

FREQUENCY ELECTRONICS INC  
Form PRE 14A  
August 30, 2016

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

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SCHEDULE 14A

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Under §240.14a-12

FREQUENCY ELECTRONICS, INC.

(Name of Registrant as Specified in Its Charter)

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(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

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

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(2) Aggregate number of securities to which transaction applies:

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

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(4) Proposed maximum aggregate value of transaction:

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(5) Total fee paid:

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Fee paid previously with preliminary materials.

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

(1) Amount Previously Paid:

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(2) Form, Schedule or Registration Statement No.:

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(3) Filing Party:

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(4) Date Filed:

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September [ ], 2016

Dear Stockholder:

I cordially invite you to attend the Annual Meeting of Stockholders of Frequency Electronics, Inc. (the "Company") on November 1, 2016, at our offices located at 55 Charles Lindbergh Boulevard, Mitchel Field, New York 11553.

Our Board of Directors is recommending a highly qualified and experienced slate of director nominees for election to the Board of Directors at the Annual Meeting. At the Annual Meeting, we will ask you to: (1) elect five directors; (2) ratify the appointment of EisnerAmper LLP, an independent registered public accounting firm, as our independent auditors for the fiscal year commencing May 1, 2016; (3) consider an advisory vote on the compensation of our named executive officers; and (4) take action upon any other business as may properly come before the Annual Meeting.

The accompanying materials include the Notice of Annual Meeting of Stockholders and Proxy Statement. The Proxy Statement describes the business that we will conduct at the Annual Meeting. It also provides information about us that you should consider when you vote your shares.

You also should have received a WHITE proxy card and postage-paid return envelope. WHITE proxy cards are being solicited on behalf of our Board of Directors.

As we previously announced, we have strengthened our Board with the addition of new, highly qualified independent directors, Dr. Stanton D. Sloane and Mr. Russell M. Sarachek, each of whom has a deep understanding of our business and the industry in which we operate. The appointments of Dr. Sloane and Mr. Sarachek demonstrate our continued commitment to change and sustainable shareholder value creation and will further enhance corporate governance for the benefit of all shareholders.

Your vote will be especially important at this year's Annual Meeting. As you may have heard, Privet Fund LP and certain of its affiliates (together, "Privet") have notified the Company that Privet intends to nominate a slate of four nominees for election as directors at the meeting in opposition to the nominees recommended by our Board of Directors. You may receive a proxy statement, proxy card and other solicitation materials from Privet. The Company is not responsible for the accuracy of any information provided by or relating to Privet or its nominees contained in the solicitation materials filed or disseminated by or on behalf of Privet or any other statements that Privet may make.

The Board of Directors does NOT endorse any Privet nominees and unanimously recommends that you vote FOR the election of each of the nominees proposed by the Board of Directors. The Board of Directors strongly urges you NOT to sign or return any proxy card sent to you by Privet. If you have already signed or returned a proxy card sent to you by Privet, you can revoke that proxy and vote for our Board of Directors' nominees and on the other matters to be voted on at the meeting by using the enclosed WHITE proxy card.

Follow the instructions on the WHITE proxy card to cast your vote via internet, by telephone or by signing, dating, and returning the WHITE proxy card in the envelope provided. If your brokerage firm, bank, broker-dealer or other similar organization is the holder of record of your shares (i.e., your shares are held in "street name"), you will receive voting instructions from the holder of record. You must follow these instructions in order for your shares to be voted. Your broker is required to vote those shares in accordance with your instructions.

Because of the contested nature of the proposals, if you do not give instructions to your broker, your broker will not be able to vote your shares with respect to the election of directors (Proposal 1). We urge you to instruct your broker or other nominee, by following those instructions, to vote your shares for the WHITE proxy card.

Holders of shares as of the close of business on September 12, 2016, the record date for voting at the Annual Meeting, are urged to submit a WHITE proxy card, even if your shares were sold after such date.



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Thank you for your support. If you have any questions, please contact MacKenzie Partners, our proxy solicitor assisting us in connection with the Annual Meeting. Stockholders may call (212) 929-5500 or toll free (800) 322-2885.

Thank you for your support, interest and investment in Frequency Electronics, Inc.

Sincerely,

Joel Girsky  
Chairman of the Board of Directors

FREQUENCY ELECTRONICS, INC.  
55 Charles Lindbergh Boulevard  
Mitchel Field, New York 11553

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To be held on November 1, 2016

To the Stockholders:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of Frequency Electronics, Inc. (the "Company") will be held at the offices of the Company, 55 Charles Lindbergh Boulevard, Mitchel Field, New York 11553, on the 1<sup>st</sup> day of November 2016, at 10:00 A.M., Eastern Daylight Time, for the following purposes:

1. To elect five (5) directors to serve until the next Annual Meeting of Stockholders and until their respective successors shall have been elected and qualified;
2. To consider and act upon ratifying the appointment of EisnerAmper LLP as independent auditors for the fiscal year commencing May 1, 2016;
3. To conduct a non-binding advisory vote on executive compensation; and
4. To transact such other business as may properly come before the meeting or any adjournment or adjournments thereof.

Only stockholders of record as of the close of business on September 12, 2016, the date fixed by the Board of Directors as the record date for the meeting, are entitled to notice of, and to vote at, the meeting.

