Jacobson Douglas J
Form 4
July 02, 2008

FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL

OMB Number:	3235-0287
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(Print or Type Responses)

1. Name and Address of Reporting Person *
Jacobson Douglas J

(Last) (First) (Middle)

6100 N. WESTERN AVE.

(Street)

OKLAHOMA CITY, OK 73118

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
CHESAPEAKE ENERGY CORP [CHK]

3. Date of Earliest Transaction (Month/Day/Year)
06/30/2008

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
EXECUTIVE VICE PRESIDENT

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	06/30/2008		A		474	A	$ 65.96	444,395	D	
Common Stock	07/01/2008		A		46,000	A	$ 0	490,395	D	
Common Stock	07/01/2008		F		3,565	D	$ 67.36	486,830	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

number.

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
								Date Exercisable	Expiration Date	Title	Amount or Number of Shares		
				Code	V	(A)	(D)						

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Jacobson Douglas J 6100 N. WESTERN AVE. OKLAHOMA CITY, OK 73118			EXECUTIVE VICE PRESIDENT	

Signatures

By: Jennifer M. Grigsby For: Douglas J. Jacobson	07/02/2008
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
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(689,298)

Purchase of machinery and equipment financed under capital leases

1,407,116

2,870,437

Puchase of machinery and equipment financed

under sale leaseback agreements

1,102,317

-

Explanation of Responses:

The accompanying notes are an integral part of these statements.

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DRAFT - A

DRAFT - A

SigmaTron International, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

April 30, 2015 and 2014

NOTE A - DESCRIPTION OF THE BUSINESS

SigmaTron International, Inc., its subsidiaries, foreign enterprises and international procurement office (collectively, the “Company”) operates in one business segment as an independent provider of electronic manufacturing services (“EMS”), which includes printed circuit board assemblies and completely assembled (box-build) electronic products. In connection with the production of assembled products, the Company also provides services to its customers, including (1) automatic and manual assembly and testing of products; (2) material sourcing and procurement; (3) manufacturing and test engineering support; (4) design services; (5) warehousing and distribution services; and (6) assistance in obtaining product approval from governmental and other regulatory bodies. As of April 30, 2015, the Company provided these manufacturing services through an international network of facilities located in the United States, Mexico, China, Vietnam and Taiwan. Approximately 15.1% and 15.7% of the total non-current consolidated assets of the Company are located outside of the United States as of April 30, 2015 and 2014, respectively.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation Policy

The consolidated financial statements include the accounts and transactions of SigmaTron International, Inc. (“SigmaTron”), its wholly-owned subsidiaries, Standard Components de Mexico, S.A., AbleMex S.A. de C.V., Digital Appliance Controls de Mexico, S.A. de C.V., Spitfire Controls (Vietnam) Co. Ltd., Spitfire Controls (Cayman) Co. Ltd. and SigmaTron International Trading Co., wholly-owned foreign enterprises Suzhou SigmaTron Electronics Co. Ltd., and SigmaTron Electronic Technology Co., Ltd. (collectively, “SigmaTron China”), and its international procurement office, SigmaTron Taiwan. The functional currency of the Mexican, Vietnamese and Chinese subsidiaries and procurement branch is the U.S. dollar. Intercompany transactions are eliminated in the consolidated financial statements. The impact of foreign currency fluctuation for the fiscal year ended April 30, 2015 resulted in a net gain of approximately $40,000 compared to a net foreign currency loss of $128,000 in the prior year.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates made in preparing the consolidated financial statements include depreciation and amortization periods, the allowance for doubtful accounts, reserves for inventory and valuation of long-lived assets. Actual results could materially differ from these estimates.

Cash and Cash Equivalents

Cash and cash equivalents include cash and all highly liquid short-term investments maturing within three months of the purchase date.

SigmaTron International, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

April 30, 2015 and 2014

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Accounts Receivable

The majority of the Company's accounts receivable are due from companies in the consumer electronics, gaming, fitness, industrial electronics, medical/life sciences, semiconductor, telecommunications and appliance industries. Credit is extended based on evaluation of a customer's financial condition, and, generally, collateral is not required. Accounts receivable are due in accordance with agreed upon terms, and are stated at amounts due from customers net of an allowance for doubtful accounts. Accounts outstanding longer than the contractual payments terms are considered past due. The Company writes off accounts receivable when they are determined to be uncollectible.

Allowance for Doubtful Accounts

The Company's allowance for doubtful accounts relates to receivables not expected to be collected from its customers. This allowance is based on management's assessment of specific customer balances, considering the age of receivables and financial stability of the customer and a five year average of prior uncollectible amounts. If there is an adverse change in the financial condition of the Company's customers, or if actual defaults are higher than provided for, an addition to the allowance may be necessary.

Inventories

Inventories are valued at the lower of cost or market. Cost is determined by an average cost method and the Company allocates labor and overhead to work-in-process and finished goods. In the event of an inventory write-down, the Company records expense to state the inventory at lower of cost or market. The Company establishes inventory reserves for valuation, shrinkage, and excess and obsolete inventory. The Company records provisions for inventory shrinkage based on historical experience to account for unmeasured usage or loss. Actual results differing from these estimates could significantly affect the Company's inventories and cost of products sold. The Company records provisions for excess and obsolete inventories for the difference between the cost of inventory and its estimated realizable value based on assumptions about future product demand and market conditions. Actual product demand or market conditions could be different than that projected by management.

Property, Machinery and Equipment

Property, machinery and equipment are valued at cost. The Company provides for depreciation and amortization using the straight-line method over the estimated useful life of the assets:

Buildings	20 years
Machinery and equipment	5-12 years
Office equipment and software	3-5 years
Tools and dies	12 months
Leasehold improvements	lesser of lease term or useful life

Expenses for repairs and maintenance are charged to selling and administrative expenses as incurred.

Deferred Financing Costs

Deferred financing costs consist of costs incurred to obtain the Company's long-term debt and are amortized using the straight-line method over the term of the related debt. Deferred financing fees of $147,537 and $52,484 net of accumulated amortization of $390,266 and $332,352, respectively, as of April 30, 2015 and 2014, respectively, are classified in other long-term assets on the Company's balance sheet.

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SigmaTron International, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

April 30, 2015 and 2014

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Income Taxes

Deferred income tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities and for tax credit carryforwards, and are measured using the enacted tax rates and laws that are expected to be in effect when the differences are expected to reverse. Valuation allowances are established when necessary to reduce deferred income tax assets to an amount more likely than not to be realized.

A tax benefit from an uncertain tax position may only be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits.

The Company adjusts its tax liabilities when its judgment changes as a result of the evaluation of new 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 its 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.

Earnings per Share

Basic earnings per share are computed by dividing net income (the numerator) by the weighted-average number of common shares outstanding (the denominator) for the period. The computation of diluted earnings per share is similar to the computation of basic earnings per share, except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potentially dilutive common stock equivalents such as stock options and restricted stock, had been exercised or vested. There were 991, anti-dilutive common stock equivalents, at both April 30, 2015 and 2014, which have been excluded from the calculation of diluted earnings per share.

