term interests of the Company and its shareholders. To that end, the Charter sets forth certain director qualification criteria (the "Criteria") which the Nominating Committee believes are necessary for a director of the Company to possess, and provides a description of the procedures to be followed when making a recommendation as to any nominee. So long as any individual proposed by shareholders meets the Criteria, the Nominating Committee will consider such recommendations on the same basis as other candidates. The Criteria include integrity, reputation, judgment, knowledge, independence, experience and accomplishments, board interaction, skills and long-term commitment. The Committee is to apply the Criteria to candidates recommended by a Nominating Committee member, other Directors and management, as well to any candidate meeting the Criteria recommended by shareholders.

The Evaluation Process.

The Charter also describes the process for identifying and evaluating nominees for director, including those nominated by shareholders. In each instance, the Nominating Committee is to assess the Board's present and anticipated strengths and needs, based upon the Company's current and future needs. The selection of candidates is intended to provide the Board with an appropriate balance of expertise or experience in accounting and finance, technology, management, international business outside of the United States, compensation, corporate governance, strategy, industry knowledge and general business matters.

Management's Nominees.

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Messrs. Clark and Newman recommended both Messrs. Hill and Burgess as management's proposed Class 2 Director nominees to stand for election by shareholders at this Annual Meeting. In addition to other Criteria, any nominee recommended to fill the vacancy on the Board will be required to meet independence standards within the meaning of Rule 5605(c)(2)(A) of the applicable NASDAQ Capital Market listing standards.

Nominees by Shareholders.

Shareholders of the Company may make their suggestions for a director nominee to the entire Board of Directors, or to any individual director, by a submission directed to the Company's Corporate Secretary's Office. The Corporate Secretary's Office will then forward the recommendation, together with all supporting documentation, to Mr. Clark, as Chairman of the Nominating Committee. Supporting documentation must include a detailed background of the proposed candidate, and demonstrate how the candidate meets the Criteria. In fiscal year 2009, one self-nominated shareholder was proposed to the Nominating Committee as a candidate for director.

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Recommendations should be sent c/o Corporate Secretary's Office, Taylor Devices, Inc., 90 Taylor Drive, P. O. Box 748, North Tonawanda, NY 14120-0748.

Director Compensation

Each member of the Board of Directors receives a fee of \$2,500 for each Board meeting attended. The Secretary or Assistant Secretary of the meeting receives an additional fee of \$2,250 per meeting for secretarial services.

The Audit Committee meets independently of the Board of Directors not less than four times each year. Each committee member receives a fee of \$1,000 per meeting. The Secretary or Assistant Secretary of the meeting receives an additional fee of \$500 per meeting for secretarial services.

The Nominating Committee meets independently of the Board of Directors not less than once a year. Each committee member receives a fee of \$500 per meeting. The Secretary or Assistant Secretary of the meeting receives an additional fee of \$250 per meeting for secretarial services.

The Compensation Committee meets independently of the Board of Directors not less than twice a year. Each committee member receives a fee of \$500 per meeting. The Secretary or Assistant Secretary of the meeting receives an additional fee of \$250 per meeting for secretarial services.

Pursuant to the formula set forth in the 2005 Plan, on April 18, 2009, the fixed date of the grant, each director was granted options to purchase 5,000 shares of the Company's stock. The exercise price on April 18, 2009 was \$2.83, which was the mean between the high and low prices for a share of common stock as quoted by NASDAQ on that date. If there is only one price quoted for the day of the grant, the fair market value shall be such price; and if no such price is quoted for the day of the grant, the fair market value shall be the previous closing price. In the event that no previous closing price is available, then the fair market value of one share of Common Stock on the day the option is granted shall be determined by the Committee or by the Board.

