

SECURITIES AND EXCHANGE COMMISSION

FORM 10-K

Annual report pursuant to section 13 and 15(d)

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FILER

FREQUENCY ELECTRONICS INC

CIK: **39020** | IRS No.: **111986657** | State of Incorporation: **DE** | Fiscal Year End: **0430**
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SIC: **3825** Instruments for meas & testing of electricity & elec signals

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 or 15 (d) OF THE
SECURITIES EXCHANGE ACT OF 1934 (Fee Required)

For the fiscal year ended April 30, 1995

OR

TRANSITION REPORT PURSUANT TO SECTION 13 or 15 (d) OF
THE SECURITIES EXCHANGE ACT OF 1934 (No Fee Required)

For the transition period from _____ to _____

Commission File No. 1-8061

FREQUENCY ELECTRONICS, INC.

(Exact name of Registrant as specified in its charter)

Delaware

11-1986657

(State or other jurisdiction of (I.R.S. Employer Identification
No.) incorporation or organization)

55 CHARLES LINDBERGH BLVD., MITCHEL FIELD, N.Y. 11553

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: 516-794-4500

Securities registered pursuant to Section 12 (b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock (par value \$1.00 per share)	American Stock Exchange, Inc.

Securities registered pursuant to Section 12 (g) of the Act:

None

(Title of Class)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days

Yes No

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

The aggregate market value of voting stock held by non-affiliates of the Registrant as of June 30, 1995 - \$13,114,800.

(APPLICABLE ONLY TO CORPORATE REGISTRANTS)

The number of shares outstanding of Registrant's Common Stock, par value \$1.00 as of June 30, 1995 - 5,031,995.

DOCUMENTS INCORPORATED BY REFERENCE: PART III incorporates information by reference from the definitive proxy statement for the Annual Meeting of Stockholders to be held on October 10, 1995.

PART I

Item 1. Business

GENERAL DISCUSSION

Frequency Electronics, Inc. (sometimes referred to as "Registrant", "Frequency Electronics" or "Company") was founded in 1961 as a research and development firm in the area of time and frequency control. Unless the context indicates otherwise, references to the Registrant are to Frequency Electronics, Inc. and its subsidiaries.

Frequency Electronics was incorporated in Delaware in 1968 and became the successor to the business of Frequency Electronics, Inc., a New York corporation, organized in 1961. The principal executive office of Frequency Electronics is located at 55 Charles Lindbergh Boulevard, Mitchel Field, New York 11553. Its telephone number is 516-794-4500.

The current authorized capital of the Registrant consists of 20,000,000 shares of \$1.00 par value common stock, of which 5,041,995 shares were outstanding at April 30, 1995, and 600,000 shares of \$1.00 par value preferred stock, none of which have been issued to date.

Since its inception, Registrant has been involved principally in military defense contracting by way of the design, development, manufacture, and marketing of precision time and frequency control products. Its products are used in guidance and navigation, communications, surveillance and electronic counter measure and timing systems, and are used on many of the United States' most sophisticated military aircraft, satellites, and missiles. In recent years, changing defense priorities and severe federal government budget pressures have significantly changed the market environment for defense related products. Total U.S. Government defense and space acquisitions have declined steeply, and further cuts are projected over the coming years. As a consequence, many major U.S. Government contracts have been subjected to program stretch-outs. The Registrant's business is highly dependent upon the defense and space spending policies of the U.S. Government. Any substantial reduction in government spending or change in emphasis in the government's defense and space programs would have a material adverse effect upon the Registrant's business. For additional factors which may have had an adverse effect on Registrant's business with the U.S. Government, the materiality, if any, or extent of which effect is not readily ascertainable by Registrant at this time, reference is made to the subtopic "Material Developments" of this Item 1 and to Item 3.

In an effort to better serve customers on a more competitive basis, Registrant has segmented its operations into two principal industries: Defense and space for United States Government end use, and commercial communications and non-U.S. defense and space. The Registrant's commercial communications and commercial space programs have been transferred to and are now produced by its wholly owned subsidiary FEI Communications, Inc. ("FEIC"). FEIC was incorporated in Delaware in December 1991, and was created as a separate subsidiary company to provide ownership and management of assets and other services appropriate for commercial clients, both domestic and foreign. Registrant believes that as a separate entity operational flexibility and efficiency would be enhanced.

For the years ended April 30, 1995, 1994 and 1993, approximately 75%, 69% and 76%, respectively of the Registrant's sales were for U.S. Government end use. During fiscal 1995, approximately 25% of the Registrant's sales were for commercial products, used for commercial communications, commercial space applications and foreign government end use. Registrant believes a substantial commercial market exists and has developed several new product lines:

Commercial Rubidium Atomic Standard: An extremely small, low cost, low phase noise, stable atomic standard ideally suited for

use in advanced cellular communications, wireless telecommunications and navigation applications.

Subminiature Oven Controlled Commercial Quartz Crystal Oscillator: A low cost, small size, precision crystal oscillator suited for high end performance required in satellite transmissions, airborne telephony, and geophysical survey positioning systems.

VSAT Transceivers: Used in satellite communications for private data and voice earth stations and are currently under test and evaluation. The objective is to manufacture VSAT products for both the domestic and export markets through joint venture arrangements. Registrant is presently marketing its other products through a representative Chinese Company engaged in the electronics business. A family of three product lines is planned to meet customer needs. The Registrant has received its first contract for VSAT's in China.

MATERIAL DEVELOPMENTS

On November 17, 1993 Registrant was indicted on criminal charges alleging conspiracy and fraud in connection with six contracts for which Registrant was a subcontractor. In addition, two derivative actions have been filed against the Board of Directors essentially seeking recovery on behalf of the Company for any losses it incurs as a result of the indictment. On December 14, 1993 Registrant was notified by the U.S. Department of the Air Force that it had been suspended from contracting with any agency of the government. Current contracted programs are not affected by this suspension. Certain exceptions will apply if a compelling reason exists. The suspension is temporary subject to the outcome of the legal proceedings in connection with the indictment. The Company and the individual defendants have pleaded not guilty to all criminal charges, have denied all civil allegations, and will vigorously contest all charges and allegations. See Item 3 - Legal Proceedings.

PRODUCTS

Since its inception, Registrant has been involved in the design, development, manufacture and marketing of precision time and frequency control products. Using the technology the Registrant has developed in time and frequency products for limited applications, the Registrant has modified a number of products for wider application in the much broader navigation, communications and electronic warfare markets and non-military commercial markets.

The Registrant's products are used in guidance and navigation, communications, surveillance and electronic countermeasure and timing systems. These products are built in accordance with Department of Defense or customer standards and are used on many of the United States' most sophisticated military aircraft, satellites and missiles.

Registrant designs and manufactures the master clocks (quartz, rubidium and cesium) for many satellite communication systems for both satellite and ground applications. The Global Positioning Satellite System, as well as the MILSTAR Satellite System, are but two examples of the programs the Registrant participates in. Registrant also supplies significant timing products utilized with many satellite communications systems.

Registrant manufactures the master clock for the Trident missile, the basic timing system for the Voyager I and Voyager II deep space exploratory missions and the quartz timing system for the Space Shuttle. The Registrant's cesium beam atomic clock is presently employed in low frequency secure communications, surveillance and positioning systems for the United States Air Force, Navy and Army.

The Registrant's products are marketed as components, microwave products, instruments, or complete systems and are used in navigation, communications, radar, sonar, guidance, surveillance and electronic countermeasure equipment and systems. Prices are determined based upon the complexity, design requirement and delivery schedule as determined by the project details.

The sale of each class of Registrant's products for each of the last five years is set forth in Item 6 (Selected Financial Data).

Most of Registrant's products are manufactured from raw materials, which when combined with conventional electronic component parts available from multiple sources, become finished products, subsystems and systems used for space exploration, satellite applications, communication, navigation, position location, radar, and electronic counter-measures. These products, subsystems and systems are employed in domestic and international satellites, earth stations, aircraft, missiles, ships and submarines, and ground-based fixed, transportable, portable and mobile installations. Registrant is the major supplier for the AMRAAM missile system for both voltage controlled quartz oscillators and oscillator multiplier assemblies.

Components - The Registrant's key technologies include quartz, rubidium and cesium from which it manufactures accurate time and frequency standards and higher level assemblies which allow the users to locate their position, secure a communications system, or guide a missile with precision. The components class of Registrant's products is rounded out with crystal filters and discriminators, surface acoustic wave resonators, and space and high-reliability custom thick and thin film hybrid integrated circuits.

Quartz is the key element in making quartz resonators used for oscillators and filters utilized in most of its products.

Precision quartz oscillators use quartz resonators in conjunction with electronic circuitry to produce signals with accurate and stable frequency. The Registrant's products include several types of quartz oscillators, suited to a wide range of applications, including: ultrastable units for critical satellite and strategic systems, and fast warm-up, low power consumption units for mobile and tactical applications.

The ovenized quartz oscillator is the most accurate type, wherein the oscillator crystal is enclosed in a temperature controlled environment called a proportional oven. The Registrant manufactures several varieties of temperature controlling devices and ovens.

The voltage-controlled quartz oscillator is an electronically controlled device wherein the frequency may be stabilized or modulated, depending upon the application.

The temperature compensated quartz oscillator is an electronically controlled device using a temperature sensitive device to directly compensate for the effect of temperature on the oscillator's frequency.

The microcomputer compensated crystal oscillator, developed by the Registrant, exhibits excellent stability and aging, coupled with very low power consumption that makes it particularly suitable for battery and solar-powered applications. The Registrant's product uses a self-correcting frequency technique. The crystal itself is both the frequency generator and the temperature sensor. It allows a microcomputer to detect changes in frequency due to temperature, and correct the output frequency by digital processing, without the encumbrances of an oven or frequency pulling components.

The key components for the atomic instrument products are manufactured totally from raw materials. The rubidium lamp, filter and resonance cell provide the optical subassembly used in the manufacture of the Registrant's optically pumped atomic rubidium frequency standards. The cesium tube resonator is also manufactured totally from raw materials and is used in the manufacture of the Registrant's cesium primary standard atomic clocks.

Efficient and reliable DC-DC power converters are manufactured for the Registrant's own instruments, and as stand alone products, for space and satellite applications.

The Registrant manufactures filters and discriminators using its crystal resonators, for use in its own radio-frequency and

microwave receiver, signal conditioner and signal processor products.

High reliability, MIL-M-38510 Class S and B, custom hybrids are manufactured in thick and thin film technologies for applications from DC to 44 GHz. These are used in manufacturing the Registrant's products, and also supplied directly to customers, for space and other high reliability systems. Hybrids are also manufactured for higher microwave frequencies up to 100 GHz.

Microwave Products - The Registrant, under an agreement with TRW's Electronics and Technology Division, markets their extensive line of millimeter/microwave monolithic integrated circuits, MIMICs, developed by TRW for the Department of Defense, and microwave monolithic integrated circuits, MMICs, developed at TRW's own cost, and incorporates these devices into "supercomponents" and integrated subassemblies.

Instruments - The Registrant's instrument line consists of three basic time and frequency generating instruments and a number of instruments which test and distribute the time and frequency. The Registrant's time and frequency generating instruments are the quartz frequency standard, rubidium atomic standard, and the cesium beam atomic clock.

The quartz frequency standard is an electronically controlled solid-state device which utilizes a quartz crystal oscillator to produce a highly stable output signal at a standardized frequency. The Registrant's frequency standard is used in communications, guidance and navigation and time synchronization. The Registrant's products also include a precision frequency standard with battery back-up and memory capability enabling it to remain in operation if a loss of power has occurred.

The optically pumped atomic rubidium frequency standard is a rugged, compact, militarized solid-state instrument which provides both timing and low noise frequency references used in communications systems.

The cesium beam atomic clock utilizes the atomic resonance characteristics of cesium atoms to generate precise frequency, several orders of magnitude more accurate than other types of quartz frequency generators. The atomic clock is a compact, militarized solid-state device which generates these precision frequencies for use with advanced communications and navigation equipment. A digital time-of-day clock is incorporated which provides visual universal time display and provides digital timing with ten-billionths of a second accuracy for systems use. The atomic clock manufactured by Registrant is a primary standard, capable of producing time accuracies of better than one second in seven hundred thousand years.

As communications systems become more precise, there is an expanding requirement for precise frequency signals to drive a multitude of electronic equipment. To meet this requirement, the Registrant manufactures a distribution amplifier which is an electronically controlled solid-state device that receives frequency from a frequency standard and provides multiple signal outputs of the input frequency. A distribution amplifier enables many items of electronic equipment in a single facility, aircraft or ship to receive a standardized frequency and/or time signal from a quartz, rubidium or cesium atomic standard.

Systems - Essentially, the Registrant's systems portion of its business is manufactured by integrating selections of its products into subsystems that meet customer-defined needs. This is done by utilizing its unique knowledge of interfacing these technologies, and experience in applying them to a wide range of systems. In general, though not limited to, the Registrant's systems generate electronic frequencies of predetermined value, and then divide, multiply, mix, convert, modulate, demodulate, filter, distribute, combine, separate, switch, measure, analyze, and/or compare, depending on the system application.

The Systems portion of the business includes a complete line of time and frequency control systems, capable of generating many frequencies and time scales that may be distributed to widely

dispersed users, or within the confines of a facility or platform, or for a single dedicated purpose. The time and frequency control systems combine Registrant's cesium, rubidium and/or crystal instruments, with its other products, to provide systems for space exploration, satellite tracking stations, satellite-based navigation and position location, secure communication, submarine and ship navigation calibration, and electronic counter-measures applications. A number of these time and frequency control systems provide up to quadruple redundancy to assure operational longevity.

For example, the Registrant manufactured the Common Time and Frequency System (CTFS) for the first and second Time Data Relay Satellite System (TDRSS) Ground System. It includes redundant cesium standards and redundant Disciplined Standards, redundant switches, time code generators, buffer amplifiers, and displays; and integrates WWVB, LORAN and GPS receivers and antennas, and various instrumentation and non-interruptible power supplies.

As a second example, the Registrant manufactured a triple-redundant quartz crystal oscillator and frequency distribution sub-system for MILSTAR Satellite Flight #1 and quadruple-redundant rubidium standards and dual-redundant frequency distribution and DC-DC power converter sub-systems for MILSTAR Flights #2 through #5.

The Registrant also manufactures satellite communications subsystems; such as, the up and down converters for the TDRSS satellites and the 30 channel, triple conversion element separator for the TDRSS earth stations, and the LNA's up/down converters and receiver subsystems for the DSP.

The total revenue from components for the fiscal years ended April 30, 1995, 1994 and 1993 accounts for 23%, 7%, and 12%, respectively, of the consolidated revenue of the Registrant. The total revenue from microwave products for the fiscal years ended April 30, 1995, 1994 and 1993 accounts for 1%, 10%, and 40% respectively, of the consolidated revenue of the Registrant.

The total revenue from instruments for the fiscal years ended April 30, 1995, 1994 and 1993 accounts for 58%, 58%, and 40%, respectively, of the consolidated revenue of the Registrant. The total revenue from systems for the fiscal years ended April 30, 1995, 1994 and 1993 accounts for 18%, 25% and 8%, respectively, of the consolidated revenue of the Registrant.