Revenue Recognition

Revenues from sales of the Company’s electronic manufacturing services business are recognized when the finished good product is shipped to the customer. In general, and except for consignment inventory, it is the Companys’ policy to recognize revenue and related costs when the finished goods have been shipped from our facilities, which is also the same point that title passes under the terms of the purchase order. Finished goods inventory for certain customers is shipped from the Company to an independent warehouse for storage or shipped directly to the customer and stored in a segregated part of the customer’s own facility. Upon the customer’s request for finished goods inventory, the inventory is shipped to the customer if the inventory was stored off-site, or transferred from the segregated part of the customer’s facility for consumption or use by the customer. The Company recognizes revenue upon such shipment or transfer. The Company does not earn a fee for such arrangements. The Company from time to time may ship finished goods from its facilities, which is also the same point that title passes under the terms of the purchase order, and invoice the customer at the end of the calendar month. This is done only in special circumstances to accommodate a specific customer. Further, from time to time customers request the Company hold finished goods after they have been invoiced to consolidate finished goods for shipping purposes. The Company generally provides a 90 day warranty for workmanship only, except for products with proprietary designs and does not have any installation, acceptance or sales incentives (although the Company has negotiated longer warranty terms in certain instances). The Company assembles and tests assemblies based on customers’ specifications. Historically, the amount of returns for workmanship issues has been de minimis under the Company’s standard or extended warranties.

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SigmaTron International, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

April 30, 2015 and 2014

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Shipping and Handling Costs

The Company records shipping and handling costs as selling and administrative expenses. Customers are typically invoiced for shipping costs. Shipping and handling costs were not material to the financial statements for fiscal years 2015 or 2014.

Fair Value Measurements

Fair value measurements are determined based upon the exit price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants exclusive of any transaction costs. The Company utilizes a fair value hierarchy based upon the observability of inputs used in valuation techniques as follows:

Level 1: Observable inputs such as quoted prices in active markets;

Level 2: Inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and

Level 3: Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

Fair Value of Financial Instruments

The Company's financial instruments include cash and cash equivalents, accounts receivable, other receivables, accounts payable and accrued expenses which approximate fair value at April 30, 2015 and 2014, due to their short-term nature. The carrying amounts of the Company's debt obligations approximate fair value based on future payments discounted at current interest rates for similar obligations or interest rates which fluctuate with the market.

The Company measured the net assets included in the fiscal 2013 Spitfire acquisition under the fair value standard (primarily using level 3 measurement inputs) including the contingent consideration which continues to be measured and reported at fair value at each period end. The Company currently does not have any other non-financial assets and non-financial liabilities that are required to be measured at fair value on a recurring basis.

Goodwill

Goodwill represents the purchase price in excess of the fair value of assets acquired in business combinations. The Company assesses goodwill for impairment at least annually in the absence of an indicator of possible impairment and immediately upon an indicator of possible impairment. The Company is permitted the option to first assess qualitative factors to determine whether the existence of events and circumstances indicates that it is more likely than not that the fair value of any reporting unit is less than its corresponding carrying value. If, after assessing the totality of events and circumstances, the Company concludes that it is not more likely than not that the fair value of any reporting unit is less than its corresponding carrying value, then the Company is not required to take further action. However, if the Company concludes otherwise, then it is required to perform a quantitative impairment test, including computing the fair value of the reporting unit and comparing that value to its carrying value. If the fair value is less than its carrying value, a second step of the test is required to determine if recorded goodwill is impaired. The Company also has the option to bypass the qualitative assessment for goodwill in any period and proceed directly to performing the quantitative impairment test. The Company will be able to resume performing the qualitative assessment in any subsequent period. The Company performed its annual goodwill impairment test as of February 1, 2015 and determined that no impairment existed as of that date.

SigmaTron International, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

April 30, 2015 and 2014

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Intangible Assets

Intangible assets are comprised of finite life intangible assets including patents, trade names, backlog, non-compete agreements, and customer relationships. Finite life intangible assets are amortized on a straight line or accelerated basis over their estimated useful lives of five years for patents, 20 years for trade names, 1 year for backlog, 7 years for non-compete agreements and 15 years for customer relationships.

Impairment of Long-Lived Assets

The Company reviews long-lived assets, including amortizable intangible assets, for impairment. Property, machinery and equipment and finite life intangible assets are reviewed whenever events or changes in circumstances occur that indicate possible impairment. If events or changes in circumstances occur that indicate possible impairment, the Company's impairment review is based on an undiscounted cash flow analysis at the lowest level at which cash flows of the long-lived assets are largely independent of other groups of its assets and liabilities. This analysis requires management judgment with respect to changes in technology, the continued success of product lines, and future volume, revenue and expense growth rates. The Company conducts annual reviews for idle and underutilized equipment, and reviews business plans for possible impairment. Impairment occurs when the carrying value of the assets exceeds the future undiscounted cash flows expected to be earned by the use of the asset group. When impairment is indicated, the estimated future cash flows are then discounted to determine the estimated fair value of the asset or asset group and an impairment charge is recorded for the difference between the carrying value and the estimated fair value. As of April 30, 2015, there was no impairment of long-lived assets.

Stock Incentive Plans

Under the Company's stock option plans, options to acquire shares of common stock have been made available for grant to certain employees and directors. Each option granted has an exercise price of not less than 100% of the market value of the common stock on the date of grant. The contractual life of each option is generally 10 years. The vesting of the grants varies according to the individual options granted. The Company measures the cost of employee services received in exchange for an equity award based on the grant date fair value and records that cost over the respective vesting period of the award.

Reclassifications

Certain reclassifications have been made to the previously reported 2014 financial statements to conform to the 2015 presentation.

New Accounting Standards

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09, "Revenue from Contracts with Customers." This ASU is a comprehensive new revenue recognition model that requires a company to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. This ASU is effective for annual reporting periods beginning after December 15, 2017 and early adoption is not permitted. Accordingly, the Company will adopt this ASU on May 1, 2018. Companies may use either a full retrospective or modified retrospective approach to adopt this ASU and the Company is currently evaluating which transition approach to use and the full impact this ASU will have on the Company’s future consolidated financial statements.

SigmaTron International, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

April 30, 2015 and 2014

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

New Accounting Standards - Continued

In August 2014, the FASB issued ASU No. 2014-15, Presentation of Financial Statements – Going Concern (Subtopic 205-40). The amendments in this ASU provide guidance about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. An entity's management should evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are issued (or are available to be issued, when applicable). ASU 2014-15 is effective for the Company beginning with the annual reporting for fiscal 2016, and reports for interim and annual periods thereafter. Early adoption is permitted. The Company does not expect the impact of adoption of this ASU will have a material impact on its consolidated financial statements.

