TECHNICAL COMMUNICATIONS CORP
Form 10-Q
February 10, 2015
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

(Mark One)

x **Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the quarterly period ended December 27, 2014

¨ **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: 001-34816

TECHNICAL COMMUNICATIONS CORPORATION

(Exact name of registrant as specified in its charter)

Massachusetts	**04-2295040**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
100 Domino Drive, Concord, MA	**01742-2892**
(Address of principal executive offices)	**(Zip Code)**

Registrant s telephone number, including area code: (978) 287-5100

N/A

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether 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 x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

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

Large accelerated filer ¨	Accelerated filer ¨
Non-accelerated filer ¨	Smaller reporting company x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

Indicate the number of shares outstanding of each of the issuer s classes of common stock as of the latest practicable date. 1,838,921 shares of Common Stock, $0.10 par value, outstanding as of February 6, 2015.

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TECHNICAL COMMUNICATIONS CORPORATION AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

(Unaudited)

	December 27, 2014	September 27, 2014
Assets		
Current Assets:		
Cash and cash equivalents	$ 1,849,184	$ 3,210,237
Marketable securities		
Available for sale securities	1,417,865	1,416,890
Held to maturity securities	412,082	310,437
Accounts receivable - trade, less allowance of $25,000 at December 27, 2014 and September 27, 2014	785,778	403,139
Inventories, net	3,086,515	2,721,313
Other current assets	153,186	210,379
Total current assets	7,704,610	8,272,395
Marketable securities - held to maturity	994,621	1,105,140
Equipment and leasehold improvements	4,465,096	4,465,096
Less: accumulated depreciation and amortization	(4,084,968)	(4,033,233)
Equipment and leasehold improvements, net	380,128	431,863
Investment in unconsolidated subsidiary	275,000	
Total Assets	$ 9,354,359	$ 9,809,398
Liabilities and Stockholders Equity		
Current Liabilities:		
Accounts payable	$ 347,768	$ 173,553
Accrued liabilities:		
Accrued compensation and related expenses	238,772	163,410
Customer deposits	161,647	169,943
Other current liabilities	150,751	157,784
Income taxes payable	75,877	76,859
Total current liabilities	974,815	741,549
Commitments and contingencies		
Stockholders Equity:		
Common stock, par value $0.10 per share; 7,000,000 shares authorized; 1,838,921 shares issued and outstanding at	183,892	183,892

December 27, 2014 and September 27, 2014

Additional paid-in capital		4,024,291		3,986,996
Accumulated other comprehensive loss		(1,617)		(3,598)
Retained earnings		4,172,978		4,900,559
Total stockholders equity		8,379,544		9,067,849
Total Liabilities and Stockholders Equity	$	9,354,359	$	9,809,398

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

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TECHNICAL COMMUNICATIONS CORPORATION AND SUBSIDIARIES

Condensed Consolidated Statements of Operations

(Unaudited)

	Three Months Ended	
	December 27, 2014	**December 28, 2013**
Net sales	$ 883,146	$ 2,508,720
Cost of sales	271,031	788,860
Gross profit	612,115	1,719,860
Operating expenses:		
Selling, general and administrative	756,026	707,118
Product development	589,565	761,885
Total operating expenses	1,345,591	1,469,003
Operating (loss) income	(733,476)	250,857
Other income:		
Interest income	5,895	6,685
(Loss) income before provision for income taxes	(727,581)	257,542
Provision for income taxes		73,392
Net (loss) income	$ (727,581)	$ 184,150
Net (loss) income per common share:		
Basic	$ (0.40)	$ 0.10
Diluted	$ (0.40)	$ 0.10
Weighted average shares:		
Basic	1,838,921	1,838,716
Diluted	1,838,921	1,868,468

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

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TECHNICAL COMMUNICATIONS CORPORATION AND SUBSIDIARIES

Condensed Consolidated Statements of Comprehensive Income (Loss)

(Unaudited)

	Three Months Ended	
	December 27, 2014	December 28, 2013
Net (loss) income	$ (727,581)	$ 184,150
Unrealized gain (loss) on available for sale securities, net of tax	1,981	(4,414)
Comprehensive (loss) income	$ (725,600)	$ 179,736

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

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TECHNICAL COMMUNICATIONS CORPORATION AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows

(Unaudited)

	Three Months Ended December 27, 2014	Three Months Ended December 28, 2013
Operating Activities:		
Net (loss) income	$ (727,581)	$ 184,150
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:		
Depreciation and amortization	51,735	50,433
Stock-based compensation	37,295	38,274
Amortization of premium on held to maturity securities	9,880	16,669
Changes in certain operating assets and liabilities:		
Accounts receivable	(382,639)	1,082,084
Inventories	(365,202)	404,570
Income taxes receivable		72,480
Other current assets	57,193	67,787
Customer deposits	(8,296)	(210,836)
Accounts payable and other accrued liabilities	241,562	(68,734)
Net cash (used in) provided by operating activities	(1,086,053)	1,632,463
Investing Activities:		
Additions to equipment and leasehold improvements		(15,397)
Investment in unconsolidated subsidiary	(275,000)	
Proceeds from maturities of marketable securities		498,000
Purchases of marketable securities		(996,000)
Net cash used in investing activities	(275,000)	(513,397)
Financing Activities:		
Net cash used in financing activities		
Net (decrease) increase in cash and cash equivalents	(1,361,053)	1,119,066
Cash and cash equivalents at beginning of the period	3,210,237	2,810,923
Cash and cash equivalents at end of the period	$ 1,849,184	$ 3,929,989
Supplemental Disclosures:		
Interest paid	$	$
Income taxes paid	982	942

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

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TECHNICAL COMMUNICATIONS CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Interim Financial Statements

The accompanying unaudited condensed consolidated financial statements of Technical Communications Corporation (the Company or TCC) and its wholly-owned subsidiary include all adjustments which are, in the opinion of management, necessary for a fair presentation of the financial position and results of operations for the periods presented and in order to make the financial statements not misleading. All such adjustments are of a normal recurring nature. Interim results are not necessarily indicative of the results to be expected for the fiscal year ending October 3, 2015.