BACKLOG

As of April 30, 1995, the Registrant's backlog amounted to approximately \$15 million of which approximately \$11 million is funded as compared to approximately \$18 million of funded backlog at April 30, 1994 (see Item 7). Backlog of commercial and foreign customers approximates \$3 million. A substantial portion of this backlog is expected to be filled during Registrant's fiscal year ending April 30, 1996. While the backlog includes firm purchase orders and contracts and may be a guideline in determining the value of orders which may be deliverable in the period indicated, it is subject to change by reason of several factors including possible cancellation of orders, change orders, terms of the contracts and other factors beyond the Registrant's control. Accordingly, the backlog is not necessarily indicative of the revenues or profits (losses) which may be realized when the results of such contracts are reported.

CUSTOMERS AND SUPPLIERS

The Registrant markets its products both directly and through 35 independent sales representative organizations located principally in the United States. Sales to non-U.S. customers totaled approximately 16% of net sales in 1995 and 1994 and 11% in fiscal 1993.

The Registrant's products are sold to a variety of customers, both governmental and private. For the years ended April 30, 1995, 1994 and 1993, approximately 75%, 69% and 76%, respectively of the Registrant's sales were made under contracts to the U.S. Government or subcontracts for U.S. Government end-use. The Registrant's business is highly dependent upon the defense and space spending policies of the U.S. Government. Any

substantial reduction in government spending or change in emphasis in the government's defense and space programs would have a material adverse effect upon the Registrant's business (see Item 3).

Aggregate sales to Hughes Aircraft Company, TRW, and Raytheon Corp. each exceeded 10% of the Company's consolidated sales and collectively were approximately 56% of the Company's consolidated sales during the fiscal year ended April 30, 1995. Aggregate sales to Hughes Aircraft Company and Raytheon Corporation each exceeded 10% of the Company's consolidated sales in the fiscal years ended April 30, 1994 and 1993 and were collectively approximately 40% and 33% of the Company's consolidated sales in the respective years. Substantially all of these sales were for U.S. Government end-use. The loss by the Registrant of any one of these customers, or the loss by any of such customers of its U.S. Government contracts which are partially subcontracted to the Registrant, would have a material adverse effect on the Registrant's business. The Registrant believes its relationship with these companies to be mutually satisfactory and except for the pending legal proceedings discussed in Item 3, is not aware of any prospect for the cancellation of or significant reduction of any of their U.S. Government contracts in which the Registrant is involved.

The Registrant purchases a variety of components such as transistors, resistors, capacitors, connectors and diodes for use in the manufacture of its products. The Registrant is not dependent upon any one supplier or source of supply for any of its component part purchases and maintains alternative sources of supply for all of its purchased components. The Registrant has found its suppliers generally to be reliable and price-competitive.

GOVERNMENT CONTRACTS

During the fiscal years ended April 30, 1995, 1994 and 1993, approximately 75%, 69% and 76%, respectively of the Registrant's sales were made either directly with U.S. Government agencies or indirectly with government agencies through subcontracts intended for government end-use. The majority of these contracts are on a fixed price basis. Under a fixed price contract, the price paid to the Registrant is not subject to adjustment by reason of the costs incurred by the Registrant in the performance of the contract, except for costs incurred due to contract changes ordered by the customer. These contracts are on a negotiated basis under which the Registrant bears the risk of cost overruns and derives the benefit from cost savings.

Negotiations on U.S. Government contracts are sometimes based in part on Certificates of Current Costs. An inaccuracy in such certificates may entitle the government to an appropriate recovery. From time to time, the Defense Contracts Audit Agency ("DCAA") of the Department of Defense audits the Registrant's accounts with respect to these contracts. The Registrant is not aware of any basis for recovery with respect to past certificates.

All government end-use contracts are subject to termination by the purchaser for the convenience of the U.S. Government and are subject to various other provisions for the protection of the U.S. Government. In the event of such termination, the Registrant is entitled to receive compensation as provided under such contracts and in the applicable U.S. Government regulations.

COMMERCIAL MARKETS

During the fiscal year ended April 30, 1995 the Registrant continued to focus a significant portion of its resources and efforts on developing hardware for commercial satellite programs and commercial ground communication systems which management believes will result in future growth and increases in profits. In fiscal 1994, Registrant transferred all commercial communications and space programs to its wholly owned subsidiary, FEIC. The foregoing developments have been implemented with a view towards enabling Registrant to achieve long-term substantial increases in sales from other than Defense Department programs.

RESEARCH AND DEVELOPMENT

The Registrant's technological expertise has been an important factor in its growth. Until recently, virtually all of its research and development activities have taken place in connection with customer-sponsored research and development oriented products conducted under fixed price contracts. These projects constitute a substantial portion of the Registrant's business. Most of these contracts result in the production of prototype hardware and systems and some of this prototype production results in orders to the Registrant for the production of products for customer use. It is not possible to estimate separately the time devoted to the research and development portions of these contracts as compared to the pre-production and prototype development portions.

During fiscal 1995, 1994, and 1993, the Registrant expended \$1.9 million, \$1.4 million, and \$1.8 million respectively of its resources and efforts on developing hardware for commercial satellite programs and commercial ground communication systems which management believes will result in future growth and increases in profits.

PATENTS AND LICENSES

The Registrant believes that its business is not dependent on patent or license protection. Rather, it is primarily dependent upon the Registrant's technical competence, the quality of its products and its prompt and responsible contract performance. However, the rights to inventions of employees working for the Registrant are assigned to the Registrant and the Registrant presently holds such patents and licenses. Registrant does not believe that patents and licenses are material to its business.

COMPETITION

The Registrant experiences intense competition with respect to all areas of its business. The Registrant competes primarily on the basis of the accuracy, performance and reliability of its products, the ability of its products to perform in severe environments encountered in military and aerospace applications, prompt and responsive contract performance, and the Registrant's technical competence and price. The Registrant has a unique and broad product line which includes all three frequency standards - quartz, rubidium, and cesium. The Registrant believes its ability to take such raw materials, manufacture finished products, integrate them into systems and sub-systems, and to interface these systems with end-user applications by determining the most appropriate type, all under one roof, provides the Registrant with an advantage over many of its competitors.

The Registrant believes that it is a significant supplier of time and frequency products for the military and aerospace markets.

Many of the Registrant's competitors are larger, have greater financial resources and have larger research and development staffs than the Registrant. With respect to the cesium beam atomic clock, quartz crystal standard and rubidium frequency standard, the Registrant competes with Hewlett-Packard Company, Datum, Inc., Austron, Inc., Ball Corporation and E. G. and G., Inc.

EMPLOYEES

The Registrant employs 266 persons.

OTHER ASPECTS

The Registrant's business is not seasonal and no unusual working capital requirements exist.

Item 2. Properties

Registrant established its headquarters in December, 1981 in a 131,000 square foot manufacturing and office facility located in Mitchel Field, Long Island, New York (the "Mitchel Field Complex"). The Mitchel Field Complex was built and equipped, in

part, with the proceeds of a \$5,000,000 Industrial Development Bond financing arrangement concluded through the Nassau County Industrial Development Agency and various lending institutions ("Financing Arrangement"). The Mitchel Field Complex is erected on land leased from the County of Nassau ("Nassau County Lease") dated as of February 24, 1981 for an aggregate period of 99 years (including renewal options exercisable at Registrant's sole discretion). Registrant paid total base rentals under this lease of approximately \$167,000 during fiscal year ended April 30, 1995. The Nassau County Lease provides for periodic increases after 10 years. Registrant has granted to the lending banks a security interest in all personal property purchased with the proceeds of this financing and a mortgage on the Nassau County Lease.

In June, 1988, Registrant completed construction of an additional 90,000 square feet of manufacturing and office facility contiguous to the Mitchel Field Complex. These additional facilities were financed with the proceeds of a \$3,500,000 Industrial Development Bond Financing arrangement with the Nassau County Industrial Development Agency and a lending institution, as part of its plan to finance the new plant and equipment ("Financing Arrangement II").

Under the terms of the Financing Arrangement and Financing Arrangement II, interest is payable at 65% and 79% respectively of the lending banks' prime commercial lending rates. This advantageous interest rate is made available under an exemption from the taxation of interest payments received by the lenders as provided by the Internal Revenue Code ("Code"). In fiscal 1995 the Financing Arrangement was fully repaid. Registrant has no reason to believe that the exemption with respect to Financing Arrangement II will be challenged by the Internal Revenue Service.

Such interest rate formula will remain in effect during the 15-year period required to amortize Financing Arrangement II. Registrant has the right to prepay the loan at any time. Financing Arrangement II contains certain restrictions with respect to the maintenance of net worth and encumbering the building.

In December 1990, a subsidiary of the Registrant signed a 15 year lease with National Health Laboratories Incorporated (NHL). The terms require that the subsidiary of the Registrant have a building constructed for use by NHL for which construction was completed in November, 1992. The Registrant provided \$9,000,000 of financing for the cost of the building for which a six year term loan has been negotiated. This loan has been guaranteed and collateralized by NHL assets. Annual rental income of \$1,650,000 commenced in November, 1992 upon completion of the building. Minimum rentals are subject to adjustment based on the difference between the actual rate of interest incurred on the borrowing used to construct the facility and the targeted range of 9.75% to 10.25%. Beginning in the fourth year of the lease there will be annual rent escalations of 5%. This lease will be accounted for as a direct finance lease and income is recognized by a method which produces a constant periodic rate of return on the outstanding investment in the lease.

Item 3. Legal Proceedings

U.S. Government Indictment

On November 17, 1993, a Federal Grand Jury in the United States District Court for the Eastern District of New York returned an indictment in a criminal proceeding entitled, "United States District Court, Eastern District of New York, United States of America, Plaintiff, against Frequency Electronics, Inc., Martin Bloch, Abraham Lazar, Harry Newman and Marvin Norworth, Defendants", index number CR 93-1261 ("Indictment"). As the caption in the proceeding indicates, the Indictment named as defendants FEI, Martin Bloch-its then board chairman, president and chief executive officer, Abraham Lazar-one of its directors, Harry Newman-its secretary/treasurer, and Marvin Norworth-its contracts manager. The eighteen count Indictment charges violations of Title 18, United States Code ("U.S.C.") Sections 286 and 3551 et seq., 1031(a), 2 and 3551 et seq., 1001, 2 and 3551 et seq.

The Indictment makes allegations, generally, as follows: TRW, Inc. ("TRW") was a prime contractor on a contract with the United States Government ("Government") to build satellites; FEI was a subcontractor of TRW under six contracts to manufacture electronic devices for space satellites pursuant to TRW's contracts with the Government. In February 1988, three of the subcontracts were terminated by TRW and three of the subcontracts were partially terminated by TRW and restructured. In connection with such terminations, FEI submitted detailed statements of information setting out its costs incurred in connection with the subcontracts for the unpaid portion of which it was eligible for compensation, directly or indirectly, by the Government; among the costs for which it was eligible for compensation were labor costs, in addition, overhead and general and administrative costs (collectively "costs"); settlement proposals were submitted by FEI with respect to the three terminated subcontracts, the proposals contained, among other things, the cost information described above and FEI was compensated, directly or indirectly, by the Government; contract pricing proposals were submitted by FEI with respect to the three partially terminated and restructured subcontracts, such proposals contained, among other things, the cost information described above and FEI and TRW entered into an agreement restructuring such subcontracts and FEI was paid settlement expenses in connection with such restructured subcontracts.

The general substance of the criminal charges against FEI and the individual defendants named in the Indictment is that FEI and the individual defendants conspired to defraud and did defraud the Government and that some or all of them committed, among others, the following criminal acts: they agreed to defraud the Government; they submitted statements and invoices with respect to FEI's costs incurred in connection with the terminated and/or partially terminated and restructured subcontracts for the purpose of FEI obtaining compensation thereunder, which statements and invoices were intentionally false; the statements and invoices included claims for labor costs and other costs which were intentionally false; FEI and the individual defendants destroyed or caused to be destroyed important records relating to labor costs; FEI and the individual defendants altered or caused to be altered FEI's records and vendor invoices with respect to FEI's cost of labor, materials and services; FEI and the individual defendants intentionally made false statements to Government officials; and FEI and the individual defendants intentionally submitted false documents to Government officials. The indictment does not specify the dollar amount as to which it is claimed the Government was defrauded.

Subsequent to the return of the Indictment, FEI and the individual defendants moved to dismiss the Indictment on various grounds ("Motion(s)"). The Motions were heard on May 13, 1994 and the Court rendered its decision and denied the Motions. Discovery has not been completed. FEI has determined to vigorously defend the Indictment.

On April 6, 1994, a Federal Grand Jury in the United States District Court for the Eastern District of New York returned a superseding indictment in a criminal proceeding entitled, "United States District Court, Eastern District of New York, United States of America, Plaintiff, against Frequency Electronics, Inc., Martin Bloch, Abraham Lazar, Harry Newman and Marvin Norworth, Defendants", index number CR 93-0176 ("Superseding Indictment"). As the caption in the proceeding indicates, the Superseding Indictment named as defendants all of the same parties as in the Indictment. The nineteen count Superseding Indictment charges violations of Title 18, U.S.C. Sections 371 and 3551 et seq., 1001, 2 and 3551 et seq. It is believed that the Superseding Indictment primarily represents an attempt by the Government to meet and cure certain of the asserted deficiencies in the Indictment which were specified in the Motions. The Superseding Indictment enlarged Count One of the Indictment from an 18 U.S.C. Section 286 conspiracy to a conspiracy charged under Title 18, U.S.C. Section 371. In addition, the Superseding Indictment contained an additional count charging a violation of section 1001 of Title 18, i.e., making a false statement to a Government agency. Other than the foregoing, there are no other substantial differences between

the Indictment and the Superseding Indictment. The Superseding Indictment does not specify the dollar amount as to which it is claimed the Government was defrauded. The Government takes the position that it may proceed to trial on either the Indictment or the Superseding Indictment. The Government has not advised as to whether it intends to proceed under the Indictment or the Superseding Indictment and the Court has not ruled on this subject. FEI and the other defendants moved to dismiss the Superseding Indictment and those motions were also heard on May 13, 1994. The court denied the motions addressed to the Superseding Indictment. Discovery has not been completed. FEI has determined to vigorously defend the Superseding Indictment.

In connection with the defense of the Indictment and the Superseding Indictment, FEI and the other defendants have sought the production of United States Government classified information and documents pursuant to the provisions of the Classified Information Procedures Act ("CIPA"). The CIPA process is continuing and no assessment can be made as to when it will be concluded or the outcome.

Upon a conviction of FEI, the Government may be awarded fines, penalties, restitution, forfeitures, treble damages or other conditional relief.