In April 2015, the FASB issued ASU No. 2015- 03, "Interest — Imputation of Interest (Subtopic 835-30) — Simplifying the Presentation of Debt Issuance Costs." ASU No. 2015-03 simplifies the presentation of debt issuance costs by requiring that these costs related to a recognized debt liability be presented in the statement of financial condition as a direct reduction from the carrying amount of that liability. ASU No. 2015-03 is effective for annual reporting periods beginning after December 15, 2015, including interim periods within that reporting period. ASU No. 2015-03 is required to be applied retrospectively to all periods presented beginning in the year of adoption. Adoption will not materially affect the firm's financial condition, results of operations, or cash flows. The Company does not expect the impact of adoption of this ASU to have a material impact on its consolidated financial statements.

NOTE C - ALLOWANCE FOR DOUBTFUL ACCOUNTS

Changes in the Company's allowance for doubtful accounts are as follows:

	2015	2014
Beginning Balance	$ 150,000	$ 150,000
Bad debt expense	36,844	-
Write-offs	-	-
	$ 186,844	$ 150,000

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SigmaTron International, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

April 30, 2015 and 2014

NOTE D - INVENTORIES

Inventories consist of the following at April 30:

	2015	2014
Finished products	$ 24,316,404	$ 18,553,112
Work-in-process	2,966,846	3,126,596
Raw materials	42,662,845	33,853,653
	69,946,095	55,533,361
Less obsolescence reserve	1,276,386	1,804,984
	$ 68,669,709	$ 53,728,377

Changes in the Company's inventory obsolescence reserve are as follows:

	2015	2014
Beginning balance	$ 1,804,984	$ 1,770,100
Provision for obsolescence	-	34,884
Write-offs	(528,598)	-
	$ 1,276,386	$ 1,804,984

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SigmaTron International, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

April 30, 2015 and 2014

NOTE E - PROPERTY, MACHINERY AND EQUIPMENT, NET

Property, machinery and equipment consist of the following at April 30:

	2015	2014
Land and buildings	$ 15,265,758	$ 14,707,780
Machinery and equipment	56,142,919	54,933,857
Office equipment and software	8,640,964	7,413,077
Leasehold improvements	2,540,693	2,539,193
Equipment under capital leases	6,746,668	4,237,235
	89,337,002	83,831,142
Less accumulated depreciation and amortization, including amortization of assets under capital leases of $1,329,661 and $729,723 at April 30, 2015 and 2014, respectively	55,472,475	51,138,234
Property, machinery and equipment, net	$ 33,864,527	$ 32,692,908

Depreciation and amortization expense was $4,985,272 and $4,791,663 for the years ended April 30, 2015 and 2014, respectively.

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SigmaTron International, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

April 30, 2015 and 2014

NOTE F - GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill

There were no changes in carrying amount of tax deductible goodwill in the amount of $3,222,899 for the fiscal years ended April 30, 2015 and 2014, respectively.

Other Intangible Assets

Intangible assets subject to amortization are summarized as of April 30, 2015 as follows:

	Weighted Average Remaining Amortization Period (Years)	Gross Carrying Amount	Accumulated Amortization
Other intangible assets – Able	-	$ 375,000	$ 375,000
Customer relationships – Able	-	2,395,000	2,395,000
Spitfire:			
Non-contractual customer relationships	12.08	4,690,000	548,781
Backlog	-	22,000	22,000
Trade names	17.08	980,000	142,905
Non-compete agreements	4.08	50,000	20,825
Patents	2.08	400,000	233,345
Total		$ 8,912,000	$ 3,737,856

Intangible assets subject to amortization are summarized as of April 30, 2014 as follows:

	Weighted Average Remaining Amortization Period (Years)	Gross Carrying Amount	Accumulated Amortization
Other intangible assets – Able	-	$ 375,000	$ 375,000
Customer relationships – Able	-	2,395,000	2,395,000
Spitfire:			
Non-contractual customer relationships	13.08	4,690,000	256,311
Backlog	-	22,000	22,000
Trade names	18.08	980,000	93,909
Non-compete agreements	5.08	50,000	13,685
Patents	3.08	400,000	153,341
Total		$ 8,912,000	$ 3,309,246

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SigmaTron International, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

April 30, 2015 and 2014

NOTE F - GOODWILL AND OTHER INTANGIBLE ASSETS - Continued

Estimated aggregate amortization expense for the Company's intangible assets, which become fully amortized in 2032, for the remaining fiscal years is as follows:

For the fiscal year ending April 30:	2016	$ 470,899
	2017	490,010
	2018	435,043
	2019	423,721
	2020	411,406
	Thereafter	2,943,065
		$ 5,174,144

Amortization expense was $428,610 and $346,680 for the years ended April 30, 2015 and 2014, respectively.

In conjunction with the May 2012 acquisition of Spitfire, the estimate of the fair value of the contingent consideration ($2,320,000) was based on expected operating results through fiscal 2019 and the specific terms of when such consideration would be earned. Those terms provide for additional consideration to be paid based on a percentage of sales and pre-tax profits over those years in excess of certain minimums. Payments are made quarterly each year and adjusted after each year end audit. The Company made four quarterly payments of $65,000 each in fiscal 2015 and 2014 and made three quarterly payments of $65,000 each in fiscal 2013. As of April 30, 2015, the Company had not materially changed its estimated aggregate consideration expected to be earned under this arrangement. Any changes in the Company's estimate is reflected as a change in the contingent consideration liability and as additional or credits to selling and administrative expenses. As of April 30, 2015, the contingent consideration liability was $1,498,985.

Explanation of Responses:

SigmaTron International, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

April 30, 2015 and 2014

NOTE G - LONG-TERM DEBT

Note Payable - Bank

The Company has a senior secured credit facility with Wells Fargo, N.A. with a credit limit up to $30,000,000 and current term through October 31, 2017. The facility allows the Company to choose among interest rates at which it may borrow funds. The credit facility is collateralized by substantially all of the domestically located assets of the Company and the Company has pledged 65% of its equity ownership interest in some of its foreign entities. The Company is required to be in compliance with several financial covenants. Pursuant to the agreement, financial covenants were amended, an unused line fee was added, and the borrowing interest rate was changed. The facility allows the Company to choose among interest rates at which it may borrow funds. The interest rate is the bank fixed rate of two and one quarter percent plus one percent (effectively 3.25% at April 30, 2015) or LIBOR plus two and one quarter percent (effectively 2.625% at April 30, 2015). Interest is paid monthly. Under the senior secured credit facility, the Company may borrow up to the lesser of (i) $30,000,000 or (ii) an amount equal to the sum of 85% of the receivable borrowing base plus a percentage of the inventory borrowing base (collectively, "Borrowing Base", which cannot exceed 50% of combined eligible receivables and inventory). Further, in specific circumstances, the Company is entitled to an over advance of up to $5,000,000 through October 31, 2015; however, at no time can the borrowings under the credit facility exceed $30,000,000. The effective interest rate for the over advance facility was LIBOR plus two and three quarter percent. Effective December 31, 2014, the Company amended its senior secured credit facility agreement to temporarily increase the total Borrowing Base limit to 60% through June 30, 2015 and reverting to 50% of total Borrowing Base after June 30, 2015. Further, the senior secured credit facility agreement was modified to allow specific foreign receivables to become eligible collateral. The receivable modification is effective until June 30, 2015. The Company agreed to an increase in the effective interest rate for the over advance facility and a $5,000 amendment fee. The interest rate for the over advance facility increased from LIBOR plus two and three quarter percent (effectively 3.125% at April 30, 2015) or the bank fixed rate of two and one quarter percent plus one percent (effectively 3.25% at April 30, 2015) to LIBOR plus three and one half percent (effectively 3.875% at April 30, 2015) or the bank fixed rate of two and one quarter percent plus one percent (effectively 3.25% at April 30, 2015). As of April 30, 2015, there was a $27,416,793 outstanding balance and $2,583,207 of unused availability under the credit facility agreement. At April 30, 2015, the Company was in compliance with its financial covenants.