Director Compensation Table

| Name | Fees earned or paid in cash (\$) | Stock awards (\$) | Option awards (\$) | Non-equity incentive plan compensation (\$) | Nonqualified deferred compensation earnings (\$) | All other compensation (\$) | Total (\$) |
|------------------|---|--------------------------|---------------------------|--|---|------------------------------------|-------------------|
| John Burgess | \$17,000 | None | \$5,304 | None | None | \$750 | \$23,804 |
| Randall L. Clark | \$17,000 | None | \$5,304 | None | None | \$750 | \$23,804 |

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| | | | | | | | |
|-----------------------|----------|------|---------|------|------|-------|----------|
| Reginald B. Newman II | \$17,000 | None | \$5,304 | None | None | \$750 | \$23,804 |
|-----------------------|----------|------|---------|------|------|-------|----------|

Current Directors and Officers

For information concerning Messrs. Taylor, Hill, Clark, Newman and Burgess, see "ELECTION OF DIRECTORS --Nominees and Directors" above.

Mark V. McDonough, (49), the Treasurer and Chief Financial Officer of the Company, joined the Company in 2003. Mr. McDonough is also a director of Tayco Realty. Before he joined the Company, Mr. McDonough served as Director of Finance at Saint-Gobain Technical Fabrics, Inc. Prior to that time, he had been employed as Corporate Controller with International Motion Control, Inc. Both are manufacturing companies in the Western New York region.

Section 16(a) Beneficial Ownership Reporting Compliance

Based solely on a review of Forms 3 and 4 furnished to the Company during the 2009 fiscal year, as well as written representations from the Company's directors and executive officers that no Form 5 was required, all reporting persons filed the required forms on a timely basis.

Code of Ethics

On August 23, 2003, the Company adopted a Code of Ethics (the "Code") which is a compilation of written standards reasonably designed to deter wrongdoing and promote honest and ethical conduct. Code requirements include, among others, the preparation of full, fair, timely and understandable disclosure in documents that the Company files with and submits to the SEC; compliance with governmental laws, rules and regulations; prompt internal reporting of violations to the Code; and accountability for adherence to the Code. There have been no amendments to the Code since its adoption.

EXECUTIVE COMPENSATION

The following table sets forth certain information concerning compensation of and stock options held by the Company's Chief Executive Officer, Executive Vice President and Chief Financial Officer.

Summary Compensation Table

| Name and principal position | Year | Salary (\$) | Bonus (\$) | Stock awards (\$) | Option awards (\$) | Nonequity incentive plan compensation (\$) | Nonqualified deferred compensation earnings (\$) | All other compensation (\$) | Total (\$) |
|--|------|-------------|------------|-------------------|--------------------|--|--|-----------------------------|------------|
| Douglas P. Taylor Chairman, President, Chief Executive Officer | 2009 | \$210,242 | None | None | \$5,304 | - | None | \$33,350 ¹ | \$248,896 |
| | 2008 | \$204,983 | None | None | \$8,556 | \$97,580 | None | \$33,850 ² | \$344,969 |
| Richard G. Hill Executive Vice President | 2009 | \$166,083 | None | None | \$5,304 | - | None | \$33,350 ³ | \$204,737 |
| | 2008 | \$161,235 | None | None | \$8,556 | \$76,754 | None | \$33,850 ⁴ | \$280,395 |
| Mark V. McDonough | 2009 | \$119,899 | None | None | \$7,756 | - | None | \$23,100 | \$150,755 |
| | 2008 | \$116,907 | None | None | \$9,899 | \$55,658 | None | \$26,100 | \$208,564 |

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Chief Financial Officer

Option awards include 5,000 options awarded to Mr. Taylor in both 2009 and 2008, 5,000 options awarded to Mr. Hill in both 2009 and 2008 and 4,000 options awarded to Mr. McDonough in both 2009 and 2008.

Assumptions made in the valuation of option awards are described in Note 14 to the Company's Consolidated Financial Statements included in the Company's Annual Report to Shareholders accompanying this Proxy Statement.

¹Includes \$10,000 for fees Mr. Taylor earned as a Director in fiscal year 2009.

²Includes \$15,000 for fees Mr. Taylor earned as a Director in fiscal year 2008.

³Includes \$10,000 for fees Mr. Hill earned as a Director in fiscal year 2009.

⁴Includes \$15,000 for fees Mr. Hill earned as a Director in fiscal year 2008.