On November 17, 1993, the Government commenced a civil action for damages in the United States District Court for the Eastern District of New York entitled, "United States District Court, Eastern District of New York, United States of America, Plaintiff, against Frequency Electronics, Inc., Martin Bloch, Abraham Lazar, Harry Newman and Marvin Norworth, Defendants", index number CV 93-5200 ("Government Civil Action"). The Government Civil Action sets forth four causes of action against each of the named defendants alleging, in substance, fraud under 31 U.S.C. Section 3729, et seq, (the "False Claims Act"), fraud, unjust enrichment and breach of contract. In the complaint, demand is made for treble damages in an unspecified sum based upon the alleged violations under the False Claims Act, plus costs and attorneys fees in an unspecified amount, plus \$10,000 for each false claim and for each false record and statement. Pursuant to an order of the Court dated January 12, 1994, all proceedings in the Government Civil Action including, without limitation, discovery are stayed pending a jury verdict of the Indictment. Under the False Claims Act, a recovery can be made in favor of the Government for a civil penalty of not less than \$5,000 and not more than \$10,000 as to each false claim and for each false record and statement, plus three times the amount of damages it is determined the Government sustained, plus legal fees and expenses. No opinion can be offered as to the outcome of the Government Civil Action. FEI has determined to vigorously defend the Government Civil Action.

A qui tam action was commenced in the United States District Court for the Eastern District of New York entitled, "The United States of America ex rel. Ralph Muller, Plaintiff, against Frequency Electronics, Inc., Raytheon Company, Raytheon Company Subsidiaries #1-10, fictitious names for subsidiaries of Raytheon Company, Hughes Aircraft Company, Hughes Aircraft Company subsidiaries #1-20, fictitious names for subsidiaries of Hughes Aircraft Company, and Martin Bloch, Defendants", index number CV-92 5716 ("Muller Qui Tam Action"). The Muller Qui Tam Action was brought pursuant to the provisions of the False Claims Act and is an action by which an individual may, under certain circumstances, sue one or more third persons on behalf of the Government for damages and other relief.

The complaint was filed on or about December 3, 1992, in camera and under seal pursuant to the provisions of the False Claims Act. The Court unsealed the complaint by order dated December 3, 1993, after FEI complained to the United States Attorney for the Eastern District of New York regarding newspaper articles that charged FEI with manufacturing defective products based upon claims in an unspecified and undisclosed qui tam action. It is believed that the Government made applications to the Court on one or more occasions after December 3, 1993 to continue to have the file in the Muller Qui Tam Action remain under seal. The complaint was served on FEI and Martin Bloch on March 28, 1994 and March 30, 1994, respectively. Under the provisions of the False Claims Act, the Government is permitted

to take over the prosecution of the action. It appears that the Government has declined to prosecute the Muller Qui Tam Action and that the plaintiff, Ralph Muller ("Muller"), is proceeding with the action on behalf of the Government as is permitted under the False Claims Act. Moreover, while the action names as parties defendant, Hughes Aircraft Company ("Hughes") and Raytheon Company ("Raytheon"), along with several of their subsidiaries, it appears that the Muller Qui Tam Action was dismissed voluntarily by Muller on April 6, 1994 as to Hughes, Raytheon and their respective subsidiaries.

The complaint, insofar as it pertains to FEI and Martin Bloch, contains a series of allegations to the effect that Hughes and Raytheon contracted with the Government to supply it with Advance Medium Range Air to Air Missiles ("AMRAAMS"); Hughes and Raytheon (collectively, the "Contractors") entered into a subcontract with FEI pursuant to which FEI was to design, manufacture, test, sell and deliver to the Contractors certain oscillators which constituted components of the AMRAAMS; that FEI improperly designed, manufactured and tested the oscillators; that numerous faulty and defective oscillators were delivered to the Contractors; that the oscillators did not meet contract specifications; that FEI was aware of the defective and faulty nature of the oscillators; that FEI attempted unsuccessfully to correct the faults and defects and failed to disclose the faults and defects to the Contractors or the Government; that FEI falsified test results and FEI and Martin Bloch directed the falsification of test results; and that FEI sold and delivered the oscillators to the Contractors; as a result of the faulty and defective oscillators, many of the AMRAAMS failed to function properly; and that the Government sustained damages. The complaint demands an unspecified amount of damages allegedly suffered by the Government, and asks that the Court determine the damages and assess civil penalties as provided under the False Claims Act, and that the plaintiff Muller be awarded a bounty. Under the False Claims Act, a recovery can be made in favor of the Government for a civil penalty of not less than \$5,000 and not more than \$10,000 as to each false claim and for each false record and statement, plus three times the amount of damages it is determined the Government sustained, plus legal fees and expenses.

FEI has determined to vigorously defend the Muller Qui Tam Action. It has answered the complaint, denied the material allegations, asserted seventeen affirmative defenses, and counterclaims for: libel and product libel - demanding damages of \$3,000,000; republication of the libel and product libel - demanding damages of \$3,000,000; slander - demanding damages of \$3,000,000; tortious interference with contractual relations - demanding damages of \$1,865,010; prima facie tort-demanding damages of \$1,865,010; conversion - demanding damages of \$1,865,010; breach of contract - demanding damages of \$1,865,010; breach of fiduciary relationship - demanding damages of \$1,865,010; plus punitive damages in the amount of \$30,000,000 on each of the tort causes of action, and legal fees and expenses. The substance of the counterclaims alleged against Muller are predicated upon a letter dated November 23, 1992 ("November 23 Letter") written by Muller's attorney's Schneider, Harris, Harris and Furman ("SHHF") to the Government which allegedly contained false and libelous statements concerning FEI's design, manufacture and production of components for Hughes and Raytheon in connection with the AMRAAMS.

In addition, FEI has instituted a third party action against SHHF, Robert Harris, Esq. and Rod Kovel, Esq., attorneys for Muller, in connection with their alleged authoring and publishing of the November 23 letter provided to the Government. The third-party complaint asserts the same claims against the attorneys as are asserted in the counterclaims against Muller, for libel and product libel, republication of the libel and product libel, slander, tortious interference with contractual relations, prima facie tort and conversion. The counterclaims and third-party complaint have been served. Muller replied to the counterclaims, denied the allegations and asserted various defenses. The third-party defendants have answered the third-party complaint, denied the allegations and asserted various defenses. Discovery has not commenced.

FEI and Martin Bloch have moved to dismiss the complaint in the Muller Qui Tam Action and the plaintiff and third-party defendants have moved to dismiss, respectively, the FEI counterclaims and third-party complaint. It is anticipated that these motions will not be heard by the Court until the fall of 1995.

No opinion can be offered as to the outcome of the Muller Qui Tam Action, the FEI counterclaims, third-party action or the pending motions.

On December 1, 1993, FEI was served with a complaint in an action entitled, "In the Court of Chancery of the State of Delaware In and For New Castle County, Diane Solash Derivatively, on behalf of Frequency Electronics, Inc., a Delaware corporation, Plaintiff, vs. Martin B. Bloch, Peter O. Clark, Joseph P. Franklin, Joel Girsky, Abraham Lazar, John C. Ho, E. John Rosenwald, Jr., individuals, Defendants and Frequency Electronics, Inc., a Delaware Corporation, Nominal Defendant", Civil Action No. 13266 ("Solash Action"). All of the individual defendants named in the complaint are or were directors of FEI, Martin B. Bloch was president and chairman of the board of directors, Abraham Lazar was a vice-president, and Joseph P. Franklin is presently chairman of the board of directors. On January 24, 1994, plaintiff served an amended complaint adding as named defendants Harry Newman, FEI's secretary/treasurer and Marvin Norworth, FEI's contracts manager. This is a derivative action which is permitted by law to be instituted by a shareholder for the benefit of a corporation to enforce an alleged right or claim of the corporation where it is alleged that such corporation has either failed and refused to do so or may not reasonably be expected to do so. FEI is named as a nominal defendant. In the Solash Action, the complaint alleges that the members of FEI's board of directors may not reasonably be expected to authorize an action against themselves.

The substance of the amended complaint contains allegations, in general, as follows: the Indictment was issued (reciting certain of the allegations contained in the Indictment); the misconduct of FEI's personnel as alleged in the Indictment is such that FEI is exposed to material and substantial monetary judgments and penalties as well as the loss of significant Government business; such misconduct is likely to continue; the individual defendants were under a fiduciary obligation to FEI and its shareholders to supervise, manage and control with due care and diligence the business operations of FEI and the business conduct of its personnel; that they failed to do so and as a direct consequence, the matters alleged in the Indictment occurred; and that the individual defendants breached their fiduciary duty. The amended complaint seeks judgment against the individual defendants in the amount of all losses and damages suffered by FEI and indemnification, on account of the matters alleged in the amended complaint, together with interest, costs, legal and other experts' fees.

FEI and all of the individual defendants have moved to dismiss the complaint in the Solash Action ("Motion(s)"). To date, the Motions have not been heard by the Court. FEI has determined to vigorously defend the Solash Action. Discovery has not commenced. No opinion can be offered as to the outcome of the Motions or with respect to the Solash Action.

On February 4, 1994, FEI was served with a complaint in an action entitled "Supreme Court of the State of New York, County of New York, Moise Katz, Plaintiff, against Martin B. Bloch, Joseph P. Franklin, Joel Girsky, John C. Ho, Abraham Lazar, E. John Rosenwald, Jr., Defendants, and Frequency Electronics, Inc., Nominal Defendant", Index Number 93-129450 ("Katz Action"). This is a derivative action which is permitted by law to be instituted by a shareholder for the benefit of a corporation to enforce an alleged right or claim of the corporation where it is alleged that such corporation has either failed and refused to do so or may not reasonably be expected to do so. FEI is named as a nominal defendant. In the Katz Action, the complaint alleges that the members of FEI's board of directors may not reasonably be expected to authorize an action against themselves. All of the individual defendants named in the complaint are directors of FEI, Martin B. Bloch was

president and chairman of the board of directors, Abraham Lazar was a vice president, and Joseph P. Franklin is presently chairman of the board of directors.

The substance of the complaint contains allegations, in general, as follows: the Indictment was issued (reciting certain of the allegations contained in the Indictment); the misconduct of FEI's personnel as alleged in the Indictment is such that FEI is exposed to material and substantial monetary judgments and penalties as well as the loss of significant Government business; such misconduct is likely to continue; the individual defendants were under a fiduciary obligation to FEI and its shareholders to supervise, manage and control with due care and diligence the business operations of FEI and the business conduct of its personnel; that they failed to do so and as a consequence, the matters alleged in the Indictment occurred; that the individual defendants were grossly negligent and as a consequence the matters alleged in the Indictment occurred; that the individual defendants voluntarily participated in such wrongdoing and attempted to conceal it; and that the individual defendants intentionally and negligently breached their fiduciary duty to FEI and its shareholders. The complaint seeks judgment against these defendants in favor of FEI in the amount of all losses and damages suffered by FEI on account of the facts alleged in the complaint, together with interest, costs, legal and other experts' fees.

FEI and all of the defendants have moved to dismiss the complaint in the Katz Action ("Motion(s)"). At the time of the Motions, the plaintiff moved to amend the complaint by setting forth certain additional allegations of wrongdoing including, among others, amplifying allegations with respect to the Indictment, setting forth allegations relating to the Muller Qui Tam Action, and allegations attempting to clarify the relationship of the parties to the New York forum, the latter allegations having been attacked on the Motions. In connection with the Motions, the defendants stipulated that they would not object to any application by the plaintiff Katz to intervene in the Solash action. By order dated September 21, 1994, the Court granted the defendants' Motions, dismissed the complaint and denied the plaintiff's cross-motions.

On or about November 17, 1994, FEI was served with a complaint in an action entitled, "In the Court of Chancery of the State of Delaware In and For New Castle County, Moise Katz Derivatively, on behalf of Frequency Electronics, Inc., a Delaware corporation, Plaintiff, vs. Martin B. Bloch, Peter O. Clark, Joseph P. Franklin, Joel Girsky, John C. Ho, Abraham Lazar, E. John Rosenwald, Jr., Harry Newman, Marvin Norworth, individuals, Defendants and Frequency Electronics, Inc., A Delaware corporation, Nominal Defendant", Civil Action No. 13841 ("Katz Delaware Action"). All of the individual defendants named in the complaint, with the exception of Harry Newman ("Newman") and Marvin Norworth ("Norworth"), were all directors of FEI, Martin B. Bloch was president and chairman of the board of directors, Abraham Lazar was a vice-president, and Joseph P. Franklin is presently chairman of the board of directors. Newman is FEI's secretary/treasurer and Norworth is FEI's contracts manager. This is a derivative action which is permitted by law to be instituted by a shareholder for the benefit of a corporation to enforce an alleged right or claim of the corporation where it is alleged that such corporation has either failed or refused to do so may not reasonably be expected to do so. FEI is named as a nominal defendant. In the Katz Delaware Action, the complaint alleges that the members of FEI's board of directors may not reasonably be expected to authorize an action against themselves.

The substance of the complaint contains allegations, in general, as follows: the Indictment was issued (reciting certain of the allegations contained in the Indictment); the misconduct of FEI's personnel as alleged in the Indictment is such that FEI is exposed to material and substantial monetary judgments and penalties as well as the loss of significant Government business; such misconduct is likely to continue; the individual defendants were under a fiduciary obligation to FEI and its shareholders to supervise, manage, and control with due care and diligence the business operations of FEI and the business conduct of its personnel; that they failed to do so and as a direct consequence, the matters alleged in the Indictment

occurred; and that the individual defendants breached their fiduciary duty. The complaint seeks judgment against the individual defendants in the amount of all losses and damages suffered by FEI and indemnification, on account of the matters alleged in the complaint, together with interest, costs, legal, and other experts' fees.

Pursuant to the order of the Court, the Solash Action and the Katz Delaware Action have been consolidated under consolidated Civil Action No. 13266, with the caption "In Re Frequency Electronics Derivative Litigation" ("Derivative Litigation").

In the Derivative Litigation, FEI and all of the individual defendants have moved to dismiss the consolidated complaint and to stay the Derivative Litigation pending a disposition of the Indictment and the Superseding Indictment ("Motion(s)"). To date, the Motions have not been heard by the Court. However, as a result of the Motions, pursuant to a Stipulation and Order of the Court dated May 17, 1995 and a Stipulation and Order of the Court dated June 14, 1995, the Derivative Litigation has been dismissed as to Newman and Norworth and is otherwise stayed pending a disposition of the Indictment, Superseding Indictment and related investigations until the further order of the Court.

FEI has determined to vigorously defend the Derivative Litigation. Discovery has not been commenced. No opinion can be offered as to the outcome of the Motion(s) or with respect to the Derivative Litigation.

On December 22, 1993, February 10, 1994, February 24, 1994, May 10, 1994 and June 7, 1994, Grand Jury Subpoenas Duces Tecum were served on FEI ("Subpoenas"), the Subpoenas were each returnable before a Grand Jury sitting in the United States District Court for the Eastern District of New York. The Subpoenas called for the production of a variety of finance, accounting and other documents, computer records and computer tapes relating to the AMRAAMS. A number of FEI employees have been subpoenaed to appear before the Grand Jury. The prosecutor has not advised as to the theory of this investigation. Based upon the FEI documents subpoenaed, it appears that the inquiry relates to finance and/or pricing matters. We are advised the notices provided with the Subpoenas to FEI employees indicate their testimony is required in connection with an investigation related to false statements (18 U.S.C. Section 1001), false claims (18 U.S.C. Section 287), and conspiracy to present fraudulent claims (18 U.S.C. Section 286). FEI regards charges or claims of violations of Government laws and regulations as extremely serious and recognizes that such charges or claims could have a material adverse affect on it. FEI's business is primarily dependent upon contracts with the Government and contracts and subcontracts with other companies as to which the Government or its agencies are the end- user. Under the law, a Grand Jury indictment of FEI or any of its officers, directors or employees, can result in suspension or debarment of FEI from receiving Government contracts for a specified period of time. Registrant is currently subject to such a suspension by reason of its indictment on November 17, 1993. Upon conviction of FEI or in a civil proceeding, the Government may seek fines, penalties, restitution, forfeitures, treble damages or other conditional relief. To date, no charges have been filed, nor claims asserted against FEI as a result of the Grand Jury investigation related to AMRAAM.