Please note that Privet Fund, LP and certain of their affiliates (together, "Privet") have stated their intention to propose four alternative director nominees for election at the Annual Meeting. You may receive solicitation materials from Privet seeking your proxy to vote for Privet's nominees.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "FOR" THE ELECTION OF EACH OF THE BOARD'S NOMINEES ON THE ENCLOSED WHITE PROXY CARD AND URGES YOU NOT TO SIGN OR RETURN OR VOTE ANY PROXY CARD SENT TO YOU BY PRIVET. IF YOU HAVE PREVIOUSLY SUBMITTED A PROXY CARD SENT TO YOU BY PRIVET, YOU CAN REVOKE THAT PROXY AND VOTE FOR OUR BOARD'S NOMINEES AND ON THE OTHER MATTERS TO BE VOTED ON AT THE MEETING BY USING THE ENCLOSED WHITE PROXY CARD OR BY VOTING VIA THE INTERNET OR BY TELEPHONE BY FOLLOWING THE INSTRUCTIONS PROVIDED ON THE ENCLOSED WHITE PROXY CARD. Only your last-dated proxy will count, and any proxy may be revoked at any time prior to its exercise at the Annual Meeting described in the accompanying proxy statement.

YOUR VOTE IS VERY IMPORTANT. EVEN IF YOU PLAN TO ATTEND THE ANNUAL MEETING, WE REQUEST THAT YOU READ THE PROXY STATEMENT AND VOTE YOUR SHARES BY SIGNING AND DATING THE ENCLOSED WHITE PROXY CARD AND RETURNING IT IN THE POSTAGE-PAID ENVELOPE PROVIDED OR BY VOTING VIA THE INTERNET OR BY TELEPHONE BY FOLLOWING THE INSTRUCTIONS PROVIDED ON THE ENCLOSED WHITE PROXY CARD. YOU MAY NEVERTHELESS VOTE IN PERSON IF YOU ATTEND THE MEETING.

This notice and the accompanying proxy materials have been sent to you by order of the Board of Directors.

By order of the Board of Directors

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STEVEN L. BERNSTEIN  
Chief Financial Officer  
Mitchel Field, New York  
September [ ], 2016  
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FREQUENCY ELECTRONICS, INC.  
55 Charles Lindbergh Boulevard  
Mitchel Field, New York 11553

PROXY STATEMENT  
PRELIMINARY PROXY STATEMENT - SUBJECT TO COMPLETION

ANNUAL MEETING OF STOCKHOLDERS

To be held on November 1, 2016

This Proxy Statement is being furnished in connection with the solicitation of proxies by and on behalf of the Board of Directors (the "Board") of Frequency Electronics, Inc., a Delaware corporation (hereinafter called the "Company"), for use at the Annual Meeting of Stockholders (the "Annual Meeting") to be held at the office of the Company, 55 Charles Lindbergh Boulevard, Mitchel Field, New York 11553, on the 1<sup>st</sup> day of November 2016, at 10:00 A.M., Eastern Daylight Time, or any adjournment or adjournments thereof. This Proxy Statement together with the accompanying WHITE Proxy card was first mailed to stockholders on or about [ ], 2016.

Only stockholders of record as of the close of business on September 12, 2016 are entitled to notice of, and to vote at, the meeting. Each proxy executed and returned by a stockholder may be revoked at any time thereafter by filing a later dated proxy or by appearing at the meeting and voting in person. Attendance at the meeting will not, in itself, constitute revocation of a proxy. Even if you plan to attend the Annual Meeting, we strongly urge you to vote in advance by proxy by signing and dating the enclosed WHITE proxy card and returning it in the postage-paid envelope provided or by voting via the Internet or by telephone by following the instructions provided on the enclosed WHITE proxy card.

The cost of solicitation of proxies will be borne by the Company. The Board may use the services of the Company's directors, officers and other regular employees to solicit proxies personally or by telephone and may request brokers, fiduciaries, custodians and nominees to send proxies, proxy statements and other materials to their principals and reimburse them for their out-of-pocket expenses in so doing. As a result of the proxy solicitation by Privet, we may incur additional costs in connection with our solicitation of proxies. We have hired MacKenzie Partners, Inc. ("MacKenzie"), 105 Madison Ave, New York, NY 10016 to assist us in the solicitation of proxies for a fee of up to [\$ ] plus out-of-pocket expenses. Our expenses related to the solicitation of proxies from stockholders this year will exceed those normally spent for an annual meeting. Such aggregate costs are expected to be approximately [\$ ]. These additional solicitation costs are expected to include the fee payable to our proxy solicitor, fees of outside counsel and financial and other advisors to advise the Company in connection with a contested solicitation of proxies, increased mailing costs, such as the costs of additional mailings of solicitation material to stockholders and the reimbursement of reasonable expenses of banks, brokerage houses and other agents incurred in forwarding solicitation materials to beneficial owners of our common stock and the costs of retaining an independent inspector of election.

Voting Securities and Votes Required

The Board has fixed the close of business on September 12, 2016, as the record date for determination of stockholders entitled to notice of, and to vote at, the meeting. On [August 25], 2016, the Company had outstanding [8,729,682] shares of common stock, \$1.00 par value per share ("Common Stock") (excluding [396,352] treasury shares), each of which entitled the holder to one vote. No shares of preferred stock were outstanding as of the record date. A majority of the outstanding shares of Common Stock, represented in person or by proxy, constitutes a quorum. Rights of appraisal or similar rights of dissenters are not available to stockholders of the Company with respect to any matter to be acted upon at the Annual Meeting.