Certain footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted as allowed by Securities and Exchange Commission (SEC) rules and regulations. The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the Company s consolidated financial statements and the notes thereto in the Company s Annual Report on Form 10-K for the fiscal year ended September 27, 2014 as filed with the SEC.

We follow accounting standards set by the Financial Accounting Standards Board, commonly referred to as the FASB. The FASB sets generally accepted accounting principles (GAAP) that we follow to ensure we consistently report our financial condition, results of operations, and cash flows. References to GAAP issued by the FASB in these footnotes are to the *FASB Accounting Standards Codification*™ - sometimes referred to as the Codification or ASC.

It is anticipated that cash from operations will fund our near-term research and development and marketing activities through at least the end of fiscal year 2015. We also believe that, in the long term, based on current billable activities, cash from operations will be sufficient to meet the development goals of the Company, although we can give no assurances. Any increase in development activities - either billable or new product related - will require additional resources, which we may not be able to fund through cash from operations. In circumstances where resources will be insufficient, the Company will look to other sources of financing, including debt and/or equity investments, although we can give no assurances that the Company will be successful in obtaining such financing.

NOTE 1. Summary of Significant Accounting Policies and Significant Judgments and Estimates

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary. All significant intercompany accounts and transactions have been eliminated in consolidation. The Company s investment in an unconsolidated subsidiary is accounted for on a cost basis.

The discussion and analysis of our financial condition and results of operations are based on our unaudited condensed consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of these unaudited condensed consolidated financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting periods.

On an ongoing basis, management evaluates its estimates and judgments, including but not limited to those related to revenue recognition, inventory reserves, receivable reserves, marketable securities, impairment of long-lived assets, income taxes, fair value of financial instruments and stock-based compensation. Management bases its estimates on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. By their nature estimates are subject to an inherent degree of uncertainty. Actual results may differ from these estimates under different assumptions or conditions.

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NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont d)

The accounting policies that management believes are most critical to aid in fully understanding and evaluating our reported financial results include the following:

Revenue Recognition

Product revenue is recognized when there is persuasive evidence of an arrangement, the fee is fixed or determinable, delivery of the product and passage of title to the customer has occurred and we have determined that collection of the fee is probable. Title to the product generally passes upon shipment of the product, as the products are shipped FOB shipping point, except for certain foreign shipments for which title passes upon entry of the product into the first port in the buyer s country. If the product requires installation to be performed by TCC or there exists other acceptance criteria, all revenue related to the product is deferred and recognized upon completion of the installation or satisfaction of the customer acceptance criteria. We provide for a warranty reserve at the time the product revenue is recognized.

We perform funded research and development and technology development for commercial companies and government agencies under both cost reimbursement and fixed-price contracts. Cost reimbursement contracts provide for the reimbursement of allowable costs and, in some situations, the payment of a fee. These contracts may contain incentive clauses providing for increases or decreases in the fee depending on how actual costs compare with a budget. Revenue from cost reimbursement contracts is recognized as services are performed. On fixed-price contracts that are expected to exceed one year in duration, revenue is recognized pursuant to the proportional performance method based upon the proportion of actual costs incurred to date to the total estimated costs for the contract. In each type of contract, we receive periodic progress payments or payments upon reaching interim milestones, and we retain the rights to the intellectual property developed in government contracts. All payments to TCC for work performed on contracts with agencies of the U.S. government are subject to audit and adjustment by the Defense Contract Audit Agency. Adjustments are recognized in the period made. There have been no government audits in recent years and the company believes the result of such audits, should they occur, will not have a material adverse effect on its financial position or results of operations. When current estimates of total contract revenue and contract costs for a product development contract indicate a loss, a provision for the entire amount of the loss on the contract is recorded. Any losses incurred in performing funded research and development projects are recognized as funded research and development expenses.

Cost of product revenue includes material, labor and overhead. Costs incurred in connection with funded research and development are included in cost of sales. Product development costs are charged to billable engineering services, bid and proposal efforts or business development activities, as appropriate. Product development costs charged to billable projects are recorded as cost of sales; engineering costs charged to bid and proposal efforts are recorded as selling expenses; and product development costs charged to business development activities are recorded as marketing expenses. Product development costs consist primarily of personnel costs, outside contractor and engineering services, supplies and materials.

Cash and Cash Equivalents

Cash and cash equivalents include demand deposits at banks and other investments (including mutual funds) readily convertible into cash. Cash equivalents are stated at cost, which approximates market value. At December 27, 2014, the Company had restrictions on the use of cash which was used as collateral to secured three outstanding letters of credit totaling $348,695.

Long-lived Assets

The Company s only long-lived assets are equipment and leasehold improvements. Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. These events include a significant decrease in the market price of a long-lived asset, a significant adverse change in the extent or manner in which a long-lived asset is being used or in its physical condition, a significant adverse change in legal factors or in the business climate that could affect the value of a long-lived asset, including an adverse action or assessment by a regulator, an accumulation of costs significantly in excess of the amount originally expected for the acquisition or

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NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont d)

construction of a long-lived asset, a current-period operating or cash flow loss combined with a history of operating or cash flow losses or a projection or forecast that demonstrates continuing losses associated with the use of a long-lived asset, among other items. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the asset to the estimated undiscounted future cash flows expected to be generated by such asset. If the carrying amount of the asset exceeds its estimated undiscounted future cash flows, an impairment charge is recognized in the amount by which the carrying amount exceeds the fair value of the asset.

Inventory

We value our inventory at the lower of actual cost (based on first-in, first-out (FIFO)) to purchase and/or manufacture or the current estimated market value (based on the estimated selling prices, less the cost to sell) of the inventory. We periodically review inventory quantities on hand and record a provision for excess and/or obsolete inventory based primarily on our estimated forecast of product demand, as well as historical usage. Due to the custom and specific nature of certain of our products, demand and usage for products and materials can fluctuate significantly. A significant decrease in demand for our products could result in a short-term increase in the cost of inventory purchases and an increase in excess inventory quantities on hand. In addition, our industry is characterized by rapid technological change, frequent new product development and rapid product obsolescence, any of which could result in an increase in the amount of obsolete inventory quantities on hand. Therefore, although we make every effort to ensure the accuracy of our forecasts of future product demand, any significant unanticipated changes in demand or technological developments could have a significant negative impact on the value of our inventory and would reduce our reported operating results.