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Outstanding Equity Awards at Fiscal Year-End

| Name | Option Awards | | | | | Stock Awards | | | |
|-------------------|---|---|--|----------------------------|------------------------|---|--|---|--|
| | Number of securities underlying unexercised options (#) exercisable | Number of securities underlying unexercised options (#) unexercisable | Equity incentive plan awards: Number of securities underlying unexercised unearned options (#) | Option exercise price (\$) | Option expiration date | Number of shares or units of stock that have not vested (#) | Market value of shares or units of stock that have not vested (\$) | Equity incentive plan awards: Number of unearned shares, units or other rights that have not vested (#) | Equity incentive plan awards: Market or payout value of unearned shares, units or other rights that have not vested (\$) |
| Douglas P. Taylor | 5,000 | | | \$2.875 | 4/18/15 | | | | |
| | 5,000 | | | \$5.885 | 4/18/16 | | | | |
| | 5,000 | None | None | \$5.575 | 4/18/17 | None | None | None | None |
| | 5,000 | | | \$5.205 | 4/18/18 | | | | |
| | 5,000 | | | \$2.830 | 4/18/19 | | | | |
| Richard G. Hill | 5,000 | | | \$5.885 | 4/18/16 | | | | |
| | 5,000 | None | None | \$5.575 | 4/18/17 | None | None | None | None |
| | 5,000 | | | \$5.205 | 4/18/18 | | | | |
| Mark V. McDonough | 5,000 | | | \$2.830 | 4/18/19 | | | | |
| | 2,000 | | | \$3.030 | 8/02/15 | | | | |
| | 2,000 | None | None | \$6.170 | 8/02/16 | None | None | None | None |
| | 4,000 | | | \$6.170 | 7/23/17 | | | | |
| | 4,000 | | | \$6.040 | 8/05/18 | | | | |

Equity Compensation Plan Information

The following table sets forth information regarding equity compensation plans of the Company as of May 31, 2009.

Equity Compensation Plan Information

| Plan Category | Number of securities to be issued upon exercise of outstanding options, warrants, and rights (a) | Weighted-average exercise price of outstanding options, warrants and rights (b) | Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c) |
|--|---|--|--|
| Equity compensation plans approved by security holders | | | |
| 1998 Stock Option Plan | 10,000 | \$4.50 | - |
| 2001 Stock Option Plan | 19,250 | \$3.80 | - |
| 2005 Stock Option Plan | 130,750 | \$5.19 | 7,750 |
| 2008 Stock Option Plan | - | - | 140,000 |
| Equity compensation plans not approved by security holders | | | |
| 2004 Employee Stock Purchase Plan (1) | - | - | 239,806 |
| Total | 160,000 | | 387,556 |

- (1) The Company's 2004 Employee Stock Purchase Plan (the "Employee Plan") permits eligible employees to purchase shares of the Company's common stock at fair market value through payroll deductions and without brokers' fees. Such purchases are without any contribution on the part of the Company. As of May 31, 2009, 239,806 shares were available for issuance.

Employment Agreements

As of December 1, 2000, Messrs. Taylor and Hill (each, an "Executive") entered into Employment Agreements with the Company (together, the "Agreements"). The Agreements, by their terms, expire on December 31, 2009, provided however, that, upon written notice given by either party to the other at least 30 days prior to the expiration date, this Agreement may be renewed by mutual agreement of the parties. Prior to any renewal of this Agreement by the Company, the Board of Directors of the Company, acting by a majority of its disinterested members, shall conduct a comprehensive evaluation and review of the performance of the Executive for purposes of determining whether to renew the Agreement. Under the Agreements, Messrs. Taylor and Hill are entitled to receive base salaries of not less than \$174,000 per year and \$138,000, respectively, together with such employee benefits and perquisites as were available to them immediately prior to December 1, 2000. Should the Executive voluntarily resign, the Company may, in the discretion of the Board, pay the Executive a severance payment which the Board may determine at the time. The Company retains the right to terminate each Executive for "Cause", without compensation. "Cause" is defined to include personal dishonesty, incompetence, willful misconduct, any breach of fiduciary duty involving personal profit, intentional failure to perform stated duties, willful violation of law, or willful material breach of the Agreement. If the Company terminates either Executive without cause, or if either Executive resigns because the Company has failed to appoint him to the office he currently holds, or makes any material change in his functions, duties, or responsibilities, then the terminated Executive is entitled to a payment equal to the greater of the payments due him for the remaining term or 1.2 times the average of his three preceding years' cash compensation plus contributions to employee benefit plans. In the event of a "Change of Control," as defined in the Agreements, followed by termination of the Executive's employment, the Company has agreed to pay each Executive a sum equal to the greater of the payments due him for the remaining term, or 2.99 times the average of the five preceding years' cash compensation plus contributions to employee benefit plans. If an Executive voluntarily terminates his employment when there has not been a Change in Control, then the Agreements provide that the Executive will not compete with the Company for a period of one year in any city, town or county where the Company's principal office is located.