A stockholder who abstains from voting on any or all proposals will be included in the number of stockholders present at the meeting for the purpose of determining the presence of a quorum. A "broker non-vote" will also be counted for the purpose of determining the presence of a quorum. A "broker non-vote" occurs when a beneficial owner whose shares are held of record by a broker does not instruct the broker how to vote those shares and the broker does not otherwise have discretionary authority to vote on a particular matter.

In the case of broker non-votes, brokers are entitled to vote on the ratification of the independent auditors, but are not entitled to vote on Proposal Number 1 (the election of directors) or Proposal Number 3 (advisory vote on executive compensation). Broker non-votes will have no effect on the election of directors. Please vote your proxy so your vote can be counted. Stockholder abstentions will have no effect on the outcome of the election of directors, but will have the same practical effect as a negative vote on Proposal Number 2 (ratifying the appointment of the independent auditors) and Proposal Number 3 (advisory vote on executive compensation).

It is expected that the following business will be considered at the meeting and action will be taken thereon.

PROPOSAL NO. 1

ELECTION OF DIRECTORS

The Company's Amended and Restated Bylaws provide that the size of the Board shall consist of not less than three (3) but not more than twelve (12) members, as determined from time to time the Board. On August 19, 2016, after a thorough search process and a period of considerable deliberation by the Board, including with regard to the Company's corporate governance, the Board adopted a resolution to increase the number of directors on the Board from five (5) to seven (7), and appointed Dr. Stanton D. Sloane as an independent director to fill one of the newly created vacancies. On August 25, 2016, the Board appointed Mr. Russell M. Sarachek as an independent director to fill the remaining vacancy on the Board. All of the Board's director nominees have been interviewed by members of the Board prior to their nomination to the Board. On August 29, 2016 each of Admiral Foley and General Franklin notified the Board that they would not stand for reelection at the Annual Meeting, and the Board adopted a resolution to decrease the number of directors on the Board from seven (7) to five (5) effective as of October 31, 2016. Also on August 29, 2016, the Board appointed Messrs. Sloane and Sarachek to the Audit Committee and the Compensation Committee.

At the Annual Meeting, stockholders will be asked to elect five (5) directors ("Director(s)") to the Board to hold office until the next annual meeting of stockholders and until their respective successors are elected and qualified. Cumulative voting is not permitted. The accompanying WHITE Proxy Card will be voted for the election of all five of the members of the Board, each of whose principal occupations are set forth in the following table, if no direction to the contrary is given. In the event that any such nominee is unable or declines to serve, the Proxy may be voted for the election of another person in his place. The Board knows of no reason to anticipate that this will occur.

The Board's director nominees are as follows:

Name of Director	Principal Occupation	Age	Year First Elected
Joel Girsky	Chairman of the Board of Directors; President, Jaco Electronics, Inc. President and Chief Executive Officer of Comtech Telecommunications Corp.	77	1986
Stanton D. Sloane		65	2016
Russell M. Sarachek	Managing Director of Contra Capital Management LLC	53	2016
Richard Schwartz	Director	80	2004
Martin B. Bloch	President, Chief Executive Officer and a Director	80	1961

All directors hold office for a one-year period or until their successors are elected and qualified.

The Company's Board has determined that Messrs. Girsky, Schwartz, Sloane and Sarachek are "independent," as defined in the listing standards of the NASDAQ Stock Market ("NASDAQ"). The composition of the Board, consisting of one (1) officers of the Company (Mr. Bloch) and the four (4) independent directors, is in full compliance with the listing requirements of the NASDAQ.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "FOR" THE ELECTION OF EACH OF THE BOARD'S NOMINEES ON THE ENCLOSED WHITE PROXY CARD AND URGES YOU NOT TO SIGN OR RETURN OR VOTE ANY PROXY CARD SENT TO YOU BY PRIVET.**

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Nominees for Election as Directors

JOEL GIRSKY, age 77, has served as a Director of the Company since October 1986. In July 2016, he was elected Chairman of the Board. He is the president and a director of Jaco Electronics, Inc., which is in the business of distributing electronics components, and has served in such a capacity for over forty years. Mr. Girsky also serves as the Chairman of the Company's Audit Committee. Mr. Girsky's knowledge of the Company through his service as a director of the Company, as well as his experience as CEO of a publicly-traded company, allow him to bring valuable insight and knowledge to the Board.