The Company anticipates that its credit facilities, cash flow from operations and leasing resources are adequate to meet its working capital requirements and capital expenditures for fiscal year 2016 at the Company's current level of business. The Company has received forecasts from current customers for increased business that would require additional investments in inventory. To the extent that these forecasts come to fruition, the Company intends to meet any increased capital requirements by raising capital from other sources of debt or equity. The Company has selected an investment banker for the purpose of completing a capital raise in the third fiscal quarter of 2016. The capital raise, if successful, may consist of debt, equity or a combination of debt and equity. If the capital raise is not completed, the Company has determined that it might be required to repatriate from offshore cash, fiscal 2016 foreign earnings, to meet certain domestic funding needs but will not need to repatriate prior earnings based on current forecasts. The cumulative amount of unremitted earnings for which U.S. income taxes have not been recorded is $12,163,000 as of April 30, 2015. The amount of U.S. income taxes on these earnings is impractical to compute due to the complexities of the hypothetical calculation.

In addition, in the event the Company desires to expand its operations, its business grows more rapidly than expected, the current economic climate deteriorates, customers delay payments, or the Company desires to consummate an acquisition, additional financing resources may be necessary in the current or future fiscal years. There is no assurance that the Company will be able to obtain equity or debt financing at acceptable terms, or at all, in the future. There is no assurance that the Company will be able to retain or renew its credit agreements in the future, or that any retention or renewal will be on the same terms as currently exist.

SigmaTron International, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

April 30, 2015 and 2014

NOTE G - LONG-TERM DEBT - Continued

Capital Lease Obligations

On August 20, 2010 and October 26, 2010, the Company entered into two capital leasing transactions (a lease finance agreement and a sale leaseback agreement) with Wells Fargo Equipment Finance, Inc., to purchase equipment totaling $1,150,582. The term of the lease finance agreement, with an initial principal amount of $315,252, extends to September 2016 with monthly payments of $4,973 and a fixed interest rate of 4.28%. The term of the sale leaseback agreement, with an initial principal payment amount of $835,330, extends to August 2016 with monthly payments of $13,207 and a fixed interest rate of 4.36%. At April 30, 2014, $136,561 and $338,562 was outstanding under the lease finance and sale leaseback agreements, respectively. The net book value at April 30, 2014 of the equipment under the lease finance agreement and sale leaseback agreement was $221,114 and $550,583, respectively. At April 30, 2015, $81,809 and $192,296 was outstanding under the lease finance and sale leaseback agreements, respectively. The net book value at April 30, 2015 of the equipment under the lease finance agreement and sale leaseback agreement was $194,843 and $481,805, respectively.

On November 29, 2010, the Company entered into a capital lease with Wells Fargo Equipment Finance, Inc., to purchase equipment totaling $226,216. The term of the lease agreement extends to October 2016 with monthly payments of $3,627 and a fixed interest rate of 4.99%. At April 30, 2014, the balance outstanding under the capital lease agreement was $102,099. The net book value of the equipment under this lease at April 30, 2014 was $159,528. At April 30, 2015, the balance outstanding under the capital lease agreement was $62,777. The net book value of the equipment under this lease at April 30, 2015 was $140,676.

On October 3, 2013, the Company entered into two sale leaseback agreements with Associated Bank, National Association in the amount of $2,281,355 to finance equipment purchased in June 2012. The term of the first agreement, with an initial principal amount of $2,201,638, extends to September 2018 with monthly payments of $40,173 and a fixed interest rate of 3.75%. The term of the second agreement, with an initial principal payment amount of $79,717, extends to September 2018 with monthly payments of $1,455 and a fixed interest rate of 3.75%. At April 30, 2014, $1,959,381 and $70,945 was outstanding under the first and second agreements, respectively. The net book value at April 30, 2014 of the equipment under each of the two agreements was $1,828,038 and $68,092, respectively. At April 30, 2015, $1,543,684 and $55,894 was outstanding under the first and second agreements, respectively. The net book value at April 30, 2015 of the equipment under each of the two agreements was $1,736,474 and $61,448, respectively.

On March 6, 2014, the Company entered into a capital lease agreement with CIT Finance LLC to purchase equipment in the amount of $589,083. The term of the lease extends to March 2019 with monthly payments of $10,441 and a fixed interest rate of 5.65%. At April 30, 2014, the balance outstanding under the capital lease agreement was $581,415. The net book value of the equipment under the lease as of April 30, 2014 was $573,338. At April 30, 2015, the balance outstanding under the capital lease agreement was $486,541. The net book value of the equipment under the lease as of April 30, 2015 was $524,248.

On May 7, 2014, the Company entered into a capital lease agreement with CIT Finance LLC to purchase equipment in the amount of $108,971. The term of the lease extends to May 2019 with monthly payments of $1,931 and a fixed interest rate of 5.65%. At April 30, 2015, the balance outstanding under the capital lease was $92,996. The net book value of the equipment under the lease as of April 30, 2015 was $99,890.

On August 1, 2014, the Company entered into a capital lease agreement with CIT Finance LLC to purchase equipment in the amount of $609,179. The term of the lease extends to July 2019 with monthly payments of $10,797 and a fixed interest rate of 5.65%. At April 30, 2015, the balance outstanding under the capital lease was $536,459. The net book value of the equipment under the lease as of April 30, 2015 was $566,875.

SigmaTron International, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

April 30, 2015 and 2014

NOTE G - LONG-TERM DEBT - Continued

Capital Lease Obligations - Continued

On September 22, 2014, the Company entered into a sale leaseback agreement with Associated Bank, National Association in the amount of $664,676 to finance equipment purchases. The term of lease extends to August 2019 with monthly payments of $12,163 and a fixed interest rate of 3.87%. At April 30, 2015, the balance outstanding under the lease was $581,419. The net book value of the equipment under the lease as of April 30, 2015 was $567,067.

On September 22, 2014, the Company entered into a sale leaseback agreement with Associated Bank, National Association in the amount of $437,641 to finance equipment purchases. The term of lease extends to August 2019 with monthly payments of $8,008 and a fixed interest rate of 3.87%. At April 30, 2015, the balance outstanding under the lease was $382,822. The net book value of the equipment under the lease as of April 30, 2015 was $395,868.