Indemnification Insurance for Directors and Officers

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On August 24, 2009, the Company purchased a director and officer indemnification insurance policy written by the Federal Insurance Company through Chubb. The renewal was for a one year period at an annual premium of \$47,000. The policy provides indemnification benefits and the payment of expenses in actions instituted against any director or officer of the Company for claimed liability arising out of his conduct in such capacities. No payments or claims for indemnification or expenses have been made under any directors and officers' insurance policies purchased by the Company.

The Company has entered into Indemnity Agreements with its directors and certain officers. Although the New York Business Corporation Law (the "BCL") and the By-laws authorize the Company to indemnify directors and officers, they do not require the directors and officers to be indemnified during the pendency of litigation or specify the times at which the Company is obligated to reimburse an indemnified person for expenses. The Indemnity Agreements provide that the Company will advance litigation expenses to the person indemnified while the action is pending, upon the indemnified person's assurance (as required by the BCL) that the advance will be returned if the indemnified person is ultimately found not to be entitled to it.

OTHER PLANS

The Company adopted an Employee Stock Purchase Plan in 2004. As of September 25, 2009, there are 239,806 shares available for sale to qualified employees. The Company also provides a 401(k) plan.

TRANSACTIONS WITH MANAGEMENT AND OTHERS

None.

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INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee of the Company approves all professional services, including tax related services, provided to the Company by Lumsden & McCormick, LLP. With regard to "Audit and Audit-Related" services, the Committee reviews the annual audit plan and approves the estimated audit budget in advance. The aggregate fees billed by Lumsden & McCormick, LLP for professional services to the Company were \$89,300 and \$86,700 for the fiscal years ended May 31, 2009 and 2008.

Audit Fees

The aggregate fees billed by Lumsden & McCormick, LLP for professional services rendered in connection with the audit of the Company's annual financial statements, the review of the Company's quarterly financial statements and services that are normally provided in connection with statutory and regulatory filings or engagements were \$72,700 and \$67,500 for the fiscal years ended May 31, 2009 and 2008.

Audit-Related Fees

The aggregate fees billed by Lumsden & McCormick, LLP for professional assurance and related services reasonably related to the performance of the audit of the Company's financial statements, but not included under Audit Fees, were \$7,600 and \$14,200 for the fiscal years ended May 31, 2009 and 2008.

Tax Fees

The aggregate fees billed by Lumsden & McCormick, LLP for professional services for tax compliance, tax advice and tax planning were \$9,000 and \$5,000 for the fiscal years ended May 31, 2009 and 2008.

All Other Fees

None.

Pre-approval Policies and Procedures

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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The Audit Committee has adopted a policy that requires advance approval of all audit, audit-related, tax services, and other services performed by the independent auditor. The policy provides for pre-approval by the Audit Committee of specifically defined audit and non-audit services. Unless the specific service has been previously pre-approved with respect to that year, the Audit Committee must approve the permitted service before the independent auditor is engaged to perform it.

SHAREHOLDER COMMUNICATIONS AND PROPOSALS

Although the Board of Directors does not have a formal procedure for shareholders to send communications to the Board of Directors, a shareholder may communicate with the Company at its website at www.taylordevices.com/Investors.htm. The Company will relay communications to specified individual directors if an express request to do so is included in the shareholder communication.

Procedures for a nomination by a shareholder for election as a director are described under "*Nominees by Shareholders*" on page 6 of this Proxy Statement.