STANTON D. SLOANE, age 65, has served as a Director of the Company since August 2016. Dr. Sloane has been President and Chief Executive Officer of Comtech Telecommunications Corp. (Nasdaq: CMTL) since January 2015, and a Director since January 2012. Prior to joining Comtech, Dr. Sloane was President and CEO and a Director of Decision Sciences International Corporation, a privately-held advanced security and detection systems company, from August 2011 through January 2015. Prior to that, he served as President and CEO and a Directors of SRA International, Inc. ("SRA"), an information solutions company. He served as President and CEO of SRA from April 2007 through July 2011, during which time he helped lead the sale of SRA to a private equity firm. Prior to joining SRA, he was Executive Vice President of Lockheed Martin's Integrated Systems & Solutions from June 2004 until April 2007. He began his business career with General Electric Aerospace in 1984 and progressed through engineering, program management, and business development assignments in a variety of GE Aerospace and subsequently Lockheed Martin businesses. He also served as an officer in the U.S. Navy from 1976 until 1981. Dr. Sloane holds a bachelor's degree in Professional Studies (Aeronautics) from Barry University, a master's degree in Human Resources Management from Pepperdine University, and a Doctor of Management degree from the Weatherhead Business School at Case Western Reserve University.

RUSSELL M. SARACHEK, age 53 has served as a Director of the Company since August 2016. Mr. Sarachek has served as the Managing Director of Contra Capital Management, LLC since 2002. From 1992 to 2002, he held various positions, including Executive Vice President and director of mergers and acquisitions at Groupe Schneider, a global manufacturer and distributor of electrical equipment and industrial controls. Mr. Sarachek has extensive knowledge in corporate governance practices for public companies and has a range of aerospace and defense industry contacts that help strengthen the Board's collective qualifications, skills, and experience.

RICHARD SCHWARTZ, age 80, has served as a Director of the Company since 2004. He was a trustee and chairman of the Finance Committee of Cooper Union in New York City, a position he held from 2004 through 2008. Prior to his retirement in 2000, Mr. Schwartz was Chief Executive Officer and Chairman of ATK. He served in senior executive positions at ATK and predecessor companies beginning in 1990. Prior to that, Mr. Schwartz had been president of the Rocketdyne division of Rockwell International, a company he first joined in 1957. Mr. Schwartz also serves on the board of directors of Astronautics Corporation of America. Mr. Schwartz's extensive industry experience, his prior board and executive management experience and his demonstrated leadership capabilities allow him to bring valuable insight and knowledge to the Board.

MARTIN B. BLOCH, age 80, has served as a Director of the Company and of its predecessor since 1961. He has served continuously since 1961 as the Company's President and, except for December 1993 through October 1998, as its Chief Executive Officer. Previously, he served as chief electronics engineer of the Electronics Division of Bulova Watch Company. Mr. Bloch's current service as the President and Chief Executive Officer of the Company allows him to bring to the Board in-depth knowledge of the Company's business, operations, employees and strategic opportunities.

## Privet Solicitation

On August 2, 2013, Privet filed a Schedule 13D with the Securities and Exchange Commission disclosing beneficial ownership by Ryan Levenson, the Founding Principal and Managing Member of Privet, and certain Privet funds of 509,826 shares of the Company's outstanding common stock, representing beneficial ownership of approximately 6.0% of the Company's outstanding common stock. Privet indicated that it acquired such shares for investment purposes and had no specific present plans or proposals that would result in, among other things, any change in the present Board or management of the Company or any material change in the Company's business or corporate structure.

On December 30, 2013, Privet amended its Schedule 13D to disclose that it had acquired additional shares and indicated that, as of the date of the filing, Mr. Levenson and certain Privet funds, beneficially owned 674,071 shares (or approximately 7.9%) of the Company's outstanding common stock. On December 19, 2014, Privet amended its Schedule 13D to disclose that it had acquired additional shares and indicated that, as of the date of the filing, Mr. Levenson and certain Privet funds, beneficially owned 774,504 shares (or approximately 9.0%) of the Company's outstanding common stock.

In January 2014, Mr. Levinson and Mr. Bloch met at a conference and Mr. Levinson made an appointment to visit the Company. Later that month, Mr. Levinson and other representatives of Privet met with Mr. Bloch and other members of the Company's management and stated that Privet could be helpful in introducing the Company to merger and acquisition opportunities. Later in 2014, Mr. Levinson and Mr. Bloch met in New York City and discussed the Company and the industry.

On March 20, 2015, Mr. Levenson contacted the Company. Mr. Bloch and other members of the Company's management team returned Mr. Levenson's call, and Mr. Levenson informed the Company that he was interested in serving on the Company's Board of Directors. Mr. Bloch indicated that he would review Mr. Levenson's credentials and get back to him. On Monday, March 23, 2015, Mr. Levenson sent a follow up email to which he attached a resume of his professional experience, and in which he indicated that he expected that he would have no trouble obtaining the security clearance held by the other members of the Board. In this email, Mr. Levenson also stated that he would appreciate the opportunity to participate in the Company's capital allocation decisions that do not involve the discussion of classified information.

Over the next two weeks, the Company's management and Mr. Levenson spoke by telephone several times and discussed the conditions under which Privet might be permitted to receive certain Company information to help it evaluate its investment in the Company. The Company agreed, among other things, to: (i) provide Privet with all written information (other than classified information) provided to the Board, (ii) permit Privet to designate one Board member, subject to him or her obtaining "secret" level security clearance (i.e., the minimum clearance level held by each of our other directors) and (iii) provide privet with access to the Company's Chief Executive Officer to discuss Company business. In consideration for these rights, Privet agreed to execute a letter agreement containing standard confidentiality and standstill provisions. Privet also agreed to amend its Schedule 13D to include disclosure required by the Securities and Exchange Commission regarding its investment intent.