On September 22, 2014, the Company entered into a capital lease agreement with Associated Bank, National Association in the amount of $106,346 to finance equipment purchases. The term of lease extends to August 2019 with monthly payments of $1,947 and a fixed interest rate of 3.89%. At April 30, 2015, the balance outstanding under the lease was $93,030. The net book value of the equipment under the lease as of April 30, 2015 was $99,700.

On October 27, 2014, the Company entered into a capital lease agreement with CIT Finance LLC to purchase equipment in the amount of $501,590. The term of lease extends to October 2019 with monthly payments of $8,890 and a fixed interest rate of 5.65%. At April 30, 2015, the balance outstanding under the lease was $461,954. The net book value of the equipment under the lease as of April 30, 2015 was $470,460.

On January 16, 2015, the Company entered into a capital lease agreement with Associated Bank, National Association in the amount of $81,030 to finance equipment purchases. The term of lease extends to December 2019 with monthly payments of $1,487 and a fixed interest rate of 4.01%. At April 30, 2015, the balance outstanding under the lease was $75,864. The net book value of the equipment under the lease as of April 30, 2015 was $77,654.

Note Payable - Buildings

The Company entered into a mortgage agreement on January 8, 2010, in the amount of $2,500,000, with Wells Fargo, N.A. to refinance the property that serves as the Company's corporate headquarters and its Illinois manufacturing facility. The Wells Fargo, N.A. note historically boar interest at a fixed rate of 6.42% per year and was amortized over a sixty month period. A final payment of approximately $2,000,000 was due on or before January 8, 2015. On November 24, 2014, the Company refinanced the mortgage agreement with Wells Fargo, N.A. The note requires the Company to pay monthly principal payments in the amount of $9,500, bears an interest rate of LIBOR plus two and one-quarter percent (effectively 2.625% at April 30, 2015) and is payable over a sixty month period. Final payment of approximately $2,289,500 is due on or before November 8, 2019. The outstanding balance as of April 30, 2014 was $2,075,017. The outstanding balance as of April 30, 2015 was $2,802,500.

The Company entered into a mortgage agreement on October 24, 2013, in the amount of $1,275,000, with Wells Fargo, N.A. to finance the property that serves as the Company's engineering and design center in Elgin, Illinois. The Wells Fargo, N.A. note requires the Company to pay monthly principal payments in the amount of $4,250, bears interest at a fixed rate of 4.51% per year and is payable over a sixty month period. A final payment of approximately $1,030,000 is due on or before October 24, 2018. The outstanding balance as of April 30, 2014 was $1,249,500. The outstanding balance as of April 30, 2015 was $1,198,500.

SigmaTron International, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

April 30, 2015 and 2014

NOTE G - LONG-TERM DEBT - Continued

The aggregate amount of debt maturing in each of the following fiscal years and thereafter is as follows:

Fiscal Year	Total
2016	$ 165,000
2017	165,000
2018	27,581,793
2019	1,159,500
2020	2,346,500
	$ 31,417,793

See Note L - Leases, Page F-30 for future maturities under capital lease obligations.

Other Long-Term Liabilities

As of April 30, 2015 and 2014, the Company had recorded $536,209 and $525,739, respectively, for seniority premiums and retirement accounts related to benefits for employees working in the Company’s foreign subsidiaries.

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Explanation of Responses:

SigmaTron International, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

April 30, 2015 and 2014

NOTE H - ACCRUED EXPENSES AND WAGES

Accrued expenses consist of the following at April 30:

	2015	2014
Interest	$ 74,395	$ 69,467
Commissions	57,681	48,043
Professional fees	304,864	262,755
Other	155,704	203,785
	$ 592,644	$ 584,050

Accrued wages consist of the following at April 30:

	2015	2014
Wages	$ 1,544,959	$ 1,812,049
Bonuses	409,549	510,159
Foreign wages	1,689,934	1,704,821
Foreign benefits	1,496,409	1,941,995
	$ 5,140,851	$ 5,969,024

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SigmaTron International, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

April 30, 2015 and 2014

NOTE I - INCOME TAX

U.S. and foreign income (loss) before income tax expense for the years ended April 30 are as follows:

	2015	2014
Domestic	$ (2,481,049)	$ (545,501)
Foreign	4,185,510	3,330,325
	$ 1,704,461	$ 2,784,824

Provision (benefit) for Income Taxes

The income tax provision (benefit) for the years ended April 30 consists of the following:

	2015	2014
Current		
Federal	$ 2,963	$ (203,951)
State	29,613	28,726
Foreign	1,020,820	664,591
Total Current	1,053,396	489,366
Deferred		
Federal	(138,335)	365,008
State	(154,208)	64,952

Foreign	40,196	(1,053,193)
Total Deferred	(252,347)	(623,233)
Provision (benefit) for income taxes	$ 801,049	$ (133,867)

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SigmaTron International, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

April 30, 2015 and 2014

NOTE I - INCOME TAX - Continued

Provision (benefit) for Income Taxes - Continued

The difference between the income tax provision (benefit) and the amounts computed by applying the statutory Federal income tax rates to income before tax expense for the years ended April 30 are as follows:

	2015	2014
U.S Federal Provision:		
At statutory rate	$ 579,516	$ 951,623
State taxes	(86,377)	61,828
Change in valuation allowance	46,615	-
Foreign tax differential	(256,343)	(465,835)
Impact of state tax rate change	(42,471)	-
Change in foreign valuation allowance	(53,011)	-
Foreign profit sharing	32,912	(60,626)
Foreign dividends	643,708	295,522
Other	22,996	20,175
Foreign currency exchange gain/loss	136,299	-
Impact of tax legislation	-	(828,175)
Impact of foreign permanent items	(123,987)	(25,099)
Foreign inflation adjustment	(98,808)	-
Insurance reserves	-	(83,280)
Provision (benefit) for income taxes	$ 801,049	$ (133,867)

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SigmaTron International, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

April 30, 2015 and 2014

NOTE I - INCOME TAX - Continued

Deferred Tax Assets and Liabilities

Deferred income taxes reflect the net tax effects of loss and credit carryforwards and temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the deferred tax assets for federal and state income taxes are as follows:

	2015	2014
Deferred Tax Assets		
Federal & State NOL carryforwards	$ 449,325	$ -
Foreign NOL carryforwards	-	98,254
Research & Other Credits	78,100	-
Reserves and accruals	795,721	944,454
Stock based compensation	133,744	137,343
Inventories	1,154,335	1,340,302
Other intangible assets	207,044	338,014
Deferred rent	263,703	293,242
Allowance for doubtful accounts	72,271	61,515
Other	22,978	305,335
Total Gross Deferred Tax Assets	3,177,221	3,518,459
Less: Valuation allowance	(95,295)	(101,691)
Net Deferred Tax Assets	$ 3,081,926	$ 3,416,768
Deferred Tax Liabilities		
Other assets	$ (272,409)	$ (474,768)
Property, machinery & equipment	(3,180,575)	(3,384,821)
Undistributed foreign earnings	-	(249,846)
Total Deferred Tax Liabilities	$ (3,452,984)	$ (4,109,435)

Net Deferred Tax Liability	$ (371,058)	$ (692,667)

As of April 30, 2015, the Company had net operating loss carryforwards for federal income tax purposes of approximately $658,000, portions of which will begin to expire in 2035. The Company had a total state net operating loss carryforward of approximately $2,318,000, which will begin to expire in 2023 to 2031. Utilization of some of the federal and state net operating loss and credit carryforwards are subject to annual limitations due to the "change in ownership" provisions of Section 382 the Internal Revenue Code of 1986 and similar state provisions. The annual limitations may result in the expiration of net operating losses and credits before utilization.