Proposals of shareholders intended to be presented to the year 2010 Annual Meeting of Shareholders must be received by the Secretary of the Company prior to May 31, 2010 for inclusion in the Proxy Statement and form of proxy. Shareholders wishing to propose a matter for consideration at the 2009 Annual Meeting of Shareholders must follow certain specified advance notice procedures set forth in the Company's By Laws, a copy of which is available upon written request to: Reginald B. Newman II, Secretary, Taylor Devices, Inc., 90 Taylor Drive, P.O. Box 748, North Tonawanda, New York 14120 0748.

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The By Laws designate procedures for the calling and conduct of a meeting of shareholders, including, but not limited to, specifying who may call the meeting, what business may be conducted, the procedures with respect to the making of shareholder proposals, and the procedures and requirements for shareholder nomination of directors.

The Company will provide without charge, on the written request of any person from whom a proxy is solicited, a copy of the Company's Annual Report on Form 10-K for the fiscal year ended May 31, 2009. A written request should be addressed to Kathleen A. Nicosia, Shareholder Relations Manager, 90 Taylor Drive, North Tonawanda, New York 14120-0748.

FINANCIAL STATEMENTS

The financial statements of the Company are contained in the Company's 2009 Annual Report which accompanies this Proxy Statement.

OTHER MATTERS

Voting

Under the Business Corporation Law of New York ("BCL") and the Company's By laws, the presence, in person or by proxy, of a majority of the outstanding common shares is necessary to constitute a quorum of the shareholders to take action at the Annual Meeting. The shares which are present or represented by a proxy will be counted for quorum purposes regardless of whether or not a broker with discretionary authority fails to exercise discretionary voting authority with respect to any particular matter.

Directors standing for election must be elected by a plurality of votes cast at the Annual Meeting and elected to their class terms. "Other Business," if properly brought before the meeting, must be adopted by a majority of affirmative votes cast by shareholders entitled to vote at the meeting.

For voting purposes, all proxies marked "for", "against", "abstain", or "withhold authority" will be counted in accordance with such instruction as to each item. In no event will an abstention be counted as a vote cast. No broker non votes will be counted for any item.

Expenses

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The expenses of this solicitation, including the costs of preparing and mailing this Proxy Statement and accompanying material, will be borne by the Company. The Company has retained the services of Regan & Associates, Inc. to assist in the solicitation of proxies under a contract providing for payment of \$5,250, plus reimbursement of reasonable out of pocket expenses. In addition to solicitations by mail, Regan & Associates, Inc. and regular employees of the Company may solicit proxies in person, by mail or by telephone, but no employee of the Company will receive any compensation for solicitation activities in addition to his or her regular compensation. Expenses may also include the charges and expenses of brokerage houses, nominees, custodians and fiduciaries for forwarding proxies and proxy materials to beneficial owners of shares.

The Board of Directors knows of no other matters to be voted upon at the Annual Meeting. If any other matters properly come before the Annual Meeting, it is the intention of the persons named in the enclosed form of proxy to vote on such matters in accordance with their judgment.

By Order of the Board of Directors

/s/ Reginald B. Newman II

Reginald B. Newman II

Secretary

Dated: September 28, 2009
North Tonawanda, New York

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Appendix A

CHARTER OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS OF TAYLOR DEVICES, INC. (Revised August 12, 2009)

Status

The Audit Committee is a committee of the Board of Directors.

Composition

The Audit Committee shall be appointed by resolution passed by a majority of the Board of Directors. A minimum of three directors shall be selected to serve on the Audit Committee, all of whom shall, in the judgment of the Board of Directors, be independent in accordance with the NASD listing standards applicable to the NASDAQ Capital Market.

Each member shall, in the judgment of the Board of Directors, have the ability to read and understand the Company's fundamental financial statements, including the Company's balance sheet, income statement and cash flow statement. At least one member of the Audit Committee shall, in the judgment of the Board of Directors, be an "audit committee financial expert" within the meaning of the definition set forth in rules of the Securities and Exchange Commission ("SEC") and at least one member (who may also serve as the audit committee financial expert) shall, in the judgment of the Board of Directors, have past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background which results in such member's financial sophistication, including having been a chief executive officer or other senior officer with financial oversight responsibilities in accordance with applicable listing standards.

Funding

The Company shall provide the Audit Committee with appropriate funding to discharge its duties under this Charter.