On April 6, 2015, Bryan Cave LLP, outside counsel to Privet, ("Bryan Cave") contacted Greenberg Traurig, LLP, outside counsel to the Company, ("Greenberg") and asked Greenberg to prepare a draft confidentiality and standstill agreement between the Company and Privet memorializing the business discussions between the parties. On April 8, 2016, Greenberg delivered to Bryan Cave a draft confidentiality and standstill agreement. The following day, Mr. Levenson and representatives from Bryan Cave and Greenberg participated in a conference call during which the participants discussed the draft confidentiality and standstill agreement, including the duration of the standstill, the security clearance level held by the then-current members of the Board and the scope of access to be given to Privet. Over approximately the next two months, the parties exchanged drafts of the draft confidentiality and standstill agreement. Open issues that were resolved during these negotiations included: (i) whether Privet would be permitted to purchase any additional shares of the Company's common stock during the standstill period and, if so, up to what percentage of the Company's outstanding common stock Privet would be permitted to purchase, (ii) whether, upon the termination of the confidentiality and standstill agreement or upon the resignation or removal of Privet's designee from the Board, Privet could require the Company to make public disclosure of all confidential information disclosed to Privet under the confidentiality and standstill agreement, (iii) whether Privet would have a right to appoint any person to serve as a director to the Company's Board (subject only to that designee obtaining security clearance) or whether the Privet designee would need to be acceptable to the Company's Board, (iv) the duration of the standstill covenant, (v) whether Privet would have a unilateral right to terminate the confidentiality and standstill agreement, (vi) the access that Privet would receive to Company information if it chose not to nominate a candidate to the Board, (vii) whether the Company will provide Privet with copies of all acquisition proposals it has received on or after January 1, 2012 or whether the cutoff date would be January 1, 2014, (viii) whether the size of the Board could be increased by more than one director without Privet's consent, (ix) whether the confidentiality and standstill agreement would terminate automatically upon the termination of the standstill period, and (x) under what circumstances the standstill provisions would survive the termination of the confidentiality and standstill agreement, including under what circumstances, if any, Privet would have a right to solicit proxies in respect of the Company's 2015 annual meeting.

On May 11, 2015, Mr. Levenson called a representative from SunTrust Robinson Humphrey ("SunTrust"), the Company's outside financial advisor and left a voicemail in which he indicated that he saw a news article referencing a potential purchase of the Company by a third party. In the voicemail, Mr. Levenson indicated that he would be willing to enter into a voting agreement in favor of a potential transaction and that his support could be articulated to such third party or other parties as appropriate. The SunTrust representative delivered the message to the Company, but neither the SunTrust representative nor the Company spoke with Mr. Levenson at this time.

On June 4, 2015, the Company, Privet Fund Management L.L.C. and Mr. Levenson executed the confidentiality and standstill agreement.

On June 15, 2015, Privet amended its Schedule 13D to disclose that it had acquired additional shares and indicated that, as of the date of the filing, Mr. Levenson and certain Privet funds, beneficially owned 848,855 shares (or approximately 9.8%) of the Company's outstanding common stock. Privet also attached a copy of the executed confidentiality and standstill agreement as Exhibit 99.1 to such amendment. Privet's amended Schedule 13D did not disclose, as required by Item 4(d) of Schedule 13D, that Privet had sought representation on the Board or any Privet plans or proposals that relate to or would result in, among other things, any change in the Board or the Company's management.

Ultimately, Privet determined not to exercise its right to designate a director, but, once or twice, it did exercise its right to receive information and access to the Company's CEO and expressed its view to Mr. Bloch that the Company should consider buying back stock or selling the Company.

In autumn 2015, in a response to an announcement that the Company's then CFO would be retiring, Mr. Levinson contacted Mr. Bloch and offered to suggest some replacement CFO candidates. Mr. Bloch told Mr. Levinson that the Company would consider any qualified suggestions and scheduled interviews with two candidates that Privet

suggested. One candidate that Privet suggested did not attend his interview which was rescheduled four times and the Company did not hire the other candidate suggested by Privet as other applicants were deemed more qualified.

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In early March 2016, Mr. Levenson met with Mr. Bloch at the Company's offices and informed Mr. Bloch that Privet and certain additional investors available to Privet were interested in considering a leveraged buyout of the Company at a price of at least \$13.50 per share. Mr. Levenson indicated that participants in the proposed transaction could include selected Company insiders. Mr. Levenson asked Mr. Bloch whether, in Mr. Bloch's opinion, the Company's Board would react favorably to such a transaction. Mr. Bloch responded that the Company would need additional information regarding the terms and conditions of such a transaction before the Board could respond. A telephone call between the parties and their legal advisors was scheduled for the following week. On that call, Mr. Levenson indicated that Privet would require a 90 day exclusivity period with no fiduciary out for the Company to seek financing for a potential leveraged buyout of the Company. Mr. Levenson also indicated that Privet was considering a price of up to \$13.50 per share for such transaction. The Company's legal advisor indicated that an exclusivity period of the nature and length Privet was requiring was unlikely to be acceptable to the Company. Mr. Levenson responded that, in any event, that, to secure financing for a leveraged buyout, Privet would need access to quality of earnings information beyond that provided under the existing confidentiality and standstill agreement. Mr. Bloch expressed his concerns to Mr. Levenson regarding Privet's ability to finance a leveraged buyout, but, informed Mr. Levenson that the Board would consider any bona fide offer at an appropriate price. Mr. Bloch agreed to furnish the requested diligence provided that Privet entered into an agreement that that would appropriately protect the Company's confidential information and satisfy the Company's fiduciary duties and obligations under applicable securities laws. However, Mr. Bloch indicated that in any offer for the Company from Privet, the Company expected that \$13.50 per share was a floor—not a ceiling.