Accounts Receivable

Accounts receivable are reduced by an allowance for amounts that may become uncollectible in the future. The estimated allowance for uncollectible amounts is based primarily on a specific analysis of accounts in the receivable portfolio and historical write-off experience. While management believes the allowance to be adequate, if the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required and would result in a reduction to our net income. The allowance recorded for accounts receivable at December 27, 2014 and September 27, 2014 was $25,000.

Investments

The Company accounts for marketable securities in accordance with FASB ASC 320, *Investments Debt and Equity Securities.* All marketable securities must be classified as one of the following: held to maturity, available for sale, or trading. The Company classifies its marketable securities as either available for sale and or held to maturity. The available for sale investments are valued at fair value, with unrealized holding gains and losses reported in stockholders equity as a separate component of accumulated other comprehensive income (loss). The cost of securities sold is determined based on the specific identification method. Realized gains and losses, and declines in value judged to be other than temporary, are included in investment income. The Company s held to maturity securities, comprised of investments in municipal bonds, are valued at amortized cost. The purchase discount or premium is amortized to income or expense, respectively, over the life of the securities.

The fair value of a cost method investment is not estimated if there are no identified events or changes in circumstances that may have a significant adverse effect on the fair value of the investment.

Accounting for Income Taxes

The preparation of our unaudited condensed consolidated financial statements requires us to estimate our income taxes in each of the jurisdictions in which we operate, including those outside the United States, which may subject the Company to certain risks that ordinarily would not be expected in the United States. The income tax accounting process involves estimating our actual current exposure together with assessing

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont d)

temporary differences resulting from differing treatments of items, such as deferred revenue, reserves on accounts receivable and inventory, as well as depreciation differences for tax and accounting purposes. These differences result in the recognition of deferred tax assets and liabilities. We must then record a valuation allowance to reduce our deferred tax assets to the amount that is more likely than not to be realized.

Significant management judgment is required in determining our provision for income taxes, our deferred tax assets and liabilities, and any valuation allowance recorded against deferred tax assets. During the fiscal year ended September 27, 2014, we recorded a full valuation allowance against our net deferred tax assets of approximately $2.4 million due to uncertainties related to our ability to utilize these assets. The valuation allowance is based on our estimates of taxable income by jurisdiction and the period over which our deferred tax assets will be recoverable. In the event that actual results differ from these estimates or we adjust these estimates in future periods, we may need to adjust our valuation allowance, which could materially impact our financial position and results of operation.

We recognize tax liabilities in accordance with FASB ASC 740-10, *Income Taxes* and we adjust such liabilities when our judgment changes as a result of the evaluation of information not previously available. Due to the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from our current estimate of the tax liabilities. These differences will be reflected as increases or decreases to income tax expense in the period in which they are determined.

The Company follows the appropriate guidance relative to uncertain tax positions. This standard provides detailed guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions recognized in the financial statements. Uncertain tax positions must meet a recognition threshold of more-likely-than-not in order for those tax positions to be recognized in the financial statements. As of December 27, 2014 and September 27, 2014 the Company had uncertain tax positions of $81,218 and $80,829, respectively.

Due to the nature of our current operations in foreign countries (selling products into these countries with the assistance of local representatives), the Company has not been subject to any foreign taxes in recent years, and it is not anticipated that we will be subject to foreign taxes in the near future.

Fair Value of Financial Instruments

In determining the fair value of financial instruments, the Company follows the provisions of FASB ASC 820, *Fair Value Measurements and Disclosures*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value under GAAP and enhances disclosures about fair value measurements. The topic provides a consistent definition of fair value which focuses on an exit price, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The topic also prioritizes, within the measurement of fair value, the use of market-based information over entity specific information and establishes a three-level hierarchy for fair value measurements based on the nature of inputs used in the valuation of an asset or liability as of the measurement date. The three-level hierarchy is as follows:

Level 1 - Pricing inputs are quoted prices available in active markets for identical investments as of the reporting date.

Level 2 - Pricing inputs are quoted prices for similar investments, or inputs that are observable, either directly or indirectly, for substantially the full term through corroboration with observable market data.

Level 3 - Pricing inputs are unobservable for the investment, that is, inputs that reflect the reporting entity s own assumptions about the assumptions market participants would use in pricing the asset or liability.

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NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont d)

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment s level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Company s assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment.

The Company s held to maturity securities are comprised of investments in municipal bonds. These securities represent ownership in individual bonds issued by municipalities within the United States, certificates of deposit in U.S. banks, and money market funds held in a brokerage account. The fair value of these investments is based on quoted prices from recognized pricing services (e.g. Standard & Poor s, Bloomberg, etc.) or, in the case of mutual funds, at their closing net asset value.

The Company assesses the levels of the investments at each measurement date, and transfers between levels are recognized on the actual date of the event or change in circumstances that caused the transfer in accordance with the Company s accounting policy regarding the recognition of transfers between levels of the fair value hierarchy. During the three month period ended December 27, 2014 and the year ended September 27, 2014, there were no transfers between levels.

The following table sets forth by level, within the fair value hierarchy, the financial instruments carried at fair value as of December 27, 2014 and September 27, 2014, in accordance with the fair value hierarchy as defined above. As of December 27, 2014 and September 27, 2014, the Company did not hold any assets classified as Level 3.

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
December 27, 2014			
Certificates of deposits:			
Certificates of deposit	$ 1,417,865	$	$ 1,417,865
Total debt instruments	1,417,865		1,417,865
Mutual funds:			
Money market funds	817,018	817,018	
Total mutual funds	817,018	817,018	
Total investments	$ 2,234,883	$ 817,018	$ 1,417,865
September 27, 2014			
Debt and certificates of deposits:			

Certificates of deposit	$ 1,416,890		$ 1,416,890
Total debt instruments	1,416,890		1,416,890
Mutual funds:			
Money market funds	1,801,443	$ 1,801,443	
Total mutual funds	1,801,443	1,801,443	
Total investments	$ 3,218,333	$ 1,801,443	$ 1,416,890

There were no assets or liabilities measured on a nonrecurring basis at December 27, 2014 and September 27, 2014.