At April 30, 2015, the Company has federal net operating loss carry-forward totaling approximately $657,529 that will expire on April 30, 2035. The Company recognizes a valuation allowance if, based on the weight of available evidence, it is more likely than not that some portion, or all, of a deferred tax asset will not be realized. The Company determined it is more likely than not that it will realize the federal deferred tax assets due to the reversal of

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SigmaTron International, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

April 30, 2015 and 2014

NOTE I - INCOME TAX - Continued

Deferred Tax Assets and Liabilities-Continued

federal deferred tax liabilities. The federal deferred tax liabilities exceed the federal deferred tax assets and based on the reversing pattern, the Company has concluded that substantially all of the federal deferred tax liabilities are expected to reverse and be a sufficient source of future federal taxable income within the period of time available for existing net operating loss carry-forwards and other federal deferred tax assets. The federal deferred tax liability is of the same character as the differences giving rise to the federal deferred tax assets. If the Company experiences substantial changes in ownership, the net operating loss carry-forwards would be subject to an annual limitation pursuant to Section 382 which may impact the realization of the net operating loss carry-forwards.

The Company also has state net operating loss carry-forwards totaling approximately $2,318,000 at April 30, 2015, that will begin to expire in fiscal year April 30, 2022. The Company recorded a valuation allowance related to state net operating loss carry-forwards of $46,615 as of the year ended April 30, 2015. The state deferred tax liabilities exceed the state deferred tax assets and based on the reversing pattern the Company has concluded that substantially all of the state deferred tax liabilities are expected to reverse within the period of time available to fully utilize all state deferred tax assets except for certain state net operating losses, with shorter expirations. Based on the reversing schedule performed on a state by state basis, the Company has concluded that a valuation allowance of $46,615 is required as of April 30, 2015, related to state net operating loss carryforwards that are expected to expire before being utilized. These states required a valuation allowance because the net operating loss carry-forward periods are expected to expire before being utilized, based upon the scheduled reversal of the deferred tax liabilities.

SigmaTron International, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

April 30, 2015 and 2014

NOTE I - INCOME TAX - Continued

Deferred Tax Assets and Liabilities - Continued

The above amounts are classified in the Consolidated Balance Sheets at April 30, are as follows:

	2015	2014
Current assets:		
Deferred income taxes	$ 2,179,178	$ 2,524,993
Non-current liabilities:		
Deferred income taxes	(2,550,236)	(3,217,660)
Net Deferred Tax Liability	$ (371,058)	$ (692,667)

The Company has not recorded U.S. income taxes on the undistributed earnings of the Company's foreign subsidiaries. Since the earnings of the foreign subsidiaries have been, and under fiscal April 30, 2015 plans, will continue to be indefinitely reinvested, no deferred tax liability has been recorded. With respect to fiscal April 30, 2016, as a result of the uncertainty of the Company's financing arrangements and its domestic liquidity profile, the Company has determined that it might be required to repatriate from offshore cash, fiscal 2016 foreign earnings, to meet certain domestic funding needs but will not need to repatriate prior earnings based on current forecasts . The cumulative amount of unremitted earnings for which U.S. income taxes have not been recorded is $12,163,000 as of April 30, 2015. The amount of U.S. income taxes on these earnings is impractical to compute due to the complexities of the hypothetical calculation.

Effective January 1, 2014, the Mexican federal income tax law changes were enacted eliminating the statutory income tax rate reduction scheduled to start in 2014, and leaving the 30% statutory income tax rate in effect for future years. In addition the Entrepreneurial Tax of Unique Rate (flat tax) was repealed as of January 31, 2014.

During fiscal year 2015, the Company reflected tax expense of $643,708 related to the inability to realize the tax benefit recorded in fiscal year 2014 for potential foreign tax credits related to the above distribution from Mexico. The Company's current estimate of cumulative taxable income during the foreign tax credit carryforward period is insufficient to support that the tax benefit from the foreign tax credit is more likely than not to be realized.

SigmaTron International, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

April 30, 2015 and 2014

NOTE I - INCOME TAX - Continued

Deferred Tax Assets and Liabilities - Continued

The Company has a foreign tax credit carry-forward of $78,100 and $112,327 at April 30, 2015 and 2014, respectively, that will begin to expire in fiscal year April 30, 2024. The Company determined it is more likely than not that it will realize the foreign tax credit due to the reversal of federal deferred tax liabilities.

The Company's Vietnam subsidiary has a net operating loss carry-forward of $221,274 and $399,109 at April 30, 2015 and 2014, respectively, that will begin to expire within the fiscal year April 30, 2017. A portion of the net operating loss carry-forward, $147,594, expired in the fiscal year ended April 30, 2015. Vietnam has a tax holiday and is at a 0% tax rate currently. The Company anticipates that it will use the net operating loss before the tax holiday expires, which resulted in no benefit being booked.

Unrecognized Tax Benefits

The Company has not identified any uncertain tax positions or expects any to be taken in the Company's tax returns. For the fiscal year ended April 30, 2015 and 2014, the amount of consolidated worldwide liability for uncertain tax positions that impacted the Company's effective tax rate was $0 for each year.

Other

Interest related to tax positions taken in the Company's tax returns are recorded in income tax expense in the Consolidated Statements of Income.

The Company is subject to taxation in the U.S. and various state and foreign jurisdictions. With few exceptions, the Company is no longer subject to state, local or foreign examinations by tax authorities for tax years before 2011. The Internal Revenue Service is currently examining fiscal year 2013. The Company is no longer subject to U.S. Federal examinations by tax authorities for tax years before 2012.

NOTE J - 401(k) RETIREMENT SAVINGS PLAN

The Company sponsors 401(k) retirement savings plans, which are available to all non-union U.S. employees. The Company may elect to match participant contributions up to $300 per participant annually. The Company contributed $114,207 and $93,452 to the plans during the fiscal years ended April 30, 2015 and 2014, respectively. The Company paid total expenses of $8,500 and $6,850 for the fiscal years ended April 30, 2015 and 2014, respectively, relating to costs associated with the administration of the plans.

NOTE K - MAJOR CUSTOMERS AND CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Company to concentration of credit risk consist principally of uncollateralized accounts receivable. For the year ended April 30, 2015, two customers accounted for 36.8% and 9.9% of net sales of the Company, and 9.6% and 5.5%, respectively, of accounts receivable at April 30, 2015. For the year ended April 30, 2014, two customers accounted for 31.6% and 12.0% of net sales of the Company and 11.2% and 4.5%, respectively, of accounts receivable at April 30, 2014. Further, the Company has $2,462,057 in cash in China as of April 30, 2015. These funds are not insured by a guaranteed deposit insurance system. Effective May 1, 2015, China implemented a deposit insurance program to insure up to approximately $81,000 in deposits.