Shortly thereafter, a representative of Bryan Cave contacted a representative of Greenberg and stated that Privet wished to proceed with its diligence inquiry pursuant to the confidentiality provisions contained in the confidentiality and standstill agreement executed by the parties on June 4, 2015. The Greenberg representative asked Bryan Cave to confirm that Privet would agree to extend the standstill covenants in order that there be a reasonable tail on the standstill covenants following the completion of due diligence and that the term of the confidentiality provisions, as applied to the information learned in diligence, would be appropriately extended. Later that month, Mr. Levenson, Mr. Michaelsen and representatives from Bryan Cave and Greenberg participated in a conference call during which they discussed the scope of diligence to be provided to Privet and the confidentiality and other provisions that would govern access of Privet and Houlihan Lokey, Privet's outside financial advisor, to the Company's confidential information. After several weeks of discussion, the Company agreed to grant Privet access to the Company's confidential information under the existing confidentiality and standstill agreement if that Houlihan Lokey would execute an acceptable joinder agreement prior to receiving such access. The parties were unable to agree on a mutually acceptable joinder agreement.

On April 26, 2016, the Company determined that, because the existing confidentiality and standstill agreement was to expire shortly—on June 8, 2016—the confidentiality provisions of such agreement would not be adequate to provide sufficient protection of the Company's confidential information as required by the securities laws and the Board's fiduciary duties. Later that day, the Company instructed Greenberg to prepare, and circulate to Bryan Cave, a standard confidentiality agreement that Privet would need to sign to access the Company's confidential information. The draft confidentiality agreement delivered to Privet on behalf of the Company had a term of 12 months and did not include standstill or non-solicitation provisions. For approximately two weeks after the delivery of this draft, the parties discussed the terms under which the Company's confidential information would be provided to Privet. The parties were unable to agree on an extension of the confidentiality terms in the existing confidentiality and standstill agreement that would satisfy the Company's fiduciary duties and provide the Company with appropriate protection.

Privet indicated that, in its view, the existing confidentiality and standstill agreement impeded it from making a proposal to acquire the Company. In early May 2016, the Company delivered a letter to Privet in which it offered to execute a termination of the existing confidentiality and standstill agreement so that Privet could make a bona fide proposal. The Company further agreed that if Privet made a bona fide proposal, at an appropriate price, that was in the best interest of the Company and its stockholders, the Company would agree (subject to Privet executing a standard confidentiality agreement) to provide Privet with access to due diligence so that Privet would be in a position



to seek financing for such proposal. The Company did not receive a response from Privet to its May 2016 letter.

On June 8, 2016, the confidentiality and standstill agreement between the Company and Privet expired.

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On July 5, 2016, the Company received a formal notice from Privet of its intent to nominate a slate of four nominees for election to the Board at its 2016 annual meeting. Also on July 5, 2016, Privet amended its Schedule 13D to disclose that it had acquired additional shares and indicated that, as of the date of the filing, Mr. Levenson and certain Privet funds, beneficially owned 848,855 shares (or approximately 9.7% ) of the Company's outstanding common stock. In this amendment, Privet provided biographical information for each of its nominees, summarized its nomination notice and attached the notice as Exhibit 99.1 to the amendment. Privet disclosed, in this amendment, that it has engaged in, and intends to continue to engage in, discussions with management and the Board regarding Board representation and the composition of the Board.

On July 15, 2016, the Company contacted Privet with certain clarifying questions regarding its nominees and their backgrounds. Later that day, Privet amended its Schedule 13D to disclose that it had acquired additional shares and indicated that, as of the date of the filing, Mr. Levenson and certain Privet funds, beneficially owned 1,005,461 shares (or approximately 11.5% ) of the Company's outstanding common stock. On July 19, 2016, Privet responded to the questions sent by the Company on July 15<sup>th</sup>. Shortly thereafter, Privet contacted the Company and indicated that it was disappointed not to have heard from the Company and suggested that Privet and the Company schedule call or meeting to have a general discussion. On July 21, 2017, Mr. Bloch sent a letter to Privet indicating, among other things, that the Company's primary duty is, and will continue to be, the protection of the interest of the Company and its stockholders and that, while the Company did not believe that a general discussion with Privet would be useful, the Board would review any constructive specific proposals from Privet. On July 25, 2016, the Company issued a press release announcing its fiscal year 2016 results. In such press release, which the Company filed on July 26, 2016 with the Securities and Exchange Commission, as Exhibit 99.1 to its Form 8-K, the Company also disclosed that it had received from Privet a notice of its intention to nominate four nominees for election to the Board at the Company's 2016 annual meeting and further stated that the Board "believes that [Privet] is engaged in an effort to acquire control of the Company without paying a [control] premium to the Company's stockholders. Accordingly, the Board does not believe that electing [Privet's] nominees would be in the best interests of the Company's stockholders."