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NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont d)

Stock-Based Compensation

Stock-based compensation cost is measured at the grant date based on the calculated fair value of the award. The expense is recognized over the participant s requisite service period, generally the vesting period of the award. The related excess tax benefit received upon the exercise of stock options, if any, is reflected in the Company s statement of cash flows as a financing activity rather than an operating activity. There were no excess tax benefits recorded during the three month periods ended December 27, 2014 and December 28, 2013.

The Company uses the Black-Scholes option pricing model as the method for determining the estimated fair value of its stock awards. The Black-Scholes method of valuation requires several assumptions: (1) the expected term of the stock award, (2) the expected future stock price volatility over the expected term, (3) a risk-free interest rate and (4) the expected dividend rate. The expected 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, and the risk free interest rate is based on the U.S. Treasury Note rate. The Company utilizes a forfeiture rate based on an analysis of its actual experience. The forfeiture rate is not material to the calculation of share-based compensation.

The fair value of options at date of grant was estimated with the following assumptions:

	Three Months Ended	
	December 27, 2014	**December 28, 2013313**
Option term		6.5 years
Risk-free interest rate		1.33%
Stock price volatility		65%
Dividend rate		

There were no options granted during the three months ended December 27, 2014, and 200 options granted during the three months ended December 28, 2013. The weighted average grant date fair value for the options granted during the three months ended December 28, 2013 was $4.67.

The following table summarizes stock-based compensation costs included in the Company s condensed consolidated income statements for the three month periods ended December 27, 2014 and December 28, 2013:

	December 27, 2014 3 months	**December 28, 2013 3 months**
Cost of sales	$ 4,049	$ 4,080
Selling, general and administrative expenses	11,977	11,930
Product development expenses	21,269	22,264
	$ 37,295	$ 38,274

Total share-based compensation expense before taxes

As of December 27, 2014 and September 27, 2014, there was $103,918 and $141,213, respectively, of unrecognized compensation expense related to options outstanding. The unrecognized compensation expense will be recognized over the remaining requisite service period. As of December 27, 2014, the weighted average period over which the compensation expense is expected to be recognized is 1.2 years.

The Company had the following stock option plans outstanding as of December 27, 2014: the Technical Communications Corporation 2001 Stock Option Plan, the 2005 Non-Statutory Stock Option Plan and the 2010 Equity Incentive Plan. There were an aggregate 750,000 shares authorized for issuance under these

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NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont d)

plans, of which options to purchase 269,485 shares were outstanding at December 27, 2014. Vesting periods for options are at the discretion of the Board of Directors and typically range between zero and five years. Options under these plans are granted with an exercise price equal to fair market value at time of grant and have a term of ten years from the date of grant.

As of December 27, 2014, there were no shares available for new option grants under the 2001 Stock Option Plan, there were 19,723 shares available for grant under the 2005 Non-Statutory Stock Option Plan and there were 55,603 shares available for grant under the 2010 Equity Incentive Plan.

The following table summarizes stock option activity during the first three months of fiscal 2015:

	Options Outstanding				
	Number of Shares			Weighted Average Exercise Price	Weighted Average Contractual Life
	Unvested	Vested	Total		
Outstanding, September 27, 2014	32,739	236,746	269,485	$ 8.74	5.46 years
Grants					
Vested	(940)	940		10.29	
Cancellations/forfeitures					
Outstanding, December 27, 2014	31,799	237,686	269,485	$ 8.74	5.21 years

Information related to the stock options vested and expected to vest as of December 27, 2014 is as follows:

Range of Exercise Prices	Number of Shares	Weighted-Average Remaining Contractual Life (years)	Weighted Average Exercise Price	Exercisable Number of Shares	Exercisable Weighted-Average Exercise Price
$2.01 - $3.00	15,288	0.69	$ 3.00	15,288	$ 3.00
$3.01 - $4.00	16,600	1.58	$ 3.66	16,600	$ 3.66
$4.01 - $5.00	28,000	6.31	$ 4.78	26,800	$ 4.78
$5.01 - $10.00	69,900	5.54	$ 7.45	65,740	$ 7.45
$10.01 - $15.00	139,697	5.75	$ 11.41	113,258	$ 11.39
	269,485	5.21	$ 8.74	237,686	$ 8.48

The aggregate intrinsic value of the Company s in-the-money outstanding and exercisable options as of December 27, 2014 and September 27, 2014 was $42,942 and $29,987, respectively. Nonvested common stock options are subject to the risk of forfeiture until the fulfillment of specified conditions.

NOTE 2. Inventories

Inventories consisted of the following:

	December 27, 2014	September 27, 2014
Finished goods	$ 34,879	$ 8,014
Work in process	1,472,969	1,126,365
Raw materials	1,578,667	1,586,934
	$ 3,086,515	$ 2,721,313

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NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont d)

NOTE 3. Income Taxes

The Company has not recorded an income tax benefit on its net loss for the three months ended December 27, 2014 due to its uncertain realizability. During the second quarter of fiscal 2014, the Company recorded a valuation allowance for the full amount of its net deferred tax assets since it cannot currently predict the realization of these assets.

During the three months ended December 28, 2013, the Company recorded an income tax provision based on its expected effective tax rate for its 2014 fiscal year. The effective tax rate for the first quarter of fiscal year 2014 was 28.5% as compared to 40.8% for the same period of fiscal 2013, primarily because of a reduction in state research tax credits in the first fiscal quarter of 2014 as compared to the same period in fiscal 2013.

The below table details the changes in uncertain tax positions, which if recognized would favorably impact our effective tax rate:

Balance at September 27, 2014	$ 80,829
Addition related to prior year positions	389
Balance at December 27, 2014	$ 81,218

The increase in the Company s total uncertain tax positions relates to additional accrued interest and penalties for the period.