Robert H. Harris, Esq. ("Harris"), a counsel to one of FEI's former employees who was subpoenaed to testify before the Grand Jury, threatened to file a claim against FEI, in the name of such counsel, in the form of a qui tam action pursuant to the False Claims Act. To date, FEI has not been served with any legal process relating to the False Claims Act other than the Government Civil Action and the Muller Qui Tam Action.

FEI has filed claims with its insurance carriers pertaining to potential coverages for directors and officers relating to the first Grand Jury Investigation, the Indictment and the Superseding Indictment, the Government Civil Action, the Muller Qui Tam Action, the Solash Action and the Katz Action.

Certain disclaimers of coverage have been made by a carrier with respect to certain of these matters. No opinion can be offered as to coverage or the extent of coverage under any of the

foregoing policies. At the appropriate time, FEI intends to vigorously pursue its rights with respect to these insurance policies.

Included in selling and administrative expenses are legal fees incurred in connection with the above matters of approximately \$2,300,000, \$1,819,000, and \$547,000 for fiscal years 1995, 1994 and 1993, respectively.

Government Contract Suspension

On December 14, 1993 registrant was notified by the U.S. Department of the Air Force that, effective December 13, 1993, it had been suspended from contracting with, or acting as subcontractor under any contract with, any agency of the U.S. Government (the "Government") and that such suspension is effective throughout the executive branch of the Government. The suspension is also applicable to registrant's former chairman and chief executive officer, one of registrant's directors and former vice presidents, registrant's secretary and treasurer, presently on leave of absence from such position, and registrant's contract manager, presently on leave of absence from such position. The suspension is temporary, subject to the outcome of legal proceedings against registrant and the four individuals named above presently pending in the United States District Court as discussed above.

The suspension does not preclude the completion by registrant of its performance of Government contracts or subcontracts awarded to it and pending on the date of suspension. The Government may also conduct business with registrant during the period of suspension when a Government department or agency determines that a compelling reason exists for it to do so. Examples of compelling reasons are: (1) only registrant can provide the supplies or services required; 2) urgency requires contracting with registrant; and (3) the national defense requires continued dealings with registrant. However, except for all of the foregoing, during the period of suspension:

(1) Offers will not be solicited from, contracts will not be awarded to, existing contracts will not be renewed or otherwise extended for, and subcontracts requiring Government approval will not be approved for registrant by any agency in the executive branch of the Government, unless the head of the agency taking the contracting action or a designee states in writing the compelling reason for continued business between registrant and the agency.

(2) Registrant may not conduct business with the Government as an agent or representative of other contractors.

(3) No government contractor may award registrant a subcontract equal to or in excess of \$100,000 unless there is a compelling reason to do so and the contractor first notifies the contracting officer and further complies with certain Government registrations.

(4) Registrant's affiliation with or relation with any organization doing business with the Government will be carefully examined to determine the impact of these ties on the responsibility of that organization to be a government contractor or subcontractor.

The suspension regulations allow registrant the opportunity to contest the suspension by submitting to the suspending agency information and argument in opposition to the suspension. Since registrant and all of the individual defendants have pleaded not guilty to the Indictment and denied the charges alleged in the Government's related civil action, the registrant believes that the suspension is unwarranted, and accordingly, registrant has made a substantial effort to have the suspension withdrawn. Although the suspension has not been withdrawn, Registrant has determined to continue its efforts in this regard.

If the Indictment results in conviction, the period of suspension could be extended by way of the debarment of registrant from any future Government contracts or subcontracts.

Debarment is imposed for a period commensurate with the seriousness of the causes. Generally, debarment does not exceed three years. The duration of registrant's suspension will be considered in determining the debarment period. The debarring official may also extend the debarment for an additional period if that official determines that an extension is necessary to protect the Government's interest. A debarment may not be extended solely on the basis of the facts and circumstances upon which the initial debarment action was based. The debarring official may likewise reduce the period or extent of debarment, upon registrant's request supported by documentation for reasons such as: 1) newly discovered material evidence; 2) reversal of the conviction or civil judgment upon which the debarment was based; (3) bona fide change in ownership or management; 4) elimination of other causes for which the debarment was imposed; or 5) other reasons the debarring official deems appropriate.

Approximately 75% of registrant's business is comprised of prime and subcontracts in which the Government is the end-user. The other category of registrant's business, which it has been expanding in recent years, is in commercial and export markets unrelated to the Government. In view of the extent to which registrant is currently reliant on government contracts and subcontracts and the effect which the suspension, unless withdrawn will have on registrant's ability to continue to obtain such business, registrant believes that the suspension and possible debarment is an extremely serious matter which is likely to have a material adverse effect on registrant's business prospects, financial condition and results of its operations. However, Registrant is unable to ascertain at this time whether or not this has been the case.

Environmental Matters

The State of California Regional Water Quality Control Board has issued certain abatement orders relative to ground water contaminations originating from the site of premises obtained by the Company in connection with an acquisition. In June, 1988, the U.S. Environmental Protection Agency proposed that such premises be added to the National Priorities List, which would subject the premises to the Super-fund requirements of federal law. No estimate as to the cost to clean up the premises has been made or provided to Registrant. Pursuant to the terms of the Purchase Agreement, the seller, a financially capable party, has indemnified Registrant from any damages arising from this environmental matter. Since Registrant has only secondary responsibility, it is of the opinion that the outcome will not have a significant impact on operations.

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

No matters were required to be submitted by Registrant to a vote of security holders during the fourth quarter of fiscal 1995.

Item 4(a) Executive Officers of the Registrant

The executive officers hold office until the annual meeting of the Board of Directors following the annual meeting of stockholders, subject to earlier removal by the Board of Directors. During fiscal 1994 certain officers have taken voluntary leaves of absence as discussed in Registrant's Form 8-K dated November 17, 1993.

The names of all executive officers of Registrant and all positions and offices with the Registrant which they presently hold are as follows:

Joseph P. Franklin	-	Chairman of the Board of Directors, Chief Executive Officer
Martin B. Bloch	-	President(1), Chief Scientist
John C. Ho	-	Vice President of Research and Development and Director
Marvin Meirs	-	Vice President, Engineering
Alfred Vulcan	-	Vice President, Systems Engineering

Markus Hechler - Vice President, Manufacturing and Acting Secretary

Charles S. Stone - Vice President, Low Noise Development

Dawn R. Johnston - Vice President, Finance and Acting Treasurer

Leonard Martire - Vice President, Space Systems and Business Development

Harry Newman - Secretary and Treasurer(2)

None of the officers and directors are related.

(1) In connection with the indictment as discussed under item 3 - - Legal Proceedings, Martin B. Bloch has taken a leave of absence as president, and no one has been elected as acting president.

(2) In connection with the indictment as discussed under item 3 - - Legal Proceedings, Harry Newman has taken a leave of absence as secretary and treasurer. Markus Hechler, a vice president of Registrant, has been elected acting secretary and Dawn R. Johnston, a vice president of Registrant, has been elected acting treasurer.

Joseph P. Franklin, age 61 has served as a Director of the Company since March 1990. In December 1993 he was elected Chairman of the Board of Directors and Chief Executive Officer. He has been the Chief Executive Officer of Franklin S.A., since August 1987, a Spanish business consulting company located in Madrid, Spain, specializing in joint ventures, and is a director of several prominent Spanish companies. General Franklin was a Major General in the United States Army until he retired in July 1987.

Martin B. Bloch, age 59 has been a Director of the Company and of its predecessor since 1961. He recently resigned as Chairman of the Board of Directors and Chief Executive Officer and is currently its President and Chief Scientist. Previously, he served as chief electronics engineer of the Electronics Division of Bulova Watch Company.

John C. Ho, age 62 has been employed by the Company and its predecessor since 1961 and has served as a Vice President since 1963 and as a Director since 1968.

Marvin Meirs, age 57 was employed by the Company in an engineering capacity from 1966 to 1972 and rejoined the Company in such capacity in 1973, serving as Vice President, Engineering since 1978.

Alfred Vulcan, age 58 joined the Company as an engineer in 1973 and has served as its Vice President, Systems Engineering since 1978.

Markus Hechler, age 49 joined the Company in 1967, and has served as its Vice President, Manufacturing since 1982, and as Assistant Secretary since 1978. He was elected Acting Secretary in December 1993 when Harry Newman took a leave of absence.

Charles S. Stone, age 64 joined the Company in 1984, and has served as its Vice President since that time. Prior to joining the Company, Mr. Stone served as Senior Vice President of Austron Inc., from 1966 to 1979, and Senior Scientist of Tracor Inc., from 1962 to 1966.

Dawn Rhodes Johnston, age 42 joined the Company in January, 1994. Until joining registrant, Mrs. Johnston was employed by the accounting firm which serves as registrant's auditors, Coopers & Lybrand, since November 1983 in the position of general practice manager. She is also the Acting Treasurer.

Leonard Martire, age 58 joined the Company in August 1987 and served as Executive Vice President of FEI Microwave, Inc., the Company's wholly owned subsidiary until May 1993 when he was

elected Vice President, Space Systems.

Harry Newman, age 48 has been employed by the Company as Secretary and Treasurer since 1979, prior to which he served as Divisional Controller of Jonathan Logan, Inc., apparel manufacturers, from 1976 to 1979, and as supervising Senior Accountant with Clarence Rainess and Co., Certified Public Accountants, from 1971 to 1975.

PART II

Item 5. Market for the Registrant's Common Equity and Related Stockholder Matters

The Common Stock of the Registrant is listed on the American Stock Exchange under the symbol "FEI". The following table shows the high and low sale price for the Registrant's Common Stock for the quarters indicated, as reported by the American Stock Exchange.

FISCAL QUARTER	HIGH SALE	LOW SALE
1995 -		
FIRST QUARTER	\$4 1/4	\$3 5/8
SECOND QUARTER	4	3 1/8
THIRD QUARTER	5 1/2	2 7/8
FOURTH QUARTER	5 1/8	3 13/16
1994 -		
FIRST QUARTER	\$4 7/8	\$4 1/8
SECOND QUARTER	8	4 7/8
THIRD QUARTER	8 1/2	4 3/4
FOURTH QUARTER	5 1/2	3 5/8

As of June 30, 1995, the approximate number of holders of record of common stock was 1037.

DIVIDEND POLICY

The Registrant has paid no cash dividends on its Common Stock and currently intends to follow a policy of retaining earnings for use in its business.

Item 6. Selected Financial Data

The following table sets forth selected financial data including net sales and operating income for the five year period ended April 30, 1995.

	Years Ended April 30,				
	1995	1994	1993	1992	1991
	(in thousands, except share data)				
Net Sales					
Components	\$ 5,602	\$ 1,965	\$ 5,216	\$ 6,998	\$2,528
Microwave					
Products	93	2,687	17,335	25,432	27,692
Instruments	14,065	15,921	17,495	17,398	20,617
Systems	4,321	6,891	3,185	3,375	5,713
Total Net					
Sales	\$24,081	\$27,464	\$43,231	\$53,203	\$56,550

Operating Profit					
(Loss)	(\$ 6,025)	(\$ 6,174)	(\$12,279)	\$ 2,952	(\$ 8,450)
Net Earnings					
(Loss)	(\$ 3,843)	(\$ 4,622)	(\$7,966)	\$ 462	(\$6,352)
Average Common Shares and Common Equivalent Shares Outstanding	4,835,367	5,410,762	5,596,788	5,751,408	5,916,814
Earnings (loss) per Common and Common Equivalent Shares	(\$.80)	(\$.85)	(\$1.42)	\$.08	(\$1.07)
Total Assets	\$65,032	\$72,655	\$97,065	\$99,592	\$95,860
Long-Term Obligations	\$14,959	\$15,327	\$24,945	\$25,124	\$21,492

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

LIQUIDITY AND CAPITAL RESOURCES

Sufficient cash flow is generated by operations to meet the cash requirements of the Registrant's regular business cycle. Cash from operations was \$4.3 million, \$6.7 million, and \$3.4 million for the years ended April 31, 1995, 1994 and 1993, respectively.

In fiscal 1995, included in such amount is the net loss incurred during the year of \$3.8 million, reductions in trade accounts payable and other accrued liabilities of approximately \$1.2 million, offset by reductions in accounts receivable of \$8.3 million and inventories of \$322 thousand. During the year ended April 30, 1995 accounts receivable balances were reduced by approximately \$8.3 million from April 30, 1994. This reduction resulted primarily from increased collection efforts and receipt of certain milestone payments.

Cash was also provided as a result of the sale of marketable securities of approximately \$2.4 million and gross rents of \$1.4 million generated by the Registrant's investment in a direct finance lease.

Other uses of cash that occurred in the year ended April 30, 1995 were the purchase of approximately \$11 million of U.S. government and agency securities, the repurchase of 345,000 shares of the Company's common stock, principal payments on the Company's long-term debt, and the issuance of notes to employees for the purchase of company stock aggregating \$822,000.

The Registrant's balance sheet reflects a highly liquid position with a current ratio of 13 to 1 at April 30, 1995, compared to 10 to 1 at April 30, 1994. Working capital was \$39 million and \$42.6 million at April 30, 1995 and 1994, respectively.

The Company's backlog at April 30, 1995 totaled \$15 million (of which \$11 million is funded) as compared to \$18 million of funded backlog at April 30, 1994. During fiscal 1993, Registrant restructured its operations which included the consolidation of the west coast operations into the Mitchel Field facility. The decrease in backlog is directly related to the decline in the

U.S. defense budget and the sale and disposal of certain product lines in connection with the consolidation of the west coast operations. At the present time the Company is suspended from contracting with any agency of the U.S. Government. The suspension is temporary, subject to the outcome of legal proceedings against the Registrant as discussed in Material Developments, Item 3 and Note 9 to the consolidated financial statements. The suspension does not preclude the completion by Registrant of its performance of Government contracts or subcontracts awarded to it and pending on the date of suspension. The Government may also conduct business with the registrant during the period of suspension when a government department or agency determines that a compelling reason exists for it to do so. If the indictment results in conviction, the period of suspension could be extended by way of debarment. In view of the extent of which registrant is currently reliant on government contracts, suspension, unless withdrawn, is likely to have a material adverse effect on registrant's business prospects, financial condition and results of its operations.

At April 30, 1995, Registrant did not have any material commitments for capital expenditures. Fixed asset additions approximated \$168,000 in fiscal 1995.

Company funded research and development approximated \$1.9 million in fiscal 1995. These efforts focus specifically on telecommunications as a complement to the Company's core business in defense and space.

The Company also has available approximately \$11 million of net operating loss carryforwards which may be applied against future taxable income.