SigmaTron International, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

April 30, 2015 and 2014

NOTE L - LEASES

The Company leases certain facilities and office space under various operating leases expiring at various dates through March 2021. The Company also leases various machinery and equipment under capital leases.

Future minimum lease payments under leases with terms of one year or more are as follows:

Years ending April 30,	Capital Leases	Operating Leases
2016	$ 1,429,205	$ 1,840,697
2017	1,253,770	2,026,999
2018	1,167,522	1,960,493
2019	924,596	1,651,233
2020	310,012	950,166
Thereafter	-	603,437
Total future minimum lease payments	$ 5,085,105	$ 9,033,025
Less amounts representing interest	437,560	
	4,647,545	
Less Current Portion	1,245,632	
Long Term Portion	$ 3,401,913	

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SigmaTron International, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

April 30, 2015 and 2014

NOTE L - LEASES - Continued

Rent expense incurred under operating leases was $2,102,312 and $1,981,977 for the years ended April 30, 2015 and 2014, respectively.

In September 2010, the Company entered into a real estate lease agreement in Union City, CA, to rent manufacturing and office space. Under the terms of the lease agreement, the Company receives incentives over the life of the lease, which extends through March 2021. The amount of the deferred rent income recorded was $33,950 for the fiscal year ended April 30, 2015, compared to deferred rent income of $17,770 recorded for the year ended April 30, 2014.

On May 31, 2012, the Company entered into a lease agreement in Tijuana, MX, to rent 112,000 square feet of manufacturing and office space. Under the terms of the lease agreement, the Company receives incentives over the life of the lease, which extends through November 2018. The amount of the deferred rent income for the fiscal year ended April 30, 2015 was $8,353. Deferred rent expense in the amount of $8,353 was recorded for the twelve month period ended April 30, 2015.

NOTE M - STOCK COMPENSATION

The Company has stock option plans (“Option Plans”) under which certain employees and non-employee directors may acquire shares of common stock. All Option Plans have been approved by the Company’s shareholders. At April 30, 2015, the Company has 402,914 shares available for future issuance to employees under the employee plans and none are available under the non-employee director plans. The Option Plans are interpreted and administered by the Compensation Committee of the Board of Directors. The maximum term of options granted under the Option Plans is generally 10 years. Options granted under the Option Plans are either incentive stock options or nonqualified options. Each option under the Option Plans is exercisable for one share of stock. Options forfeited under the Option Plans are available for reissuance. Options granted under these plans are granted at an exercise price equal to the fair market value of a share of the Company’s common stock on the date of grant.

The Company granted 25,000 options to employees in fiscal year 2014. The Company recognized approximately $18,100 in compensation expense in fiscal year 2015 and 2014. The balance of unrecognized compensation expense at April 30, 2015 was approximately $21,700.

In fiscal year 2013, 115,000 options were granted to employees. The Company recognized approximately $13,800 and $54,860 of compensation expense in fiscal years 2015 and 2014, respectively. The balance of unrecognized compensation expense at April 30, 2015 and 2014 was approximately $0 and $13,800, respectively.

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SigmaTron International, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

April 30, 2015 and 2014

NOTE M - STOCK COMPENSATION - Continued

The Company offered to purchase 395,190 options upon the terms stated in Schedule TO (“TO”) filed with the SEC on October 1, 2013. The stock options subject to the TO were those options to purchase SGMA common stock which had not expired or terminated prior to October 29, 2013. Options, all of which were fully vested, were granted under the following Company stock option plans: 1993 Stock Option Plan, 2004 Employee Stock Option Plan, 2000 Directors’ Stock Option Plan and 2004 Directors’ Stock Option Plan. The Company offered to pay a cash amount ranging from $0.18 to $1.35 per Eligible Option, totaling up to $301,500 and 394,200 options were tendered and purchased for a total cash payment of $300,410 as of October 31, 2013.

The fair value of each option grant in fiscal 2014 is estimated on the grant date using the Black-Scholes option pricing model with the following assumptions:

Expected dividend yield	0%
Expected stock price volatility	78%
Average risk-free interest rate	4.49%
Weighted-average expected life of options	6.0 years

Option-valuation models require the input of highly subjective assumptions. Because the Company’s stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management’s opinion, the existing method does not necessarily provide a reliable single measure of the fair value of the Company’s stock options. When the Company does grant stock options, it uses the U.S. Treasury yield in effect at the time of the option grant to calculate the risk-free interest rate and the simplified method to calculate the weighted-average expected life, due to limited history. The expected dividend, volatility and forfeitures rates of options are based on historical experience and expected future results. The vesting period of the stock options ranges from three to five years.

SigmaTron International, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

April 30, 2015 and 2014

NOTE M - STOCK COMPENSATION - Continued

The table below summarizes option activity through April 30, 2015:

	Number of securities to be issued upon exercise of outstanding options	Weighted-average exercise price	Number of options exercisable at end of year
Outstanding at April 30, 2013	515,192	$ 8.02	438,142
Options granted during 2014	25,000	4.24	
Options exercised during 2014	(43,588)	3.64	
Options expired during 2014	(850)	4.24	
Options repurchased during 2014	(394,200)	9.34	
Outstanding at April 30, 2014	101,554	3.88	48,304
Options exercised during 2015	(13,600)	4.26	
Options expired during 2015	(2,000)	4.24	
Outstanding at April 30, 2015	85,954	$ 3.81	76,954

Intrinsic value is calculated as the positive difference between the market price of the Company's common stock and the exercise price of the underlying options. During the fiscal years ended April 30, 2015 and 2014, the aggregate intrinsic value of options exercised was $51,520 and $291,025, respectively. As of April 30, 2015 and 2014, the aggregate intrinsic value of in the money options outstanding was $365,245 and $653,803, respectively.

Information with respect to stock options outstanding at April 30, 2015 follows:

Options outstanding		
Number outstanding at	Weighted-average remaining	Weighted-average

Range of exercise prices	April 30, 2015	contract life	exercise price
$ 3.60-5.40	84,963	7.87 years	$ 3.75
$ 9.17-11.56	991	.38 years	9.17
	85,954		$ 3.81

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Explanation of Responses:

SigmaTron International, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

April 30, 2015 and 2014

NOTE M - STOCK COMPENSATION - Continued

Information with respect to stock options outstanding and exercisable at April 30, 2015 follows:

	Options outstanding and exercisable		
Range of exercise prices	Number outstanding at April 30, 2015	Weighted-average remaining contract life	Weighted-average exercise price
$ 3.60-5.40	75,963	7.87 years	$ 3.69
$ 9.17-11.56	991	.38 years	9.17
	76,954		$ 3.76

The Company implemented an employee stock purchase plan (“ESPP”), for all eligible employees on February 1, 2014. Under the ESPP, employees may purchase shares of the Company’s common stock at three-month intervals at 85% of the lower of the fair market value of the Company’s common stock on the first day or the last day of the offering period (calculated in the manner provided in the plan). Employees purchase such stock using payroll deductions, which may not be less than 1% nor exceed 15% of their total gross compensation. Shares of common stock are offered under the ESPP through a series of successive offering periods. The plan imposes certain limitations upon an employee’s right to acquire common stock, including the following: (i) termination of employment for any reason immediately terminates the employee’s participation in the plan (ii) no employee may be granted rights to purchase more than $25,000 worth of common stock for each calendar year that such rights are at any time outstanding, and (iii) the maximum number of shares of common stock purchasable in total by all participants in the ESPP on any purchase date is limited to 500,000 shares. The number of shares of common stock reserved for issuance under the plan automatically increases on the first day of the Company’s fiscal years by 25,000 shares. There were 18,118 and 2,158 shares issued under the ESPP and the Company recorded $27,747 and $4,151 in compensation expense, for fiscal years ended April 30, 2015 and 2014, respectively.