NOTE 4. Earnings (Loss) Per Share

Basic and diluted earnings (loss) per share were calculated as follows:

	December 27, 2014 3 months	December 28, 2013 3 months
Net (loss) income	$ (727,581)	$ 184,150
Weighted average shares outstanding - basic	1,838,921	1,838,716
Dilutive effect of stock options		29,752
Weighted average shares outstanding-diluted	1,838,921	1,868,468
Basic net (loss) income per share	$ (0.40)	$ 0.10
Diluted net (loss) income per share	$ (0.40)	$ 0.10

Outstanding potentially dilutive stock options, which were not included in the earnings per share calculations because their inclusion would have been anti-dilutive, were 269,485 at December 27, 2014 and 166,794 at December 28, 2013.

NOTE 5. Major Customers and Export Sales

During the three months ended December 27, 2014, the Company had two customers that represented 72% (60% and 12%, respectively) of net sales. During the three months ended December 28, 2013, three customers represented 92% (70%, 12% and 10%, respectively) of net sales.

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NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont d)

A breakdown of foreign and domestic net sales is as follows:

	December 27, 2014 3 months	December 28, 2013 3 months
Domestic	$ 764,746	$ 2,262,754
Foreign	118,400	245,966
Total sales	$ 883,146	$ 2,508,720

The Company sold products into four foreign countries during the three months ended December 27, 2014 and one foreign country during the three months ended December 28, 2013. A sale is attributed to a foreign country based on the location of the contracting party. Domestic revenue may include the sale of products shipped through domestic resellers or manufacturers to international destinations. The table below summarizes our foreign revenues by country as a percentage of total foreign revenue.

	December 27, 2014 3 months	December 28, 2013 3 months
Taiwan	64%	
Colombia		100%
Egypt	30%	
Other	6%	

A summary of foreign revenue, as a percentage of total foreign revenue by geographic area, is as follows:

	December 27, 2014 3 months	December 28, 2013 3 months
North America (excluding the U.S.)		
Central and South America		100%
Europe		
Mid-East and Africa	36%	
Far East	64%	

NOTE 6. Cash Equivalents and Marketable Securities

The Company considers all highly liquid instruments with an original maturity of three months or less to be cash equivalents. Substantially all cash equivalents are invested in money market mutual funds. Money market mutual funds held in a brokerage account are considered available for sale. The Company accounts for marketable securities in accordance with FASB ASC 320, *Investments Debt and Equity Securities.* All marketable securities must be classified as one of the following: held to maturity, available for sale, or trading. The Company classifies its marketable securities as either available for sale or held to maturity. Available for sale securities are carried at fair value, with unrealized holding gains and losses reported in stockholders equity as a separate component of accumulated other comprehensive income (loss). Held to maturity securities are carried at amortized cost. The cost of securities sold is determined based on the specific identification method. Realized gains and losses, and declines in value judged to be other than temporary, are included in investment income. During fiscal year 2013, the Company determined it would hold its investment in municipal bonds until maturity and subsequently reclassified these securities from available for sale to held to maturity. These securities are now carried at amortized cost.

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NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont d)

As of December 27, 2014, available for sale securities consisted of the following:

	Cost	Accrued Interest	Gross Gains	Unrealized Losses	Estimated Fair Value
Money market funds	$ 817,018	$	$	$	$ 817,018
Certificates of deposit	1,418,000	1,482		1,617	1,417,865
	$ 2,235,018	$ 1,482	$	$ 1,617	$ 2,234,883

As of December 27, 2014, held to maturity securities consisted of the following:

	Cost	Accrued Interest	Amortization Bond Premium	Amortized Cost	Unrealized Gains	Estimated Fair Value
Municipal bonds	$ 1,506,653	$ 20,949	$ 120,899	$ 1,406,703	$ 10,807	$ 1,417,510

As of September 27, 2014, available for sale securities consisted of the following:

	Cost	Accrued Interest	Gross Gains	Unrealized Losses	Estimated Fair Value
Money market funds	$ 1,801,443	$	$	$	$ 1,801,443
Certificates of deposit	1,418,000	2,488		3,598	1,416,890
	$ 3,219,443	$ 2,488	$	$ 3,598	$ 3,218,333

As of September 27, 2014, held to maturity securities consisted of the following:

	Cost	Accrued Interest	Amortization Bond Premium	Amortized Cost	Unrealized Gains	Estimated Fair Value
Municipal bonds	$ 1,506,653	$ 17,963	$ 109,039	$ 1,415,577	$ 15,331	$ 1,430,908

The contractual maturities of available for sale investments as of December 27, 2014 were all due within eight months. The contractual maturities of held to maturity investments as of December 27, 2014 were as follows:

	Cost	Amortized Cost
Within 1 year	$ 447,305	$ 412,082
After 1 year through 5 years	1,059,348	994,621

		$ 1,506,653	$	1,406,703

The Company s available for sale securities were included in the following captions in the consolidated balance sheets:

		December 27, 2014		September 27, 2014
Cash and cash equivalents	$	817,018	$	1,801,443
Marketable securities		1,417,865		1,416,890
	$	2,234,883	$	3,218,333

NOTE 7 Investment in Unconsolidated Subsidiary

On October 30, 2014 the Company made an investment of $275,000 to purchase 11,000 shares of common stock of PulsedLight, Inc., an early stage start-up company located in Bend, Oregon. Our investment represents an 11% ownership of PulsedLight, Inc. at the time of the investment and is accounted for utilizing the cost method of accounting.

Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

Certain statements contained herein or as may otherwise be incorporated by reference herein that are not purely historical constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include but are not limited to statements regarding anticipated operating results, future earnings, and the Company s ability to achieve growth and profitability. Such forward-looking statements involve known and unknown risks, uncertainties and other factors, including but not limited to the effect of foreign political unrest; domestic and foreign government policies and economic conditions; future changes in export laws or regulations; changes in technology; the ability to hire, retain and motivate technical, management and sales personnel; the risks associated with the technical feasibility and market acceptance of new products; changes in telecommunications protocols; the effects of changing costs, exchange rates and interest rates; and the Company s ability to secure adequate capital resources. Such risks, uncertainties and other factors could cause the actual results, performance or achievements of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. For a more detailed discussion of the risks facing the Company, see the Company s filings with the SEC, including its Annual Report on Form 10-K for the fiscal year ended September 27, 2014.