RESULTS OF OPERATIONS

FISCAL YEAR ENDED APRIL 30, 1995 COMPARED WITH FISCAL YEAR ENDED APRIL 30, 1994

Net sales for the year ended April 30, 1995 were \$24,081,000 compared to \$27,464,000 for the same period last year representing a decrease of \$3,383,000. This reduction in sales resulted primarily from the completion of two significant programs in fiscal 1994 and early fiscal 1995, the production of frequency standards for SPAWAR and the redundant frequency generator unit for the EMS Satellite, which did not recur in fiscal 1995, in one instance, due to lack of exercise of contract options. Another major contract was awarded to the company by Hyundai in fiscal 1995. However, efforts related to such contract were just beginning and related revenues will be realized in 1996. Reductions in DOD and NASA programs also had a negative impact on revenues. Sales level in other product lines were fairly consistent.

Overall gross margins were 14% and 9% for the years ended April 30, 1995 and 1994, respectively. In 1994 gross margins were negatively impacted by actual contract costs incurred in connection with the company's west coast consolidation which were greater than expected, and the higher than anticipated technical development costs incurred during the engineering, design, and production stages of certain projects. In 1995, the impact of these items were greatly reduced. Gross margins on the various product lines were within normal ranges as expected and were fairly consistent throughout the year.

Selling and administrative expenses increased by \$376,000 for the year ended April 30, 1995 as compared to the same period last year. The increase results primarily from overall increased legal costs in connection with the U.S. government investigation. Other increases in costs occurred in insurance and severance for terminated employees. In addition, the Company is continuing its efforts in the area of research and development for its new commercial products which resulted in costs of \$1,940,000 for the year ended April 30, 1995.

As a result of the above, the operating loss for fiscal 1995 was \$6,025,000 compared to a loss of \$6,174,000 for the same period last year.

Interest income for the year ended April 30, 1995 decreased by

approximately \$111,000 from the comparable period in 1994. Interest income on investments was actually greater in fiscal 1995 due to higher levels of earning assets and greater interest rates as a result of investment strategies offset by a lack of interest earned on federal income tax refunds in 1994 which did not recur in fiscal 1995.

Interest expense was \$1,034,000 in the year ended April 30, 1995 compared to 973,000 for the same period last year. The increase of \$61,000 results primarily from higher interest rates offset to a lesser degree by lower average borrowings.

Other income, net for the year ended April 30, 1995 was \$2,325,000 compared to \$1,606,000 for the same period last year. The increase is due primarily to a gain realized on the sale of certain marketable securities offset by reduced rents.

FISCAL YEAR ENDED APRIL 30, 1994 COMPARED WITH FISCAL YEAR ENDED APRIL 30, 1993

Net sales for the year ended April 30, 1994 were \$27,464,000 compared to \$43,321,000 for fiscal 1993 representing a decrease of \$15,767,000. This reduction in sales resulted primarily from the reduced business resulting from the closing of the west coast facility and the related sale and disposal of certain product lines and to a lesser degree, reductions in DOD and NASA programs.

Overall gross margins were 9% for the years ended April 30, 1994 and 1993. Gross margins on the Company's core business were within normal ranges as expected. However, such margins were reduced by actual contract costs incurred in connection with the company's west coast consolidation which were greater than expected, and the higher than anticipated technical development costs incurred during the engineering, design and production stages of certain projects.

As previously stated, during fiscal 1993, Registrant restructured its operations which included the consolidation of the west coast operations into the Mitchel Field facility and the sale and disposal of certain product lines which was estimated to cost approximately \$5.4 million. In addition, 1993 results included certain inventory writedowns resulting from manufacturing and technological improvements developed by the Registrant. Such events did not recur in fiscal 1994, although the restructuring costs were greater than expected and continued to have a negative impact on fiscal 1994. In addition, legal expenses of \$1.8 million were incurred during 1994 in connection with the U.S. government investigation which represented an increase of \$1.3 million over fiscal 1993. These charges were offset by a reduced level of selling and administrative costs of the west coast operations due to the elimination of duplicative functions and a continued, but reduced level of research and development expenditures.

As a result of the above, the operating loss for fiscal 1994 was \$6,174,000 compared to a loss of \$12,279,000 for fiscal 1993.

Interest income for the year ended April 30, 1994 increased by approximately \$197,000 from the comparable period in 1993 principally as a result of interest earned on federal income tax refunds offset by lower interest rates.

Interest expense for fiscal 1994 decreased by \$158,000 over the comparable period in 1993 due primarily to lower average borrowings and lower interest rates.

Other, net increased by \$264,000 in fiscal 1994 compared to fiscal 1993 primarily as a result of increased rents.

The tax benefit in fiscal 1994 is lower than in fiscal 1993 by approximately \$3.3 million due to the full utilization of net operating loss carrybacks and the reversal of deferred taxes as a result of operating losses in fiscal 1993. No federal tax benefit could be recorded in fiscal 1994 under the provisions of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes."

OTHER MATTERS

On May 1, 1994 the Company adopted the provisions of Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities" ("Statement 115"). Pursuant to Statement 115, investments in certain debt and equity securities are categorized as available-for-sale and are carried at fair value, with unrealized gains and losses excluded from income and recorded directly to stockholders' equity. In accordance with Statement 115, prior period financial statements have not been restated to reflect the change in accounting principle. The favorable cumulative effect of this change in accounting principle was approximately \$215,000 or \$.04 per share.

Effective May 1, 1994, the company changed its method of accounting for its Employee Stock Ownership Plan ("ESOP") in accordance with Statement of Position ("SOP") 93-6. In fiscal 1995, in accordance with SOP 93-6, the annual expense related to the leveraged ESOP is determined as interest incurred on the note plus compensation cost based on the fair value of the shares released. For the year ended April 30, 1994 and 1993, compensation cost was based on the cost of the shares released. The effect of this change on the statement of operations for the year ended April 30, 1995 was a benefit of \$208,000 or \$.04 per share. The SOP also requires that ESOP shares that are committed to be released are considered outstanding for purposes of calculating earnings per share. In fiscal 1994 and 1993 all ESOP shares were considered outstanding for purposes of calculating earnings per share.

The Registrant continues to focus a significant portion of its resources and efforts on developing hardware for commercial satellite programs and commercial ground communication systems which it anticipates will result in future growth and increases in profits. In fiscal 1994, all of the Registrant's commercial communications and space programs were transferred to its wholly owned subsidiary, FEIC. In addition, Registrant is aggressively pursuing markets for its commercial rubidium product line and its C and KU-Band VSAT transceivers. These products have major application in commercial satellite, ground communications systems and telephone communications systems. The foregoing developments have been implemented with a view towards enabling Registrant to achieve long-term increases in sales from other than Defense Department programs.

Over the past several years Registrant has been successful in applying its resources to providing prototypes and preproduction hardware for use in military navigation, communication, guidance and electronic countermeasure programs and space applications. Prototypes developed by Registrant are now in the production stage and its new product line consisting of high speed multi-mode synthesizers used in advanced radar systems is in the preproduction stage. Management has implemented new techniques stressing automation in crystal manufacturing, machining, in-process and final testing, and thick and thin film hybrid production in order to achieve production efficiencies. In addition, the Registrant's overhead has been reduced significantly by the elimination of duplicate functions that existed previously along with a concentration of technical and production expertise in a single location.

The financial information reported herein is not necessarily indicative of future operating results or of the future financial condition of Registrant. Except as noted, management is unaware of any impending transactions or events that are likely to have a material adverse effect on results from operations.

INFLATION

During fiscal 1995, as in the two prior fiscal years, the impact of inflation on the Registrant's business has not been materially significant.

Item 8. Financial Statements and Supplementary Data

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders of Frequency Electronics, Inc.

We have audited the consolidated financial statements and the financial statement schedule of FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES listed in Item 14(a) of this Form 10-K. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Frequency Electronics, Inc. and Subsidiaries as of April 30, 1995 and 1994, and the consolidated results of their operations and their cash flows for each of the three years in the period ended April 30, 1995, in conformity with generally accepted accounting principles. In addition, in our opinion, the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information required to be included therein.

As more fully discussed in Note 9 to the consolidated financial statements, the Company and certain of its employees were indicted and served with a civil suit by the United States Government (the "Government") in November 1993 in the United States District Court for the Eastern District of New York (the "Eastern District"). The indictment and the civil action allege fraud and certain criminal acts relating to certain Government contracts. In addition, two derivative actions have been filed against the Company, as a nominal defendant, its board of directors, and certain individuals essentially seeking recovery on behalf of the Company for any losses it may incur as a result of the Government indictment and civil action. The Company and its former chief executive officer have been named as defendants in a qui tam action in the Eastern District in which claims are made by an individual on behalf of the Government that the Company manufactured certain defective components which were ultimately sold to the Government. The Company was notified by an agency of the Government that it has been temporarily suspended from contracting with the government pending the outcome of the legal proceedings in the Eastern District. The Company and the individual defendants have pleaded not guilty to the indictment and have denied the allegations of the Government, derivative and qui tam actions and will vigorously contest all such civil and criminal proceedings. The government civil action has been stayed pending the resolution of the indictment. The ultimate outcome of these actions and the government's suspension as well as their impact, if any, on the consolidated financial statements and operations cannot presently be determined. Accordingly, no provision for any liability that may result has been made in the accompanying consolidated financial statements.

In 1995, as discussed in Note 1 to the consolidated financial statements, the Company changed its method of accounting for certain investments in debt and equity securities and, as discussed in Note 11, changed its method of accounting for contributions to its Employee Stock Ownership Plan. As discussed in Note 12 to the consolidated financial statements, the Company changed its method of accounting for income taxes in 1994.

Melville, New York

July 5, 1995.

FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES

Consolidated Balance Sheets

April 30, 1995 and 1994

ASSETS:	1995	1994
	(In thousands)	
Current assets:		
Cash and cash equivalents	\$ 4,291	\$11,171
Marketable securities (Note 3)	11,387	1,293
Accounts receivable, net of allowance for doubtful accounts of \$562 in 1995 and 1994 (Note 4)	13,894	22,212
Inventories (Note 5)	11,168	11,490
Prepaid expenses and other	1,257	897
Refundable income taxes	318	287
Total current assets	42,315	47,350
Property, plant and equipment, at cost, less accumulated depreciation and amortization (Notes 6 and 7)	9,192	10,039
Investment in direct finance lease (Note 8)	9,452	9,264
Other assets	1,777	3,270
Asset held for sale (Note 2)	2,296	2,732
Total assets	\$65,032	\$72,655

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

FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES

Consolidated Balance Sheets

April 30, 1995 and 1994

LIABILITIES AND STOCKHOLDERS' EQUITY:	1995	1994
	(In thousands)	

Current liabilities:

FREQUENCY ELECTRONICS, INC. AND SUBSIDIARIES
 Consolidated Statements of Changes in Stockholders' Equity
 Years ended April 30, 1995, 1994 and 1993
 (In thousands, except share data)

			Common stock		paid-in	Additional
			Shares	Amount	capital	Retained
						earnings
Balance at May 1, 1992	6,006,300	\$6,006	\$35,339	\$29,874		
Amortization of unearned compensation						
Purchase of treasury stock						
Amortization of ESOP debt as a result of shares allocated						
Net loss				(7,966)		
Balance at April 30, 1993	6,006,300	\$6,006	\$35,339	\$21,908		
Exercise of restricted stock purchase rights						
Amortization of unearned compensation						
Purchase of treasury stock						
Amortization of ESOP debt as a result of shares allocated						
Net loss				(4,622)		
Balance at April 30, 1994	6,006,300	\$6,006	\$35,339	\$17,286		
Amortization of unearned compensation						
Purchase of treasury stock						
Amortization of ESOP debt as a result of shares allocated				(208)		
Decrease in market value of marketable securities						
Advances to officers and employees for the purchase of stock						
Net loss						(3,843)
Balance at April 30, 1995	6,006,300	\$6,006	\$35,131	\$13,443		

			Treasury stock	Unamortized	Common	Note
			Shares	Amount	ESOP dept	Stock
						Receivable
Balance at May 1, 1992	329,082	(\$1,674)	(\$4,000)			
Amortization of unearned compensation						
Purchase of treasury stock	167,423	(749)				
Amortization of ESOP debt as a result of shares allocated			500			
Net loss						
Balance at April 30, 1993	496,505	(2,423)	(3,500)			
Exercise of restricted stock purchase rights	(4,000)	4				

Amortization of unearned compensation				
Purchase of treasury stock	126,800	(556)		
Amortization of ESOP debt as a result of shares allocated			500	
Net loss				
Balance at April 30, 1994	619,305	(2,975)	(3,000)	
Amortization of unearned compensation				
Purchase of treasury stock	345,000	(1,412)		
Amortization of ESOP debt as a result of shares allocated			500	
Decrease in market value of marketable securities				
Advances to officers and employees for the purchase of stock				(822)
Net loss				
Balance at April 30, 1995	964,305	(\$4,387)	(\$2500)	(\$822)

		Unearned compensation	Unrealized gain or (loss) on noncurrent marketable securities	Total
Balance at May 1, 1992	(\$388)	\$65,157		
Amortization of unearned compensation	173	173		
Purchase of treasury stock		(749)		
Amortization of ESOP debt as a result of shares allocated		500		
Net loss		(7,966)		
Balance at April 30, 1993	(215)	(57,115)		
Exercise of restricted stock purchase rights	(33)	(29)		
Amortization of unearned compensation	169	169		
Purchase of treasury stock		(556)		
Amortization of ESOP debt as a result of shares allocated		500		
Net loss		(4,622)		
Balance at April 30, 1994	(79)	52,577		
Amortization of unearned compensation	61	61		
Purchase of treasury stock		(1,412)		
Amortization of ESOP debt as a result of shares allocated		292		
Decrease in market value of marketable securities		(\$39)	(39)	
Advances to officers and employees for the purchase of stock				(822)

Net loss (3,843)
 Balance at April 30, 1995 (\$18) (\$39) \$46,814

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

FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES
 Consolidated Statements of Cash Flows
 Years ended April 30, 1995, 1994 and 1993

		1995	1994	1993
			(In thousands)	
Cash flows from operating activities:				
Net loss	(\$3,843)	(\$4,622)	(\$7,966)	
Adjustments to reconcile net loss to net cash provided by operating activities:				
Depreciation and amortization				
Property	995	1,576	2,151	
Other	20	(425)	173	
Provision for losses on accounts receivable and inventories		4,112		
(Gains) losses on marketable securities	(1,197)	(94)	213	
Restructuring costs		4,109		
Loss (gain) on sale or disposal of property, plant and equipment	560	(63)		
Common stock issued for compensation plans			4	
Amortization resulting from allocation of ESOP shares	292	500	500	
Provision for deferred compensation	717	237	278	
Deferred income taxes			(2,242)	
Changes in assets and liabilities:				
Accounts receivable	8,318	10,265	4,063	
Inventories	322	1,672	407	
Prepaid and other	(360)	290	373	
Other assets	497	727	(607)	
Accounts payable - trade	(357)	(111)	(966)	
Accrued liabilities	(800)	(4,912)	513	
Income taxes payable		(281)	(60)	
Refundable income taxes	(31)	1,335	(1,622)	
Other liabilities	(311)			
Net cash provided by operating activities	4,262	6,721	3,366	
Cash flows from investing activities:				
Purchase of marketable securities	(11,094)			
Proceeds from sale of marketable securities	2,440			
Maturities of marketable securities	1,000			
Capital expenditures		(168)	(404)	(5,692)
Proceeds from sale of property, plant and equipment		34	93	

Net cash used in investing activities	(7,822)	(370)	(5,599)
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Continued

FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES
Consolidated Statements of Cash Flows
Years ended April 30, 1995, 1994 and 1993

(Continued)

		1995	1994	1993
				(In thousands)
Cash flows from financing activities:				
Principal payments of long-term debt		(1,086)	(11,913)	(2,017)
Purchase of treasury stock	(1,412)	(556)	(749)	
Notes receivable from employees	(822)			
Proceeds from long-term borrowings		800	4,447	
Net cash (used in) provided by financing activities	(3,320)	(11,669)	1,681	
Net decrease in cash and cash equivalents	(6,880)	(5,318)	(552)	
Cash and cash equivalents at beginning of year	11,171	16,489	17,041	
Cash and cash equivalents at end of year	\$4,291	\$11,171	\$16,489	

Supplemental disclosures of cash flow information (Note 15):

Cash paid during the year for:

Interest	\$1,017	\$833	\$918
Income taxes	\$151	\$383	\$608

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

1. Summary of Accounting Policies

Principles of Consolidation:

The consolidated financial statements include the accounts of Frequency Electronics, Inc. and its wholly-owned subsidiaries (the "Company" or "Registrant"). The Company is principally engaged in the design, development and manufacture of precision time and frequency control products and components for microwave integrated circuit applications. Intercompany accounts and significant intercompany transactions are eliminated in consolidation.