Purpose

The Audit Committee shall represent and assist the Board of Directors with its oversight of: (a) the integrity of the Company's financial statements and internal controls, (b) the Company's compliance with legal and regulatory requirements therefor, (c) the independent auditor's qualifications and independence and (d) the performance of the Company's internal audit function and independent auditor. Except as

otherwise required by applicable laws, regulations or listing standards, all major decisions are considered by the Board of Directors as a whole.

Duties and Responsibilities

Independent Auditor

The independent auditor has ultimate accountability to the Board of Directors and the Audit Committee, as representatives of the shareholders. The Audit Committee shall:

1. Appoint, retain (subject to approval by the Company's shareholders) and terminate when appropriate, the independent auditor, establish the independent auditor's compensation, and pre-approve and directly oversee all audit services to be provided by the independent auditor, including resolution of disagreements between management and the independent auditor regarding financial reporting.

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2. Pre-approve all permitted non-audit services to be performed by the independent auditor and establish policies and procedures for the engagement of the independent auditor to provide permitted non-audit services.
3. Receive and review an annual formal written statement from the independent auditor delineating all relationships between the auditor and the Company, consistent with Public Company Accounting Oversight Board Rule 3526; actively engage in a dialogue with the auditor with respect to any disclosed relationships or services that may impact the objectivity and independence of the auditor; and take, or recommend that the full Board take, appropriate action to oversee the independence of the auditor.
4. Receive and review: (a) a report by the independent auditor describing the independent auditor's internal quality control procedures and any material issues raised by the most recent internal quality control review, or peer review, of the independent auditing firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues; and (b) other required reports from the independent auditor.
5. At least annually, consider the independence of the independent auditor, including whether the provision by the independent auditor of permitted non-audit services is compatible with independence, and obtain and review a report from the independent auditor describing all relationships between the auditor and the Company.

Internal Controls

6. Review with the independent auditor: (a) the scope and results of the audit; (b) any problems or difficulties that the independent auditor encountered in the course of the audit work and management's response; and (c) any questions, comments or suggestions the independent auditor may have relating to internal control over financial reporting, disclosure controls and procedures, and accounting practices and procedures of the Company or its affiliates and subsidiaries.
7. Review, at least annually, the scope and results of the Company's internal audit program, including then current and future programs of the Company's internal audit department, any and all procedures for implementing accepted recommendations made by the independent auditor, and any significant matters contained in reports from the internal audit department.
8. Review with the independent auditor, the Company's internal audit department and management: (a) the adequacy and effectiveness of the systems of internal control over financial reporting (including any significant deficiencies and significant changes, as reported to the Audit Committee by the independent auditor or management), accounting practices, and disclosure controls and procedures (and management reports thereon), of the Company and its affiliates or subsidiaries; and (b) current accounting trends and developments, and take such action with respect thereto as may be deemed appropriate.
9. Review with the independent auditor, the Company's internal audit department and management, when and as such requirements are applicable: (a) the annual report of management on the Company's internal control over financial reporting required under Section 404 of the Sarbanes-Oxley Act of 2002; and (b) the attestation report from the

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independent auditor regarding management's assessment of the Company's internal control over financial reporting.

10. Review descriptions of related party transactions under the Company's policy on related party transactions.
11. Review each related party transaction for fairness to the Company and its shareholders; approve and/or modify it, or direct that it be abandoned; and report to the Board regarding the Committee's determination.

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12. In connection with any related party transaction arguably required to be reported in the Company's annual meeting proxy statement: identify such transaction as one where either no review, approval or ratification is necessary, or where the Company's policy on related party transactions has not been followed.