Overview

The Company designs, manufactures, markets and sells communications security equipment that utilizes various methods of encryption to protect the information being transmitted. Encryption is a technique for rendering information unintelligible, which information can then be reconstituted if the recipient possesses the right decryption key . The Company manufactures several standard secure communications products and also provides custom-designed, special-purpose secure communications products for both domestic and international customers. The Company s products consist primarily of voice, data and facsimile encryptors. Revenue is generated principally from the sale of these products, which have traditionally been to foreign governments either through direct sale, pursuant to a U.S. government contract, or made as a sub-contractor to domestic corporations under contract with the U.S. government. We have also sold these products to commercial entities and U.S. government agencies. We generate additional revenues from contract engineering services performed for certain government agencies, both domestic and foreign, and commercial entities.

Critical Accounting Policies and Significant Judgments and Estimates

There have been no material changes in the Company s critical accounting policies or critical accounting estimates since September 27, 2014, nor have we adopted any accounting policy that has or will have a material impact on our consolidated financial statements. For further discussion of our accounting policies see Note 1, *Summary of Significant Accounting Policies and Significant Judgments and Estimates* in the Notes to Unaudited Condensed Consolidated Financial Statements in this Quarterly Report on
Form 10-Q and the Notes to Consolidated Financial Statements in our Annual Report on Form 10-K for the fiscal year ended September 27, 2014 as filed with the SEC.

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Results of Operations

Three Months ended December 27, 2014 as compared to Three Months ended December 28, 2013

Net Sales

Net sales for the quarter ended December 27, 2014 were $883,000, compared to $2,509,000 for the quarter ended December 28, 2013, a decrease of 65%. Sales for the first quarter of fiscal 2015 consisted of $765,000, or 87%, from domestic sources and $118,000, or 13%, from international customers as compared to the same period in fiscal 2014, during which sales consisted of $2,263,000, or 90%, from domestic sources and $246,000, or 10%, from international customers. The decrease in sales reflects the delay in receiving an expected major foreign contract.

Foreign sales consisted of shipments to four countries during the quarter ended December 27, 2014 and one country during the quarter ended December 28, 2013. A sale is attributed to a foreign country based on the location of the contracting party. Domestic revenue may include the sale of products shipped through domestic resellers or manufacturers to international destinations. The table below summarizes our principal foreign sales by country during the first quarters of fiscal 2015 and 2014:

	2015	2014
Taiwan	$ 76,000	
Egypt	36,000	
Colombia		$ 246,000
Other	6,000	
	$ 118,000	$ 246,000

For the quarter ended December 27, 2014, product sales revenue was derived primarily from shipments of our narrowband radio encryptors to a domestic customer for deployment into Afghanistan amounting to $529,000. The Company made shipments of our narrowband radio encryptors to supply the secure radio and telephone encryption solutions for a domestic prime contractor supporting a government customer in North Africa amounting to $79,000 during the quarter. We also sold our internet protocol encryptor to a customer in Taiwan amounting to $76,000.

For the quarter ended December 28, 2013, product sales revenue was derived primarily from the Company making additional shipments, amounting to $1,764,000, to the U.S. Army Communications and Electronics Command to upgrade the DSD 72A-SP military bulk encryption system currently in use by the Government of Egypt. In addition, we sold our secure telephone, fax, and data encryptors to a foreign customer amounting to $246,000. The Company made shipments of our narrowband radio encryptors to supply the secure radio and telephone encryption solutions, and supplied customized cryptographic services and tools, for a domestic prime contractor supporting a government customer in North Africa amounting to $249,000 during the quarter. The Company also made shipments of our narrowband radio encryptors to supply the secure radio and telephone encryption solutions for a domestic customer supporting a government customer in North Africa amounting to $130,000 during the period.

Gross Profit

Gross profit for the first quarter of fiscal 2015 was $612,000, compared to gross profit of $1,720,000 for the same period of fiscal 2014. Gross profit expressed as a percentage of sales was 69% for the first quarters of each of fiscal

2015 and fiscal 2014. The 64% dollar value decrease in gross profit during the quarter ended December 27, 2014 was the result of the lower sales volume during the period.

Operating Costs and Expenses

Selling, General and Administrative Expenses

Selling, general and administrative expenses for the first quarter of fiscal 2015 were $756,000, compared to $707,000 for the same quarter in fiscal 2014. This increase of $49,000, or 7%, was attributable to an increase in selling and marketing expenses of $38,000 and an increase in general and administrative expenses of $11,000 during the three months ended December 27, 2014.

The increase in selling and marketing expenses for the three months ended December 27, 2014 was primarily attributable to an increase in engineering support of sales efforts of $28,000, as well as increases in outside consulting costs of $23,000, personnel related costs of $9,000 and product demonstration costs of $8,000 during the quarter. These increases were partially offset by decreases in bid and proposal efforts of $20,000, travel costs of $10,000 and outside sales and marketing agreements of $5,000 during the period.

The increase in general and administrative costs during the first quarter of 2015 was attributable to an increase in professional and other public company fees of $16,000 for the period, which was partially offset by a decrease in personnel-related costs of $7,000.

Product Development Costs

Product development costs for the quarter ended December 27, 2014 were $590,000, compared to $762,000 for the quarter ended December 28, 2013. This decrease of $172,000, or 23%, was attributable to decreases in outside contractor costs of $66,000, project material costs of $13,000, personnel-related costs of $19,000 and an increase in engineering support of sales and business development activities, which resulted in decreased product development costs of approximately $79,000.

Product development costs are charged to product development, billable engineering services, bid and proposal efforts or business development activities, as appropriate. Product development costs charged to billable projects are recorded as cost of sales; product development costs charged to bid and proposal efforts are recorded as selling expenses; and product development costs charged to business development activities are recorded as marketing expenses.