On or about August 18, 2016, Mr. Bloch phoned Mr. Levenson and informed him that, for a long time, the Company has been considering adding new independent directors to the Board, and that the Board has identified certain new, independent, highly accomplished candidates who are willing to serve on the Board. Mr. Bloch informed Mr. Levenson that, as part of its reconstitution of the Board, the Company would be willing to offer Privet board representation subject to (i) the Board interviewing and determining any Privet nominee(s) would be a useful addition to the Board and (ii) Privet publicly announcing that it has withdrawn its nominations to the Board as a result of a settlement. Mr. Levenson informed Mr. Bloch that, while he would consider a settlement and that Privet would be willing to settle if the Company agreed to expand the Board and appoint three Privet nominees, the appointment of fewer than three director nominees was not sufficient. On August 29, 2016, a representative from Greenberg spoke with a representative from Olshan, Frome Wolosky LLP ("Olshan"), a second outside law firm hired by Privet, and discussed a possible settlement in which Privet would receive board representation.

On August 19, 2016, the Board deemed it advisable and in the best interests of the Company and its stockholders to increase the number of directors that will constitute the Board from five to seven directors and appoint Mr. Stanton D. Sloane to fill one of the vacancies created as a result of the increase of the size of the Board. On August 25, 2016, the Board appointed Mr. Russell Sarachek, a significant shareholder who holds approximately 4% of the Company's outstanding common stock, to fill the other vacancy on the Board. The Company announced the expansion of the Board to seven directors and the appointment of Messrs. Sloane and Sarachek to the Board in Exhibit 99.1 to the Form 8-K filed with the Securities and Exchange Commission on August 26, 2016. On August 29, 2016, each of Admiral Foley and General Franklin notified the Board that they would not stand for reelection at the Annual Meeting, and the Board adopted a resolution to decrease the number of directors on the Board from seven directors to five directors effective as of October 31, 2016. Also on August 29, 2016, the Board appointed Messrs. Sloane and Sarachek to the Audit Committee and the Compensation Committee.

On August 22, 2016, the Company received a letter from Privet requesting the inspection and copies of certain stockholder list materials of the Company. The Company responded to such letter on August 26, 2016.

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As of the date hereof, the Company and Privet have had no other material contacts.

#### Family Relationships

There are no family relationships between any director and executive officer.

#### Involvement in Certain Legal Proceedings

No director, executive officer, significant employee or control person of the Company has been involved in any legal proceeding listed in Item 401(f) of Regulation S-K in the past 10 years.

#### Transactions with Related Persons

There were no transactions between the Company and any related persons during the fiscal years ended April 30, 2016 and 2015.

#### Compensation of Directors:

Directors who are not officers of the Company receive an annual honorarium of \$18,000 and \$2,500 for attendance at each Board meeting or meeting of a Board committee of which he is a member (\$1,500 if such attendance is telephonic). In addition, the chairman of the Audit Committee receives an annual stipend of \$10,000. Company officers do not receive additional compensation for their service on the Board or for attendance at Board meetings or committee meetings. Directors who are not officers do not participate in Company-sponsored pensions or deferred compensation programs.

#### Director Compensation

Name	Fees Earned or Paid in		Equity-based Awards (1)(2)	Total (\$)
	Cash (\$)			
Joel Girsky	\$39,500		\$ 0	\$39,500
S. Robert Foley	29,500		0	29,500
Russell Sarachek	0		0	0
Richard Schwartz	29,500		0	29,500
Stanton Sloane	0		0	0

(1) The amounts in this column do not represent actual cash payments, but represent the aggregate grant date fair value of stock appreciation rights awarded during the 2016 fiscal year computed in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 718. The assumptions used in determining the grant date fair values of these awards are set forth in the notes to the Company's consolidated financial statements, which are included in its Annual Report on Form 10-K for the year ended April 30, 2016, as filed with the Securities and Exchange Commission ("SEC").

(2) Each non-officer Director received stock appreciation rights ("SARs") to receive, upon exercise, the number of shares of Common Stock equal to the appreciated value of 66,000 shares of Common Stock between the award date and the exercise date. During fiscal years 2015, 2014, 2013, 2012, 2011, 2010 and 2009 each director was granted a SAR based on 10,000, 10,000, 10,000, 10,000, 10,000, 10,000 and 6,000 shares, respectively. Each such award was outstanding at the end of fiscal year 2016, and each Director was vested in 51,000 shares of such awards as of April 30, 2016. The grant dates and exercise prices for these awards are listed in note (11) under the "Stock

Ownership of Certain Beneficial Owners and Management," below.

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## Vote Required and Board Recommendation

Assuming the presence of a quorum at the Annual Meeting, the affirmative vote of a plurality of the votes cast by holders of shares of Common Stock represented at the Annual Meeting and entitled to vote is required for the election of directors. The five nominees receiving the highest number of FOR votes will be elected. Withholdings will be counted as present for the purposes of this vote but are not counted as votes cast. Broker non-votes, if any, will be counted as present, but are not entitled to vote on the proposal.

The Board recommends that you vote on the WHITE proxy card as set forth on the voting instruction form "FOR" the election of each of our nominees to serve as directors of the Company until the 2017 annual meeting of stockholders, or until their successors are elected and qualified.