Compliance and Disclosure

13. Review certifications signed by the chief executive officer and the chief financial officer in connection with any periodic reports filed by the Company with the SEC and discuss with such individuals, the adequacy of the Company's design or operation of its internal control over financial reporting, its disclosure controls and procedures, and any fraud or potential fraud, if any, involving management or employees in connection with any internal control function, as required by the Sarbanes-Oxley Act of 2002 and related rules and regulations.
14. Review with management and the independent auditor, the annual and quarterly financial statements of the Company, including: (a) the Company's disclosures under "Management's Discussion and Analysis or Plan of Operation;" (b) any material changes in accounting principles or practices used in preparing the financial statements prior to the filing with the SEC of a report on Form 10-K or 10-Q; and (c) the items required by Statement of Auditing Standards 114, as in effect at that time in the case of the annual statements, and Statement of Auditing Standards 114, as in effect at that time in the case of the quarterly statements.
15. Recommend to the Board of Directors, based on the review described in paragraphs 4 and 10 above, whether the Company's financial statements should be included in the annual report on Form 10-K.
16. Review earnings press releases, as well as Company policies with respect to the earnings press releases, financial information and earnings guidance provided to analysts and rating agencies.
17. Discuss Company policies with respect to risk assessment and risk management, and review contingent liabilities and risks that may be material to the Company and major legislative and regulatory developments which could materially impact the Company's contingent liabilities and risks.
18. Review: (a) the status of compliance with applicable laws, regulations, internal control over financial reporting, and disclosure controls and procedures; and (b) the scope and status of systems designed to promote Company compliance with laws, regulations and internal procedures, through receiving reports from management, legal counsel and third parties, as determined by the Audit Committee.

Administration

19. Establish procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters, including procedures for the confidential and anonymous submission by the Company's employees of concerns regarding questionable accounting or auditing matters.
20. Establish policies for the hiring of employees and former employees of the independent auditor.
21. Retain, in its sole discretion and at the Company's expense, special independent accounting, legal, or other advisors, as the Audit Committee deems necessary in the performance of its duties and responsibilities.
22. Conduct an annual performance evaluation of the Audit Committee and annually evaluate the adequacy of this Audit Committee Charter.

Meetings

The Audit Committee shall meet not less than four times each year and at such other times as it deems necessary to fulfill its responsibilities. The Audit Committee shall periodically meet separately in executive session with management, the internal auditor and the independent auditor. The Audit Committee shall report regularly to the Board of Directors with respect to its activities and make recommendations to the Board of Directors, as appropriate.

Report

The Audit Committee shall prepare a report each year for inclusion in the Company's proxy statement relating to the election of directors.

**TAYLOR DEVICES, INC.
PROXY SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS
FOR THE ANNUAL MEETING OF SHAREHOLDERS TO BE HELD NOVEMBER 6, 2009 AT 11:00 A.M.
HOLIDAY INN, 1881 NIAGARA FALLS BOULEVARD, AMHERST, NEW YORK**

The Board of Directors recommends that you vote **FOR**:

1. ELECTION OF DIRECTORS

TWO DIRECTORS TO BE ELECTED TO CLASS 2, A THREE YEAR TERM

Richard G. Hill

- FOR nominee
 Withhold authority for nominee

John Burgess

- FOR nominee
 Withhold authority for nominee

2. In their discretion, the proxies are authorized to vote on any other business that may properly come before the meeting or any adjournment(s) or postponement(s) thereof.

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE
SHAREHOLDER MEETING TO BE HELD ON NOVEMBER 6, 2009**

**The proxy statement and the annual report to shareholders are available at
www.taylordevices.com/investors.html**

TAYLOR DEVICES, INC.

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

The undersigned hereby appoints Douglas P. Taylor and Reginald B. Newman II, and each of them, with full power of substitution as proxies for the undersigned at the Annual Meeting of Shareholders of TAYLOR DEVICES, INC. to be held at the Holiday Inn, 1881 Niagara Falls Boulevard, Amherst, New York at 11:00 A.M. on November 6, 2009, and at any adjournment thereof, to vote and act with respect to all

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Common Shares of the Company which the undersigned would be entitled to vote, with all the power the undersigned would possess if present in person.

Please mark, sign, date and return this proxy. When properly completed, it will be voted exactly as you instruct. If you sign and return this proxy, without otherwise completing it, your shares will be voted FOR the nominees in Item 1 and in the discretion of the proxies on any other business that may properly come before the meeting or any adjournment(s) or postponement(s) thereof.

Please check this box if you plan to attend the Annual Meeting

Note: Please sign exactly as your name(s) appears on this card. Joint owners should each sign individually. Corporate proxies should be signed in full corporate name by an authorized officer. Fiduciaries should give full titles.

Signature

Signature of joint owner, if any

Date

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