The Company issued 25,000 shares of restricted stock on June 1, 2012, of which 8,330 vested in June 2012 and 8,330 vested in June 2013. The Company recognized approximately $1,745 and $15,325 in compensation expense for the years ended April 30, 2015 and 2014, respectively. The balance of unrecognized compensation expense related to the Company's restricted stock award was approximately $0 and $1,750 at April 30, 2015 and 2014, respectively.

On October 1, 2014, the Company granted 1,750 shares to each non-employee director pursuant to the 2013 Non-Employee Director Restricted Stock Plan. A total of 8,750 restricted shares were granted and the shares vest in six months from the date of grant. The Company recognized $60,200 in compensation expense in fiscal year 2015. There was no unrecognized compensation expense related to the 8,750 shares of restricted stock at April 30, 2015.

On October 1, 2013, the Company granted 1,500 shares to each non-employee director pursuant to the 2013 Non-Employee Director Restricted Stock Plan. A total of 7,500 restricted shares were granted and the shares vested in six months from the date of grant. The Company recognized no compensation expense in fiscal year 2015 and there was no unrecognized compensation expense related to the 7,500 shares of restricted stock at April 30, 2015.

SigmaTron International, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

April 30, 2015 and 2014

NOTE N - SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

The following is a summary of unaudited quarterly financial data for fiscal year 2015:

2015	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net sales	$ 54,947,477	$ 61,533,519	$ 53,702,613	$ 60,053,552
Income before income tax expense	15,566	723,254	562,123	403,518
Net income	16,810	146,429	564,080	176,093
Earnings per share Basic	$ 0.00	$ 0.04	$ 0.14	$ 0.04
Earnings per share Diluted	$ 0.00	$ 0.04	$ 0.14	$ 0.04
Total shares- Basic	4,028,535	4,044,240	4,054,146	4,061,504
Total shares- Diluted	4,105,627	4,120,178	4,116,015	4,117,600

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SigmaTron International, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

April 30, 2015 and 2014

NOTE N - SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED) - Continued

The following is a summary of unaudited quarterly financial data for fiscal year 2014:

2014	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net sales	$ 56,166,061	$ 56,577,287	$ 54,175,196	$ 55,567,396
Income (loss) before income tax (benefit) expense	1,240,339	949,811	(130,182)	724,856
Net income	967,464	784,654	743,794	422,779
Earnings per share Basic	$ 0.24	$ 0.20	$ 0.19	$ 0.11
Earnings per share Diluted	$ 0.24	$ 0.19	$ 0.18	$ 0.10
Total shares- Basic	3,961,232	3,961,232	3,966,814	3,988,923
Total shares- Diluted	4,011,001	4,037,627	4,088,695	4,107,736

NOTE O – LITIGATION

In November 2008, the Company received notice of an Equal Employment Opportunity Commission ("EEOC") claim based on allegations of discrimination, sexual harassment, and retaliation filed by Maria Gracia, a former employee. On December 5, 2008, Ms. Gracia's employment as an assembly supervisor was terminated after she knowingly permitted an assembly line to run leaded boards in a lead-free room with lead-free solder, contrary to the customer's specifications and prohibited by Company policy. The use of lead-free solder for leaded components can lead to devices that fail and significant penalties to the Company and customers from regulatory bodies. The parts were quarantined and were not shipped. Ms. Gracia openly admitted to permitting this to take place.

The EEOC declined to pursue Ms. Gracia's charges against the Company but on July 26, 2011, Ms. Gracia received a right to sue letter from the EEOC. On October 25, 2011, Ms. Gracia filed suit against the Company in the U.S. District Court for the Northern District of Illinois under Title VII of the Civil Rights Act. The Complaint alleged claims that Ms. Gracia was subject to discrimination, harassment, and hostile work environment based on sex and national origin. In the Complaint, Ms. Gracia alleged that her supervisor engaged in a pattern of unwanted sexual advances and that he sent her emails that were offensive to her gender and national origin. Further, the Complaint also alleged that the Company retaliated by terminating Ms. Gracia's employment after she filed her initial charge of

SigmaTron International, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

April 30, 2015 and 2014

NOTE O – LITIGATION - Continued

discrimination with the EEOC. Ms. Gracia sought relief in the form of (a) damages sufficient to compensate her injuries; (b) attorney's fees; (c) costs of the action; (d) and equitable remedies.

In the court's October 25, 2013 ruling on the Company's Motion for Summary Judgment, the court limited plaintiff's claims to two: (1) hostile work environment caused by gender (sexual harassment), and (2) retaliation. In December 2014, a jury trial found in favor of the Company with respect to the first claim and for the plaintiff with respect to the second claim, awarding plaintiff damages totaling $307,000. In post-trial motions, the judge reduced the verdict to $300,000. The judge will now consider plaintiff's claim for equitable remedies and attorneys' fees and costs, along with the Company's motion for sanctions, as the plaintiff introduced knowingly altered documents as evidence during the trial which had not been previously disclosed. It is uncertain when these claims will be ruled upon by the court.

The plaintiff has offered to accept $607,000 in settlement of all claims. The Company has rejected that offer and intends to await the final judgment. The Company has not waived its right to appeal that judgment and will determine its next steps once it is entered. As of April 30, 2015, the Company has accrued $300,000 in recognition of the jury's verdict and the judge's subsequent adjustment to that verdict.

Even with a favorable ruling for the Company with regard to sanctions, the Company believes it will be required to pay plaintiff a minimum of $300,000. While the plaintiff has offered to accept $607,000 in settlement of all claims, it is not possible to predict where, within the range of $300,000 to $607,000 that the judge may enter the judgment.

From time to time the Company is involved in legal proceedings, claims or investigations that are incidental to the conduct of the Company's business. In future periods, the Company could be subjected to cash cost or non-cash charges to earnings if any of these matters are resolved on unfavorable terms. However, although the ultimate outcome of any legal matter cannot be predicted with certainty, based on present information, including management's assessment of the merits of any particular claim, the Company does not expect that these legal proceedings or claims will have any material adverse impact on its future consolidated financial position or results of operations.

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