Our Board does not endorse any Privet nominee and unanimously recommends that you disregard any proxy card that may be sent to you by Privet. Voting to "withhold" with respect to any of Privet's nominees on its proxy card is not the same as voting for our Board's nominees, because a vote to "withhold" with respect to any of Privet's nominees on its proxy card will revoke any previous proxy submitted by you. If you have already voted using a proxy card sent to you by Privet, you have every right to change it and we urge you to revoke that proxy by voting in favor of our Board's nominees by using the enclosed WHITE proxy card. Only the latest validly executed proxy that you submit will be counted.

Annex A sets forth information relating to our directors, nominees for directors and certain of our officers and employees who are considered "participants" in our solicitation under the rules of the SEC by reason of their position as directors of the Company, as nominees for directors or because they may be soliciting proxies on our behalf.

**THE BOARD DEEMS PROPOSAL NO. 1 TO BE IN THE BEST INTERESTS OF THE COMPANY AND ITS STOCKHOLDERS AND RECOMMENDS A VOTE "FOR" THE NOMINEES NAMED ON THE WHITE PROXY CARD.**

## PROPOSAL NO. 2

### APPOINTMENT OF INDEPENDENT AUDITORS

The Board, upon recommendation of the Audit Committee, has appointed the firm of EisnerAmper LLP, ("EisnerAmper"), independent accountants, to be the Company's external auditors for the fiscal year commencing May 1, 2016, and recommends to stockholders that they vote for ratification of that appointment.

It is anticipated that a representative of EisnerAmper will be present at the Annual Meeting. Such representative will be given the opportunity to make a statement and will be available to respond to appropriate questions.

In connection with the audits of the Company's financial statements for the years ended April 30, 2016 and 2015 and the subsequent interim period through July 29, 2016, there have been no disagreements with EisnerAmper on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of EisnerAmper, would have caused EisnerAmper to make reference thereto in their reports on the Company's financial statements for such years.

No reportable event of the type described in Item 304(a)(1)(v) of Regulation S-K occurred during the years ended April 30, 2016 and 2015 and the subsequent interim period through July 29, 2016.

During the Company's two fiscal years ended April 30, 2016 and 2015 and the subsequent interim period through July 29, 2016, the Company has not consulted with EisnerAmper or any predecessor firms regarding the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might

be rendered on the Company's consolidated financial statements, or any matter that was either the subject of a disagreement (as defined in Item 304(a)(1)(iv) of Regulation S-K and the related instructions) or reportable event (within the meaning of Item 304(a)(1)(v) of Regulation S-K).

## AUDIT AND NON-AUDIT FEES

The following table presents the aggregate fees and expenses paid or accrued by the Company for professional services rendered by the Company's auditors, EisnerAmper, in fiscal years 2016 and 2015. Other than as set forth below, no professional services were rendered or fees billed by EisnerAmper during fiscal years 2016 and 2015.

Service	2016	2015
Audit Fees <sup>(1)</sup>	\$371,000	\$365,000
Audit-Related Fees <sup>(2)</sup>	48,000	43,000
Tax Fees <sup>(3)</sup>	-	-
All Other Fees <sup>(4)</sup>	-	-
TOTAL	\$419,000	\$408,000

Audit fees consist of professional services rendered for the audit of the Company's annual financial statements, the (1) reviews of the quarterly financial statements, issuance of consents and assistance with and review of documents filed with the SEC.

(2) Other audit-related services provided by EisnerAmper include the annual audit of the Company's employee benefit plans as well as accounting consultations regarding significant transactions during the fiscal year.

(3) Tax fees consist of fees for services rendered to the Company for tax compliance, tax planning and advice.

(4) Beginning in fiscal year 2009, the Company engaged another accounting firm to provide such services.

(4) No other services were performed by EisnerAmper in connection with financial information systems design and implementation or otherwise.

## Pre-Approved Services

Prior to engaging EisnerAmper to render the above services during fiscal year 2016, and pursuant to its charter, the Audit Committee approved the engagement for each of the services and determined that the provision of such services by the external auditor was compatible with the maintenance of EisnerAmper's independence in the conduct of its auditing services.

The procedures used by the Audit Committee for the pre-approval of all audit and permissible non-audit services provided by the independent auditors are described below.

Before engagement of EisnerAmper as independent auditors for fiscal year 2016, the independent auditors submitted a detailed description of services expected to be rendered during that year within each of four categories of services to the Audit Committee for approval.

Audit Services include audit work performed on the Company's financial statements, as well as work that generally only the independent auditors can reasonably be expected to provide, including statutory audits, comfort letters, consents and assistance with and review of documents filed with the SEC.

Audit-Related Services are for assurance and related services that are traditionally performed by the independent auditors, including due diligence related to mergers and acquisitions, employee benefit plan audits, and special procedures required to meet certain regulatory requirements and discussions surrounding the proper application of financial accounting and/or reporting standards.

Tax Services include all services, except those services specifically related to the audit of the financial statements, performed by the independent auditors' tax personnel, including tax analysis; assisting with coordination of execution of tax related activities, primarily in the area of corporate development; supporting other tax related regulatory requirements; and tax compliance and reporting. As indicated above, the Company has engaged another accounting



firm to provide such services which will thus not impair EisnerAmper's independence.