Inventories:

Inventories, which consist of work-in-process and raw materials, are accounted for at the lower of cost (specific and average) or market.

Property, Plant and Equipment:

Property, plant and equipment is recorded at cost and includes interest on funds borrowed to finance construction. Expenditures for renewals and betterments are capitalized;

maintenance and repairs are charged to income when incurred. When fixed assets are sold or retired, the cost and related accumulated depreciation and amortization are eliminated from the respective accounts and any gain or loss is credited or charged to income.

Depreciation and Amortization:

Depreciation of fixed assets is computed on the straight-line method based upon the estimated useful lives of the assets (40 years for buildings and 3 to 10 years for other depreciable assets). Leasehold improvements are amortized on the straight-line method over the shorter of the term of the lease or the useful life of the related improvement.

Revenue and Cost Recognition:

Sales of products and services to customers are generally reported in operating results based upon shipment of the product or the performance of services pursuant to contractual terms.

Revenue under contracts for which shipments are an inappropriate measurement of performance are reported in operating results using the percentage of completion method based upon the ratio that incurred costs bear to total estimated costs. Provisions for anticipated losses are made in the period in which they become determinable. Changes in job performance may result in revisions to costs and income and are recognized in the period in which revisions are determined to be required.

Contract costs include all direct material and labor costs and those indirect costs related to contract performance, such as depreciation, indirect labor and supplies. Selling, general and administrative costs are charged to expense as incurred.

In accordance with industry practice, inventoried costs contain amounts relating to contracts and programs with long production cycles, a portion of which will not be realized within one year.

Income Taxes: Effective May 1, 1993, the Company changed its method of accounting for income taxes by adopting the provisions of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (Statement 109). Statement 109 requires recognition of deferred tax liabilities and assets for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax liabilities and assets are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. The cumulative effect of this change in accounting principle on prior years is insignificant to the Company's statement of operations.

Earnings per Share:

Primary earnings per share are computed by dividing net earnings by the weighted average number of shares of common stock and, when dilutive, common stock equivalents outstanding.

The weighted average number of shares used in determining earnings per share has been determined as follows:

	1995	1994	1993
Weighted Average number of common shares outstanding	4,835,367	5,410,762	5,590,910
Weighted average common equivalent shares arising from outstanding options and rights		5,878	
	4,835,367	5,410,762	5,596,788

Fully diluted earnings per share are not presented since they do

not materially vary from primary earnings per share.

Marketable Securities:

Marketable securities consist of investments in common stocks, mutual funds, and debt securities of U.S. government agencies. At April 30, 1993 and 1994, these investments were recorded at the lower of aggregate cost or market. Substantially all of the marketable securities at April 30, 1995 were held in the custody of one financial institution.

On May 1, 1994 the Company adopted the provisions of Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities" ("Statement 115"). Pursuant to Statement 115, investments in certain debt and equity securities are categorized as available for sale and are carried at fair value, with unrealized gains and losses excluded from income and recorded directly to stockholders' equity. In accordance with Statement 115, prior period financial statements have not been restated to reflect the change in accounting principle. The favorable cumulative effect of this change in accounting principle was approximately \$215,000 or \$.04 per share.

Cash Equivalents:

The Company considers certificates of deposit and other highly liquid investments with original maturities of three months or less to be cash equivalents. The Company places its temporary cash investments with high credit quality financial institutions. Such investments may be in excess of the FDIC insurance limit. No losses have been experienced on such investments.

Other:

Prior years financial statements have been reclassified to conform to the 1995 presentation.

2. Restructuring

In the fourth quarter of fiscal 1993, the Company recorded a \$5.4 million charge relating to the consolidation of the Company's west coast operations with its east coast headquarters facility. The restructuring, which consolidated the manufacturing, engineering and marketing functions and resulted in the sale or disposal of certain unprofitable product lines, is substantially complete. At April 30, 1995, the only remaining asset is a building which has been written down to its estimated realizable value of 2.3 million. In June 1995, the building was sold for such amount. The Company received \$500 thousand in cash and a promissory note for \$1.8 million. Such note bears interest at 10% and requires monthly installments of principal and interest of \$19,343 until July 31, 2000 when the entire remaining principal balance shall be due and payable.

3. Marketable Securities

Marketable securities at April 30, 1995 and 1994 are summarized as follows (in thousands):

				April 30, 1995	Unrealized
			Holding Cost	Market Value	Gain (Loss)
Fixed income securities	\$ 9,965	\$10,019	\$54		
Equity Securities	1,461	1,368	(93)		

			April 30,1994 (1)	
			Cost	Market Value
Fixed income securities	\$ 628	\$ 655		
Equity Securities	2,587	2,345		
			\$3,215	\$3,000

(1) Includes amounts classified in other assets.

As of April 30,1995, gross unrealized gains and losses on fixed income securities were \$123 and \$69, respectively. Gross losses on equity securities were \$93.

Maturities of fixed income securities classified as available for sale at April 30,1995 are as follows (in thousands):

Current	\$4,236
Due after one year through five years	4,903
Due after five years through ten years	728
After ten years	98

The proceeds from sales of available-for-sale securities and the gross realized gains (based on specific identification) were \$2.4 million and \$1.2 million, respectively for the year ended April 30,1995.

4. Accounts Receivable

Accounts receivable include costs and estimated earnings in excess of billings on uncompleted contracts accounted for on the percentage of completion basis of approximately \$5,456,000 at April 30, 1995 and \$9,290,000 at April 30, 1994. Such amounts represent revenue recognized on long-term contracts that has not been billed, pursuant to contract terms, and was not billable at the balance sheet date.

5. Inventories

Inventories consisted of the following (in thousands):

		1995	1994
Raw Materials	\$1,569	\$714	
Work in Progress	9,599	10,776	
		\$11,168	\$11,490

Title to all inventories related to United States Government contracts that provide for progress billings vests in the U.S. Government.

6. Property, Plant and Equipment

Property, plant and equipment consists of the following (in thousands):

		1995	1994
Buildings and building improvements	\$ 8,753	\$ 8,753	
Machinery, equipment and furniture	15,079	21,881	
Capitalized leases	152	152	
		23,984	30,786
Less, accumulated depreciation and amortization	14,792	20,747	
		\$ 9,192	\$10,039

Depreciation and amortization expense for the years ended April 30, 1995, 1994 and 1993 was \$995,000, \$1,576,000, and \$2,151,000, respectively.

Maintenance and repairs charged to operations for the years ended April 30, 1995, 1994 and 1993 was approximately \$562,000, \$880,000, and \$1,137,000, respectively.

Portions of a building owned by the Company are leased to outside parties. Related cost and accumulated depreciation at April 30, 1995 are approximately \$564,000 and \$145,000, respectively.

7. Long-Term Debt

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

		1995	1994
Unsecured note payable in forty equal quarterly installments of \$125,000 through April 1, 2000 with interest at adjusted LIBOR plus 1.00% (7.0625% at April 30, 1995) (1)	\$ 2,500	\$3,000	
Nassau County Industrial Development Bonds Payable in quarterly installments of \$62,500 through September 30, 2000 at 79% of prime (7.11% at April 30, 1995) (2)	1,437	1,687	
Real Estate Construction Loan in the amount of \$9,000,000, maturity date July 31, 1997 with interest at LIBOR plus 1.375% (7.4375% at April 30, 1995) or prime plus 0.25% (3)	9,000	9,000	
Nassau County Industrial Development Bonds Payable in quarterly installments of \$83,333 through 1995 at 65% of prime (5.85% at April 30, 1995)		336	
		12,937	14,023
Less, current maturities	750	1,085	
		\$12,187	\$12,938

(1) This note, originally in the amount of \$5,000,000, was used to fund the purchase of 714,286 shares of the Company's common stock for the Employee Stock Ownership Plan (see Note 11). Under the terms of this loan the Company has the right to borrow either at the bank's stipulated prime rate, at LIBOR plus 1.0% or at a designated fixed rate to be determined.

(2) This obligation is collateralized by certain property, plant and equipment having a net book value of approximately \$6,452,000 at April 30, 1995.

(3) This obligation is collateralized by the tenant's assets for which a building was constructed (see Note 8).

Aggregate amounts of long-term debt scheduled to mature in each of the subsequent years ending April 30, are as follows (in thousands):

1996	\$ 750
1997	9,750
1998	750
1999	750
2000	750
2001 and thereafter	187
	\$12,937

8. Leases

Operating Leases:

The Company leases land, on which its plant is located, under an operating lease expiring in 2080. The lease provides for payments of real estate taxes, insurance and other charges by the lessee. The lease agreement provides for rental escalations ranging from three to ten percent at varying periods of from four to ten years. The Company also has sublease rentals providing for annual rental income. These sublease agreements provide for escalations which are substantially the same as those in the company's lease.

Lease commitments and related sublease rental income for real property at April 30, 1995 are as follows (in thousands):

	Aggregate Lease Commitments	Sublease Rental Income
1996	\$ 276	\$ 66
1997	238	66
1998	218	66
1999	182	66
2000	167	66
2001 and thereafter	18,797	462
	\$19,878	\$792

Lease rental expenses, including real estate taxes, charged to operations for the years ended April 30, 1995, 1994 and 1993 were approximately \$1,158,000, \$910,000, and \$704,000, respectively.

Sublease rental income for the years ended April 30, 1995, 1994 and 1993 was approximately \$66,000 in each year.

Direct Finance Lease:

During 1993, construction was completed on a building which is being leased to National Health Laboratories, Inc. ("NHL") under a fifteen year direct finance lease.

Income on this direct finance lease is recognized by a method which produces a constant periodic rate of return on the outstanding investment in the lease. Minimum rentals are based

on the specified rental rate in the agreement and are subject to adjustment based on the difference between the actual rate of interest incurred on the borrowing used to construct the facility and the targeted range of 9.75% to 10.25%. During fiscal 1995, 1994 and 1993, rental reductions, representing actual interest savings, of approximately \$286,000, \$437,000, and \$203,000, respectively were passed through to NHL. The Company's net investment in the direct finance lease is as follows (in thousands):

Minimum lease payments receivable	\$27,851
Unearned Income	(18,399)
Net Investment	\$ 9,452

The scheduled maturities for the direct financing lease receivable at April 30, 1995 are as follows (in thousands):

1996	\$ 1,719
1997	1,804
1998	1,895
1999	1,989
2000	2,089
2001 and thereafter	18,355
	\$27,851

9. Commitments and Contingencies

U.S. Government Indictment:

On November 17, 1993, a Federal Grand Jury (the "Grand Jury") in the United States District Court for the Eastern District of New York indicted the Company and certain individuals (including certain officers) alleging that they conspired to and did defraud the U.S. Government ("the Government") and committed certain criminal acts in connection with six contracts (which were terminated for the convenience of the Government) under which the Company was a subcontractor and the Government was the end-user. Such alleged criminal acts included submitting false documents, intentionally making false statements and destroying or causing to be destroyed, records relating to labor and other costs. On April 6, 1994 the Grand Jury returned a superseding indictment for the purpose, it is believed, of curing certain asserted deficiencies in the original indictment. Upon a conviction under the original or superseding indictment (collectively the "Indictment") the Government may seek fines, penalties, forfeitures, restitution, treble damages and other conditional relief. The Company and the other defendants have pleaded not guilty to and intend to vigorously defend the Indictment.

U.S. Government Civil Action:

Contemporaneously with the issuance of the original indictment, the Government commenced a civil action for damages naming the same parties and alleging essentially the identical facts and charges set forth in the Indictment. The complaint seeks to recover treble damages in an unspecified amount, \$10,000 for each false claim, record and statement, certain costs and attorney's fees, and such other relief the court deems proper. Neither the Indictment nor the civil action alleges the dollar

amounts as to which the Government claims it was defrauded. The Company was reimbursed for costs incurred for contract performance and for settlement costs in connection with the six terminated contracts. The civil action has been stayed pending the disposition of the Indictment. The Company and the other defendants have denied the allegations of and intend vigorously to contest the civil action.

Private Civil Derivative Actions:

On December 1, 1993 and February 4, 1994 two separate derivative shareholder actions (pursuant to a court order, are now consolidated under one civil action) were served in state court actions against the Company as a nominal defendant and the entire board of directors and certain individuals. A derivative action is one permitted by law to be instituted by a shareholder for the benefit of a corporation to enforce an alleged right or claim of the corporation where it is alleged that such corporation has either failed and refused to do so or may not reasonably be expected to do so. The substance of the complaint in each action is similar and comprises a series of allegations that the misconduct of Company personnel, involved in the aforementioned Indictment, is such that it exposes the company to material and substantial monetary judgments and penalties and the loss of significant business, and the directors were under a fiduciary obligation to manage and control the business operations of the Company and the conduct of its personnel. The complaint seeks judgment against the directors in the amount of all losses and damages suffered by the Company on account of the facts alleged in the complaint, together with interest costs, legal and other professional fees. The Company and the other defendants have denied the allegations of and intend vigorously to contest the derivative actions. The derivative shareholder actions have been stayed pending the disposition of the Indictment, and related investigations.

Qui Tam Action:

In March 1994, a qui tam action was served upon the Company and Martin Bloch, its former chief executive officer. A qui tam action is a form of derivative action wherein an individual may, under certain circumstances, bring a legal action against one or more third persons on behalf of the Government for damages and other relief by reason of one or more alleged wrongs perpetrated against the Government by such third persons. The complaint alleges that the Company, in connection with its subcontract to design and manufacture certain oscillators which are components of the Government's Advance Medium Range Air to Air Missiles ("AMRAAMS"), improperly designed, manufactured and tested the oscillators and as a result the Government sustained damages. The complaint demands an unspecified amount of damages allegedly suffered by the Government, and asks that the Court determine the damages and assess civil penalties as provided under the False Claims Act. Under the False Claims Act, a recovery can be made in favor of the Government for a civil penalty of not less than \$5,000 and not more than \$10,000 as to each false claim and for each false record and statement, plus three times the amount of damages it is determined the Government sustained, plus legal fees and expenses. The Company and Mr. Bloch have denied the allegations of and intend to vigorously defend the qui tam action.