The Company actively sells its engineering services in support of funded research and development. The receipt of these orders is sporadic, although such programs can span over several months. In addition to these programs, the Company also invests in research and development to enhance its existing products or to develop new products, as it deems appropriate. There was no billable engineering services revenue generated during the first quarters of fiscal 2015 and fiscal 2014.

Net Income

The Company generated a net loss of $728,000 for the first quarter of fiscal 2015, compared to net income of $184,000 for the same period of fiscal 2014. This increase in net loss is primarily attributable to a 65% decrease in sales volume, partially offset by a 8% decrease in operating expenses during the first quarter of fiscal 2015. During the quarter ended December 27, 2014, the Company did not record a tax provision as the effective tax rate for the 2015 fiscal year is expected to be 0%, the expected losses are not being benefited due to a full valuation allowance. The tax provision for the first quarter of fiscal 2014, of $73,000 was based on an expected effective tax rate of 28% for the 2014 fiscal year. During the second quarter of fiscal 2014, the Company recorded a full valuation allowance against its net deferred tax assets.

The effects of inflation and changing costs have not had a significant impact on sales or earnings in recent years. As of December 27, 2014, none of the Company s monetary assets or liabilities was subject to foreign exchange risks. The Company usually includes an inflation factor in its pricing when negotiating multi-year contracts with customers.

Liquidity and Capital Resources

We believe that our overall financial condition remains strong. Our cash, cash equivalents and marketable securities at December 27, 2014 totaled $4,674,000 compared with $6,043,000 at September 27, 2014. We

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continue to have no long-term debt and do not expect to incur any significant indebtedness in the near future. It is anticipated that our cash balances and cash generated from operations will be sufficient to fund our near-term research and development and marketing activities.

Cash Requirements

We believe that the combination of existing cash, cash equivalents, and highly liquid short-term investments, together with future cash to be generated by operations, will be sufficient to meet our ongoing operating and capital expenditure requirements for the foreseeable future and at least through the end of fiscal 2015. We also believe that, in the long term, an anticipated improvement of business prospects, billable activities and cash from operations will be sufficient to fund the Company s planned investment in product development, although we can give no assurances. Although expected to be lower for fiscal 2015 as compared to prior periods, any increase in development activities - either billable or new product related - will require additional resources, which we may not be able to fund through cash from operations. In circumstances where resources will be insufficient, the Company will look to other sources of financing, including debt and/or equity investments, however we can provide no assurances that we will be successful in securing such additional financing.

Sources and Uses of Cash

The following table presents our abbreviated cash flows for the three month periods ended:

	December 27, 2014 (Unaudited)	**December 28, 2013 (Unaudited)**
Net (loss) income	$ (728,000)	$ 184,000
Changes not affecting cash	99,000	101,000
Changes in assets and liabilities	(457,000)	1,347,000
Cash (used in) provided by operating activities	(1,086,000)	1,632,000
Cash used in investing activities	(275,000)	(513,000)
Cash used in financing activities		
Net change in cash and cash equivalents	(1,361,000)	1,119,000
Cash and cash equivalents - beginning of period	3,210,000	2,811,000
Cash and cash equivalents - end of period	$ 1,849,000	$ 3,930,000

Operating Activities

The Company generated approximately $2,718,000 less cash from operating activities in the first three months of fiscal 2015 compared to the same period in fiscal 2014. This decrease was primarily attributable to the net loss and increases in accounts receivable and inventories during the three month period ended December 27, 2014.

Investing Activities

Cash used in investing activities during the first three months of fiscal 2015 decreased by approximately $238,000 compared to the same period in fiscal 2014. This change is primarily attributable to fewer purchases of short-term investments in marketable securities, which was partially offset by the cash paid for the investment in the unconsolidated subsidiary during the first three months of 2015.

Financing Activities

There were no financing activities during the first three months of each of fiscal 2015 and 2014.

Debt Instruments and Related Covenants

The Company maintains a line of credit with Bank of America (the Bank) not to exceed the principal amount of $600,000. The line is supported by a financing promissory note. The loan is a demand loan with interest payable at the Bank s prime rate plus 2.75% on all outstanding balances. The loan is secured by all assets of the Company (excluding consumer goods) and requires the Company to maintain its deposit accounts with the Bank, as well as comply with certain other covenants at each fiscal year end, with which the Company was in compliance at September 27, 2014. This line of credit is set to expire in February 2015 and the Company is looking at other debt financing arrangements. There were no cash borrowings against the line during the three months ended December 27, 2014 or the fiscal year ended September 27, 2014.

Company Facilities

On April 1, 2014, the Company entered into a new lease for its current facilities. This lease is for 22,800 square feet located at 100 Domino Drive, Concord, MA. The Company has been a tenant in this space since 1983. This is the Company s only facility and houses all manufacturing, research and development, and corporate operations. The initial term of the lease is for five years through March 31, 2019 at an annual rate of $171,000. In addition the lease contains options to extend the lease for two and one half years through September 30, 2021 and another two and one half years through March 31, 2024 at an annual rate of $171,000. Rent expense for each of the three month periods ended December 27, 2014 and December 28, 2013 was $43,000.

Backlog

Backlog at December 27, 2014 and September 27, 2014 amounted to $3,999,000 and $402,000, respectively. The orders in backlog at December 27, 2014 are expected to ship over the next nine months depending on customer requirements and product availability.

Performance guaranties

Certain foreign customers require the Company to guarantee bid bonds and performance of products sold. These guaranties typically take the form of standby letters of credit. Guaranties are generally required in amounts of 5% to 10% of the purchase price and last in duration from three months to one year. At December 27, 2014 and September 27, 2014, the Company had three outstanding letters of credit in the amounts of $329,000, $16,000 and $4,000, which are secured by collateralized bank accounts totaling $349,000. These collateralized bank accounts represent cash which have restrictions on its use.