Company Position and Legal Fees:

The Company and the individual defendants in each of the legal matters described above consider the allegations and the charges asserted to be unjustified. They further consider the actions of the Company and the individual defendants with respect to the subject matter of these charges to have been taken in good faith and without wrongful intent, criminal or otherwise. Because of the uncertainty associated with the foregoing matters, the Company is unable to estimate the potential liability or loss that may result, if any, and accordingly, no provision has been made in the accompanying consolidated financial statements. Included in selling and administrative expenses are legal fees incurred in connection with the above matters of approximately \$2,300,000, \$1,819,000, and \$547,000 for fiscal years ended 1995, 1994 and 1993, respectively.

Government Contract Suspension:

On December 14, 1993 the Company was notified by the U.S. Department of the Air Force that, effective December 13, 1993, it had been suspended from contracting with, or acting as subcontractor under any contract with, any agency of the Government and that such suspension is effective throughout the executive branch of the Government. The suspension is temporary, subject to the outcome of legal proceedings against the Company and the four individuals presently pending in the Eastern District as discussed above. The suspension does not preclude the completion by the Company of its performance of Government contracts or subcontracts awarded to it and pending on the date of suspension. The Government may also conduct business with the Company during the period of suspension when a Government department or agency determines that a compelling reason exists for it to do so. The suspension allows the Company the opportunity to contest the suspension by submitting information and argument in opposition to the suspension. Since the Company and all the individual defendants have pleaded not guilty to the Indictment and denied the charges alleged in the Government's related civil action, the Company believes that the suspension is unwarranted, and accordingly, is vigorously contesting the suspension. However, to date, the suspension has not been withdrawn and no assurance can be given as to removing the suspension pending a favorable disposition of the aforementioned legal proceedings. If the Indictment results in conviction, the period of suspension could be extended by way of the debarment of the Company from any future Government contracts or subcontracts. Debarment is imposed for a period commensurate with the seriousness of the causes. Generally, debarment does not exceed three years. The duration of the Company's suspension will be considered in determining the debarment period.

Approximately 75% of the Company's revenue for fiscal 1995 is comprised of prime and subcontracts in which the Government is the end-user. The other category of the Company's business is in commercial and export markets unrelated to the Government. In view of the extent to which the Company is currently reliant on government contracts and subcontracts and the effect which the suspension, unless withdrawn, will have on the Company's ability to continue to obtain such business, the Company believes that the suspension and possible debarment is an extremely serious matter which is likely to have a material adverse effect on the Company's business prospects, financial condition and results of its operations.

Unasserted Claims:

By reason of a separate Grand Jury investigation, the Company was served at various times with a series of Grand Jury subpoenas commencing in late December 1993. The subpoenas, with which the Company complied, called for the production of a variety of finance, accounting and other documents relating to AMRAAMS. The prosecutor has not advised as to the theory of this investigation. Based upon the documents subpoenaed, it appears that the inquiry relates to finance and/or pricing matters. The Company regards charges or claims of violations of Government laws and regulations as extremely serious and recognizes that such charges or claims could have a material adverse affect on it. In the event of an indictment and conviction against the Company in this matter, the Government may seek fines, penalties, restitution, forfeitures, treble damages or other conditional relief. The Company would also be subject to the suspension and debarment regulations of the Department of Defense described above. To date, no charges have been filed, nor claims asserted against the Company as a result of this Grand Jury investigation.

Environmental Matters:

In connection with an acquisition in 1988, the Company obtained certain real estate which the U.S. Environmental Protection Agency proposed be added to the National Priorities List, which would subject the premises to the Superfund requirements of the law. No estimate as to the cost to clean up the premises has been made or provided to the Company. Pursuant to the terms of

the purchase agreement, the seller, a financially capable party, indemnified the Company from any liabilities arising from this environmental matter, and accordingly it is management's opinion that the outcome will not have a significant impact on the Company's financial position or results of operations.

Other:

The Company is subject to various other legal proceedings and claims which arise in the ordinary course of business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect the financial position of the Company.

10. Notes Receivable-Common Stock

In October 1994, certain officers and employees acquired an aggregate of 250,000 shares of the Company's common stock in the open market. The purchase price of these shares of approximately \$822,000 was financed by advances from the Company to such officers and employees. The notes, collateralized by the shares of common stock purchased, accrue interest at 1/2% above prime (8.25% at date of issuance) which is payable and adjusted annually. The principal is due in its entirety at the earlier of termination of employment or October 1999.

11. Employee Benefit Plans

Stock Options:

The Company has various Incentive Stock Option Plans ("ISOP's") for key management employees (including officers and directors who are employees). The ISOP's provide that eligible employees may be granted options to purchase an aggregate of 900,000 shares of the Company's common stock. Under one Plan the options are exercisable one year after the date of grant. Under the remaining plans the options are exercisable over a four-year period beginning one year after the date of grant. The options expire ten years after the date of grant and are subject to certain restrictions on transferability of the shares obtained on exercise. The options are granted at the discretion of the Stock Option committee at an exercise price not less than the fair market value of the Company's common stock on the date of grant.

Transactions under these plans are as follows:

	1995	1994	1993
Outstanding at beginning of year	591,446	560,846	594,846
Granted		113,000	
Expired or canceled	(48,375)	(82,400)	(34,000)
Outstanding at end of year	543,071	591,446	560,846
Options exercisable at end of year	380,428	478,446	560,846
Options available for grant at end of year	327,198	296,548	55,500

At April 30, 1995 and 1994 option prices per share were \$5.00 - \$6.875

The excess of the consideration received over the par value of the common stock or cost of treasury stock issued under these option plans has been recognized as an increase in additional paid-in capital. No charges are made to income with respect to stock options.

Restricted Stock Plan:

During fiscal 1990, the Company adopted a Restricted Stock Plan which provides that key management employees may be granted rights to purchase an aggregate of 250,000 shares of the Company's common stock. The grants, transferability restrictions

and purchase price are determined at the discretion of a special committee of the board of directors. The purchase price may not be less than the par value of the common stock.

			1995	1994	1993
Exercisable at beginning of year	25,000	7,500	7,500		
Granted (purchase price - \$1.00 per share)		25,000			
Exercised and expired		(7,500)			
Exercisable at end of year	25,000	25,000	7,500		
Balance of shares available for grant at end of year	152,500	152,500	178,000		

Transferability of shares is restricted for a four year period, except in the event of a change in control as defined. Amounts shown as unearned compensation in stockholders' equity represent the excess of the fair market value of the shares over the purchase price at the date of grant which is being amortized as compensation expense over the period in which the restrictions lapse.

Employee Stock Ownership Plan/Stock Bonus Plan:

During 1990 the Company amended its Stock Bonus Plan to become an Employee Stock Ownership Plan (ESOP). This amendment became effective January 1, 1990. A loan in the amount of \$5,000,000 was negotiated with a bank on May 22, 1990 to fund the Trust. The loan is for a ten year period with forty equal quarterly installments of \$125,000, plus interest at various rates at the Company's option. The Company reacquired 374,435 shares of its common stock during fiscal 1990. These shares plus approximately 340,000 additional shares issued by the Company from its authorized, unissued shares were sold to the ESOP in May 1990.

Shares are released for allocation to participants based on the ratio of the current year's debt service to the sum of the current year's debt service plus the principal to be paid for all future years. At April 30, 1995, 405,260 shares were allocated to participant accounts.

Effective May 1, 1994, the company changed its method of accounting for its ESOP in accordance with Statement of Position ("SOP") 93-6. In accordance with SOP 93-6 the annual expense related to the leveraged ESOP, determined as interest incurred on the note plus compensation cost based on the fair value of the shares released was approximately \$479,000 for the year ended April 30, 1995. For the year ended April 30, 1994 and 1993, compensation cost was based on the cost of the shares released and the annual expense (including interest) was \$610,000 and \$711,000, respectively. The effect of this change on the statement of operations for the year ended April 30, 1995 was a benefit of \$208,000 or \$.04 per share.

The SOP also requires that ESOP shares that are committed to be released are considered outstanding for purposes of calculating earnings per share. In fiscal 1994 and 1993 all ESOP shares were considered outstanding for purposes of calculating earnings per share. The fair value of unallocated shares approximates \$1.7 million at April 30, 1995.

Deferred Compensation Plan:

The Company has instituted a program for key employees providing for the payment of benefits upon retirement or death. Under the plan, these employees receive specified retirement payments for the remainder of the employees' life with a minimum payment of ten years' benefits to either the employee or their beneficiaries. The plan also provides for reduced benefits upon early retirement or termination of employment. The Company has purchased whole life insurance policies on each of the participant's lives which it intends to use to fund the liabilities under the plan.

Deferred compensation expense charged to operations during the years ended April 30, 1995, 1994, and 1993 was approximately \$717,000, \$598,000, and \$324,000, respectively.

Profit Sharing Plan:

The Company adopted a profit sharing plan and trust under section 401(k) of the Internal Revenue Code. This plan allows all eligible employees to defer a portion of their income through voluntary contributions to the plan. In accordance with the provisions of the plan, the Company can make discretionary matching contributions in the form of cash or common stock. There were no such contributions in fiscal 1995, 1994 or 1993.

12. Income Taxes

The provision (benefit) for income taxes consists of the following (in thousands):

		1995	1994	1993
Current Federal	(\$92)			(\$1,492)
Current State and Local	\$82	42	304	
Deferred				(2,242)
		\$82	(\$50)	(\$3,430)

The components of deferred taxes are as follows (in thousands):

	1995	1994
Deferred tax assets:		
Accounts receivable	\$372	\$87
Employee benefits	1,350	1,163
Inventory	353	494
Asset writedowns	719	1,346
Net operating loss carryforwards	4,456	3,387
Total deferred tax asset	7,250	6,477
Deferred tax liabilities:		
Property, plant and equipment	2,220	2,145
Miscellaneous		39
Total deferred tax liability	2,220	2,184
Net deferred tax asset	5,030	4,293
Valuation allowance	(5,030)	(4,293)
	\$	\$

The following table reconciles the reported income tax expense (benefit) with the amount computed using the federal statutory income tax rate.

1995 1994 1993

(In thousands)

Computed "expected" tax benefit	(\$1,352)	(\$1,588)	(\$3,875)		
State and local tax, net of federal benefit	55	89	168		
Dividend received deduction	(22)	(22)	(22)		
Loss carryforward for which no tax benefit was recorded	1,372	1,454			
Other items, net, none of which individually exceeds 5% of federal taxes at statutory rates	29	17	299		
			\$82	(\$50)	(\$3,430)

Tax benefits were provided on pre-tax losses for financial reporting purposes in 1993 by reversing previously established deferred tax credits. At April 30, 1995, the Company has net operating loss carryforwards of approximately \$11 million which may be applied against future taxable income and which expire beginning in 2008.

13. Industry and Operations

The Company is engaged in the manufacture and sale of precision time and frequency control products for defense and space for U.S. Government end use and commercial communication and non-U.S. defense and space. As a result, the Company's operations have been classified into two business segments as follows (in thousands):

		1995	1994	1993
Net sales:				
Commercial	\$ 6,103	\$ 8,597	\$10,509	
U.S. Government	17,978	18,867	32,722	
Operating income (loss):				
Commercial	(2,088)	(1,982)	(1,730)	
U.S. Government	281	(513)	(2,837)	
Corporate	(4,218)	(3,679)	(7,712)	
Identifiable assets:				
Commercial	6,348	10,677	14,067	
U.S. Government	27,606	37,838	48,872	
Corporate	31,078	24,140	34,126	
Depreciation:				
Commercial	351	275	562	
U.S. Government	615	1,202	1,508	
Corporate	29	99	81	
Capital expenditures:				
Commercial	40	124	254	
U.S. Government	128	277	1,156	
Corporate	3	3	4,282	

Aggregate sales to Hughes Aircraft Company, TRW, and Raytheon Corp. each exceeded 10% of the Company's consolidated sales and collectively were approximately 56% of the Company's consolidated sales during the fiscal year ended April 30, 1995. Aggregate sales to Hughes Aircraft Company and Raytheon Corp. each exceeded 10% of the Company's consolidated sales and collectively were approximately 40% and 33% of the Company's consolidated sales during the fiscal years ended April 30, 1994 and 1993, respectively. Substantially all of these sales were for U.S. Government end use. The loss by the Company of any one of these customers, or the loss by any of such customers of its U.S. Government contracts which are partially subcontracted to the Company, would have a material adverse effect on the Company's business. The Company believes its relationship with these companies to be mutually satisfactory and is not aware of any prospect for the cancellation of any of their U.S. Government contracts in which the Company is involved, except for the possible effect of the pending U.S. Government investigation discussed in Note 9.

Export sales were as follows (in thousands):

	1995	1994	1993
Canada	\$1,071	\$1,079	
Italy	663	\$2,032	287
United Kingdom	671	903	1,637
Taiwan	164	886	
Japan	291	602	1,120
Israel	426		
Brazil	372		
Other	254	30	686
	\$3,912	\$4,453	\$4,809

14. Interim Results (Unaudited)

Quarterly results for fiscal years 1995 and 1994 are as follows (in thousands, except per share data):

	1995 Quarter			
	1st	2nd	3rd	4th
Net sales	\$6,616	\$5,958	\$5,479	\$6,028
Gross profit	1,375	698	613	793
Loss before cumulative effect of accounting change	(613)	(1,713)	(470)	(1,262)
Net loss	(398)	(1,713)	(470)	(1,262)
*Loss per share	(0.07)	(0.32)	(0.09)	(0.31)

Loss per share before cumulative effect of accounting change	(0.11)	(0.32)	(0.09)	(0.31)
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	1994 Quarter			
	1st	2nd	3rd	4th
Net sales	\$5,458	\$4,362	\$6,319	\$11,325
Gross profit	1,565	844	(1,140)	1,112
Net Earnings (loss)	43	(285)	(3,032)	(1,348)
Earnings (loss) per share	0.01	(0.05)	(0.56)	(0.25)

*Quarterly earnings per share data does not equal the annual amount due to changes in the average common equivalent shares outstanding.

15. Other Information

The following provides information about investing and financing activities of the Company that affect assets or liabilities but do not result in cash flow for the three years ended April 30, 1995, 1994 and 1993 and, therefore, are excluded from the Consolidated Statements of Cash Flows (in thousands):

	1995	1994	1993
Reclassification of a building to investment in direct finance lease (see Note 8)		\$9,000	
Reclassification of a building to asset held for sale (see Note 2)	\$2,700		
Write-off of fully depreciated fixed asset	\$6,634		

16. Related Party Transactions

On January 31, 1995 the Company purchased 225,000 shares of its common stock from an affiliate of Richard C. Blum & Associates L.P. (collectively, with its affiliates, "Blum") at the then quoted bid price of \$4.25 per share or \$956,250. Blum's ownership of the Company's outstanding common stock was thereby reduced from 16.64% (876,350 shares) to 12.92% (651,350).

FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS (In thousands)

Column A	Column B	Column C	Column D	Column E
Additions				

Description	Balance at beginning of period	Charged to costs and expenses	Charged to other accounts - describe	Deductions other accounts - describe	Balance at end of period
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Year ended April 30, 1995					
Allowance for doubtful accounts	\$562				\$562
Year ended April 30, 1994					
Allowance for doubtful accounts	\$562				\$562
Year ended April 30, 1993					
Allowance for doubtful accounts	\$850			\$288 (a)	\$562

(a) Accounts written off

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

NONE

PART III

Item 10. Directors and Executive Officers of the Registrant

This item is incorporated herein by reference from the Registrant's definitive proxy statement for the annual meeting of stockholders to be held on October 10, 1995.

Item 11. Executive Compensation

This item is incorporated herein by reference from the Registrant's definitive proxy statement for the annual meeting of stockholders to be held on October 10, 1995.

Item 12. Security Ownership of Certain Beneficial Owners and Management

This item is incorporated herein by reference from the Registrant's definitive proxy statement for the annual meeting of stockholders to be held on October 10, 1995.

Item 13. Certain Relationships and Related Transactions

This item is incorporated herein by reference from the Registrant's definitive proxy statement for the annual meeting of stockholders to be held on October 10, 1995.

PART IV

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

(a) (1) FINANCIAL STATEMENTS

The financial statements and financial statement schedules are listed below and are filed as part of this report.

Index to Financial Statements and Financial Statement Schedules

Included in Part II of this report:

	Page(s)
Report of Independent Accountants	32-33

Consolidated Balance Sheets April 30, 1995 and 1994	34-35
Consolidated Statements of Operations - years ended April 30, 1995, 1994 and 1993	36
Consolidated Statements of Changes in Stockholders' Equity - years ended April 30, 1995, 1994 and 1993	37
Consolidated Statements of Cash Flows - years ended April 30, 1995, 1994 and 1993	38-39
Notes to Consolidated Financial Statements	40-57

(2) Financial Statement Schedules

Included in Part II of this report:

Schedule II - Valuation and Qualifying Accounts	58
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Other financial statement schedules are omitted because they are not required, or the information is presented in the consolidated financial statements or notes thereto.

(3) EXHIBITS

The exhibits listed on the accompanying index to exhibits on page 61 are filed as part of this annual report.

(b) REPORTS ON FORM 8-K

Registrant's Form 8-K, dated January 27, 1995, containing disclosure under Items 5 and 7 thereof, was filed with the Securities and Exchange Commission during the quarter ended April 30, 1995.

INDEX TO EXHIBITS

ITEM 14(a)3

Certain of the following exhibits were filed with the Securities and Exchange Commission as exhibits, numbered as indicated below, to the Registration Statement or report specified below, which exhibits are incorporated herein by reference:

Exhibit No. in this Form 10-K	Identifica- tion per Reg. 229.601(b)	Description of Exhibit	Statement or report specified below	Exhibit No. as filed with Registration
1	(3)	Copy of Certificate of	Incorporation of the Registrant filed with the Secretary of State of Delaware (1)	3.1
2	(3)	Amendment to Certificate	of Incorporation of the Registrant filed with the Secretary of State of Delaware on March 27, 1981 (2)	3.2
3	(3)	Copy of By-Laws of the	Registrant, as amended to date (3)	3.3

4	(4)	Specimen of Common Stock	4.1 certificate (1)	
5	(10)	Lease agreement as amended,	between Registrant and Hyde Park Associates (predecessor in interest to We're Associates Company) (4)	10.1
6	(10)	Stock Bonus Plan of Registrant	and Trust Agreement thereunder (4)	10.2
Exhibit No. in this Form 10-K	Identifica- tion per Reg. 229.601(b)	Description of Exhibit	Statement or report specified below	Exhibit No. as filed with Registration
7	(10)	Employment agreement	between Registrant and Martin B. Bloch (4)	10.3
8	(10)	Employment agreement	between Registrant and Abraham Lazar (4)	10.4
9	(10)	Employment agreement	between Registrant and John C. Ho (4)	10.5
10	(10)	Employment agreement	between Registrant and Marvin Meirs (4)	10.6
11	(10)	Employment agreement	between Registrant and Alfred Vulcan (4)	10.7
12	(10)	Employment agreement	between Registrant and Harry Newman (4)	10.8
13	(10)	Employment agreement	between Registrant and Marcus Hechler (4)	10.9
14	(10)	Form of stock escrow	agreement between Vincenti & Schickler as escrow agent and certain officers of Registrant (4)	10.10
15	(10)	Form of Agreement concerning	Executive Compensation (2)	10.11
16	(10)	Bond Purchase Agreement	between Nassau County Industrial Development Agency, Long Island Trust Company, The Bank of New York, Bank Leumi Trust Company of New York and Registrant (5)	16

Exhibit No. in this Form 10-K	Identifica- tion per Reg. 229.601(b)	Description of Exhibit	Statement or report specified below	
17	(10)	Five Million dollar	Industrial Development Bonds of Registrant with Nassau County Industrial Development Agency (5)	17
18	(10)	Lease Agreement between	Registrant and the County of Nassau (5)	18
19	(10)	Assignment of Lease	between Registrant and the County of Nassau by Registrant to the Nassau County Industrial Development Agency and the Acknowledgment and Consent of the County of Nassau (5)	19
20	(10)	Installment Sale Agreement	between the Nassau County Industrial Development Agency and Registrant, and the promissory notes of Registrant to the Nassau County Industrial Development Agency and Long Island Trust Company, The Bank of New York and Bank Leumi Trust Company of New York (5)	20
21	(10)	Assignment of Installment Sale	Agreement between the Nassau County Industrial Development Agency and Registrant, from the Nassau County Industrial Development Agency to Long Island Trust Company, The Bank of New York, Bank Leumi Trust Company of New York, and the Acknowledgment and Consent of Registrant (5)	21

Exhibit No.
as filed with
Registration

Exhibit No. in this Form 10-K	Identifica- tion per Reg. 229.601(b)	Description of Exhibit	Statement or report specified below	
22	(10)	Guaranty Agreement from	Registrant, Marlboro Research Corporation, Tek-Wave, Inc., Atomichron, Frequency Electronics International Corp. to Long Island Trust Company, The Bank of New York and Bank Leumi Trust Company of New York (5)	22
23	(10)	Bill of Sale from Registrant	Conveying personal property to the Nassau County Industrial Development	

			Agency (5)	23
24	(10)	Leasehold Mortgage between	the Nassau County Industrial Development Agency and Long Island Trust Company, The Bank of New York and Bank Leumi Trust Company of New York, and the Acknowledgment and Consent of the Registrant (5)	24
25	(10)	Registrant's 1982 Incentive	Stock Option Plan (5)	25
26	(10)	Amendment dated April 19,	1981 to Stock Bonus Plan of Registrant and Trust Agreement (3)	20.1
27	(3)	Amendment to Certificate	of Incorporation of the Registrant filed with Secretary of State of Delaware on October 26, 1984 (6)	27
28	(10)	Registrant's 1984 Incentive	Stock Option Plan (6)	28

Exhibit No.
as filed with
Registration

Exhibit No. in this Form 10-K	Identifica- tion per Reg. 229.601(b)	Description of Exhibit	Statement or report specified below	
29	(10)	Pledge and Assignment	dated December 1, 1985 between Registrant, Nassau County Industrial Development Agency and National Westminster Bank USA (7)	29
30	(10)	Bond Purchase Agreement	dated December 1, 1985 between Registrant, Nassau County Industrial Development Agency and National Westminster Bank USA (7)	30
31	(10)	Three Million Five Hundred	Thousand Dollar 1985 Industrial Development Revenue Bond of Registrant with Nassau County Industrial Development Agency (7)	31
32	(10)	Mortgage and Security	Agreement dated December 1, 1985 between Nassau County Industrial Development Agency and National Westminster Bank USA (7)	32
33	(10)	Sales Agreement dated	December 1, 1985 between Nassau County Industrial Development Agency and Registrant (7)	33
34	(10)	Three Million Five Hundred	Thousand Dollar Promissory Note dated December 1, 1985 between Registrant, Nassau County Industrial	

Exhibit No. in this Form 10-K	Identifica- tion per Reg. 229.601(b)	Description of Exhibit	Statement or report specified below	
35	(10)	Guaranty dated	December 1, 1985, between Registrant, Marlboro Research Corporation, Tek-Wave, Inc., Atomichron, Inc., Frequency Electronics International Corp. and Brightline Corporation to National Westminster Bank USA (7)	35
36	(10)	Registrant's Cash or Deferral	Profit Sharing Plan and Trust under Section 401 Internal Revenue Code, dated April 1, 1985 (7)	36
37	(22)	List of subsidiaries of	Registrant (7)	37
38	(11)	Computation of Earnings	Included in the Financial Statement per Share of Common Stock	
39	(10)	Amendment Restated Effective	as of May 1, 1984 of the Stock Bonus Plan and Trust Agreement of Registrant (7)	39
40	(28)	Form 8-K dated January 20,	1987 and filed January 21, 1987 (File No. 1-8061) (8)	No Number
41	(28)	Form 8-K dated June 25,	1987 and filed June 26, 1987 (File No. 1-8061) (9)	No Number
42	(3)	Amendment to Certificate	of Incorporation of the Registrant filed with the Secretary of State of Delaware on October 22, 1986 (11)	42
43	(10)	Amendment Restated Effective	as of May 1, 1984 of the Stock Bonus Plan and Trust Agreement of Registrant (11)	43

Exhibit No. in this Form 10-K	Identifica- tion per Reg. 229.601(b)	Description of Exhibit	Statement or report specified below	
44	(2)	Agreement of Purchase	and Sale between FEI Microwave, Inc. and TRW Microwave, Inc. dated as of August 12, 1987 (10)	44
45	(3)	Amended and Restated		

			Certificate of Incorporation of the Registrant filed with the Secretary of State of Delaware on October 26, 1987 (13)	45	
46	(22)	List of Subsidiaries	of Registrant (13)	46	
47	(10)	Employment agreement	between Registrant and Charles Stone (12)	47	
48	(10)	Employment agreement between Registrant and		Jerry Bloch (12)	48
49	(10)	Employment agreement	between Registrant and	Joseph Kastenholz (12)	49
50	(10)	Registrant's 1987	Incentive Stock Option Plan (12)		50
51	(10)	Registrant Senior	Executive Stock Option Plan (12)		51
52	(10)	Amendment dated Jan. 1, 1988	to Registrant's Cash or Deferred Profit Sharing Plan and Trust under Section 401 of Internal Revenue Code (12)	52	
					Exhibit No. as filed with Registration
Exhibit No. in this Form 10-K	Identifica- tion per Reg. 229.601(b)	Description of Exhibit	Statement or report specified below		
53	(10)	Amendment to Guarantee	dated as of Dec. 1, 1985 made by Registrant to National Westminster Bank USA ("Nat West") dated as of Jan. 18, 1989 (12)	53	
54	(10)	Loan Agreement between	FEIM and Nat West dated as of Jan. 18, 1989 (12)	54	
55	(10)	Note by FEIM in favor of	Nat West dated as of Jan. 18, 1989 (12)	55	
56	(10)	Loan Agreement between	Tech 1 and Nat West dated as of Jan. 18, 1989 (12)	56	
57	(10)	Note by Tech 1 in favor	of Nat West dated as of Jan. 18, 1989 (12)	57	
58	(10)	Executive Incentive	Compensation Plan between Registrant and various employees (12)	58	
59	(3)	Amended Certificate of In-	corporation of the Registrant filed with the Secretary of State of Delaware		

			on November 2, 1989 (13)	59
60	(10)	Registrant's Employee Stock	Option Plan (13)	60
61	(10)	Loan Agreement between	Registrant and Nat West dated May 22, 1990 (13)	61
62	(10)	Loan Agreement between	Registrant's Employee Stock Ownership Plan and Registrant dated May 22, 1990 (13)	62

NOTES:

(1) Filed with the SEC as an exhibit, numbered as indicated above, to the registration statement of Registrant on Form S-1, File No. 2-29609, which exhibit is incorporated herein by reference.

(2) Filed with the SEC as an exhibit, numbered as indicated above, to the registration statement of Registrant on Form S-1, File No. 2-71727, which exhibit is incorporated herein by reference.

(3) Filed with the SEC as an exhibit, numbered as indicated above, to the annual report of Registrant on Form 10-K, File No. 1-8061 for the year ended April 30, 1981, which exhibit is incorporated herein by reference.

(4) Filed with the SEC as an exhibit, numbered as indicated above, to the registration statement of Registrant on Form S-1, File No. 2-69527, which exhibit is incorporated herein by reference.

(5) Filed with the SEC as an exhibit, numbered as indicated above, to the annual report of Registrant on Form 10-K, File No. 1-8061, for the year ended April 30, 1982, which exhibit is incorporated herein by reference.

(6) Filed with the SEC as an exhibit, numbered as indicated above, to the annual report of Registrant on Form 10-K, File No. 1-8061, for the year ended April 30, 1985, which exhibit is incorporated herein by reference.

(7) Filed with the SEC as exhibit, numbered as indicated above, to the annual report of Registrant on Form 10-K, File No. 1-8061, for the year ended April 30, 1986, which exhibit is incorporated herein by reference.

(8) Filed with the SEC as an exhibit, numbered as indicated above, to the annual report of Registrant on Form 8-K, dated January 15, 1987, which exhibit is incorporated herein by reference.

(9) Filed with the SEC as an exhibit, numbered as indicated above, to the annual report of Registrant on Form 8-K, dated

June 25, 1987, which exhibit is incorporated herein by reference.

(10) Filed with the SEC as an exhibit, numbered as indicated above, to the annual report of Registrant on Form 8-K, dated August 12, 1987, which exhibit is incorporated herein by reference.

(11) Filed with the SEC as an exhibit, numbered as indicated above, to the annual report of Registrant on Form 10-K, File No. 1-8061, for the year ended April 30, 1987, which exhibit is incorporated herein by reference.

(12) Filed with the SEC as an exhibit, numbered as indicated above, to the annual report of Registrant on Form 10-K, File No. 1-8061, for the year ended April 30, 1989, which exhibit is incorporated herein by reference.

(13) Filed with the SEC as an exhibit, numbered as indicated above, to the annual report of Registrant on Form 10-K, File No. 1-8061, for the year ended April 30, 1990, which exhibit is incorporated herein by reference.

SIGNATURES

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

FREQUENCY ELECTRONICS, INC.

Registrant

By: /s/ Dawn R. Johnston

Dawn R. Johnston

Vice President Finance

Dated: July 26, 1995

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

Signature	Title	Date
/s/ Joseph P. Franklin (Joseph P. Franklin)	Chairman of the Board; Chief Executive Officer and Director	7/26/95
/s/ John Ho (John Ho)	Director and Vice President	7/26/95

/s/ Joel Girsky
(Joel Girsky)

Director

7/26/95

/s/ Martin B. Bloch
(Martin B. Bloch)

President and Director

7/26/95

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