Research and development

Research and development efforts are undertaken by the Company primarily on its own initiative. In order to compete successfully, the Company must attract and retain qualified personnel, improve existing products and develop new products. No assurances can be given that the Company will be able to hire and train such technical management and sales personnel or successfully improve and develop its products.

During the three months ended December 27, 2014 and December 28, 2013, the Company spent $590,000 and $762,000, respectively, on internal product development. During the first three months of 2015, the Company s internal product development expenses were lower than the same period of fiscal 2014 but in line with the Company s planned commitment to research and development, and reflected the costs of product testing and production readiness efforts.

During the remainder of fiscal 2015, the Company expects to continue to focus on three principal areas: development of solutions that meet the needs of original equipment manufacturers; product enhancements that include expanded features, planned capability and applications growth; and custom solutions that tailor our products and services to meet the unique needs of our customers. Going forward, the Company expects to continue technical efforts in these areas while also increasing our systems design and integration capabilities and services offering portfolio.

It is anticipated that cash from operations will fund our near-term research and development and marketing activities through at least the end of fiscal year 2015. We also believe that, in the long term, based on current billable activities, cash from operations will be sufficient to meet the development goals of the Company, although we can give no assurances. Any increase in development activities - either billable or new product related - will require additional resources, which we may not be able to fund through cash from operations. In circumstances where resources will be insufficient, the Company will look to other sources of financing, including debt and/or equity investments.

Other than those stated above, there are no plans for significant internal product development during the remainder of fiscal 2015 and the Company does not anticipate any significant capital expenditures during the last nine months of the year.

New Accounting Pronouncements

ASU 2013-11, Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists (a consensus of the FASB Emerging Issues Task Force)

In July 2013, the FASB issued guidance on the financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. This guidance requires an unrecognized tax benefit, or a portion of an unrecognized tax benefit, be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward. If a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available at the reporting date, the unrecognized tax benefit should be presented in the financial statements as a liability and not combined with deferred tax assets. This guidance is effective prospectively for fiscal years, and interim periods within those years, beginning after December 15, 2014, with early adoption permitted. This guidance was adopted by TCC during the quarter ended December 27, 2014 and did not have a material impact on the financial results of the company.

ASU 2014-09, Revenue From Contracts With Customers (Topic 606)

In May 2014, the FASB and the International Accounting Standards Board issued guidance on the principles for recognizing revenue and to develop a common revenue standard for U.S. GAAP and IFRS that would: (1) remove inconsistencies and weaknesses in revenue requirements, (2) provide a more robust framework for addressing revenue issues, (3) improve comparability of revenue recognition practices across entities, industries, jurisdictions, and capital markets, (4) provide more useful information to users of financial statements through improved disclosure requirements, and (5) simplify the preparation of financial statements by reducing the number of requirements to which an entity must refer. This guidance is effective prospectively for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Early adoption is not permitted. The Company is currently evaluating the impact of this guidance but does not expect its adoption will have a material effect on the Company s consolidated financial statements. This guidance will become effective for TCC as of the beginning of our 2018 fiscal year.

ASU 2014-15, Presentation of Financial Statements Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity s Ability to Continue as a Going Concern

In August 2014, the FASB updated U.S. GAAP to eliminate a critical gap in existing standards. The new guidance clarifies the disclosures management must make in the organization s financial statement footnotes when management has substantial doubt about its ability to continue as a going concern. The Company is currently evaluating the impact of this guidance but does not expect its adoption will have a material effect on the Company s consolidated financial statements. The guidance applies to all companies and is effective for the annual reporting periods ending after December 15, 2016, including interim periods within that reporting period.

ASU 2015-01, Income Statement Extraordinary And Unusual Items (Subtopic 225-20): Simplifying Income Statement Presentation By Eliminating The Concept Of Extraordinary Items

In connection with the FASB s efforts to simplify accounting standards, the FASB determined that eliminating the concept of extraordinary items from GAAP would reduce the cost and complexity of applying U.S. GAAP, while maintaining or improving the usefulness of information included in financial statements. The changes in ASU 2015-01 are effective for fiscal years beginning after December 15, 2015 and interim periods within those fiscal years. Early adoption is permitted provided that the guidance is applied from the beginning of the fiscal year of adoption. The Company is currently evaluating the impact of this guidance but does not expect its adoption will have a material effect on the Company s consolidated financial statements. This guidance will become effective for TCC as of the beginning of our 2017 fiscal year.

Management does not believe that any other recently issued, but not yet effective, accounting standards if currently adopted would have a material impact on the accompanying financial statements.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not applicable.

Item 4. Controls and Procedures

Evaluation of disclosure controls and procedures. The Company s chief executive officer and chief financial officer have reviewed and evaluated the effectiveness of the Company s disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the Exchange Act)) as of the end of the period covered by this quarterly report. Based on that review and evaluation, the chief executive officer and chief financial officer have concluded that the Company s current disclosure controls and procedures, as designed and implemented, are effective to ensure that such officers are provided with information relating to the Company required to be disclosed in the reports the Company files or submits under the Exchange Act and that such information is recorded, processed, summarized and reported within the specified time periods.

Changes in internal control over financial reporting. There were no changes in the Company s internal control over financial reporting that occurred during the quarter ended December 27, 2014 that have materially affected, or are reasonably likely to materially affect, the Company s internal control over financial reporting.

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PART II. Other Information

Item 1. Legal Proceedings

There were no legal proceedings pending against or involving the Company or its subsidiary during the period covered by this quarterly report.

Item 1A. Risk Factors

Not applicable.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Not applicable.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable.

Item 6. Exhibits

31.1	Certification of principal executive officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of principal financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Report Instance Document

101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Calculation Linkbase Document
101.LAB	XBRL Taxonomy Label Linkbase Document
101.PRE	XBRL Presentation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document

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SIGNATURES

Pursuant to the requirements 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.

TECHNICAL COMMUNICATIONS CORPORATION
(Registrant)

February 10, 2015 Date	By: /s/ Carl H. Guild, Jr. Carl H. Guild, Jr., President and Chief Executive Officer
February 10, 2015 Date	By: /s/ Michael P. Malone Michael P. Malone, Chief Financial Officer