

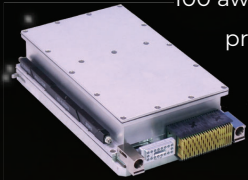
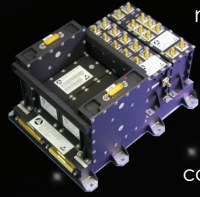


# FREQUENCY ELECTRONICS, INC.

ANNUAL REPORT 2025

# ABOUT FREQUENCY ELECTRONICS

**FREQUENCY ELECTRONICS, INC.** is a world leader in the design, development and manufacture of high precision timing, frequency generation and RF control products for space and terrestrial applications. FEI's products are used in satellite payloads and in other commercial, government and military systems including C4ISR and electronic warfare, missiles, UAVs, aircraft, GPS, secure communications, energy exploration and wireline and wireless networks. Frequency has received over 100 awards of excellence for achievements in providing high performance electronic



assemblies for over 150 space and DOD programs. The Company invests significant resources in research and development to expand its capabilities and markets.

## Frequency's Mission Statement:

Our mission is to transform discoveries and demonstrations made in research laboratories into practical, real-world products. We are proud of a legacy which has delivered precision time and frequency generation products, for space and other world-changing applications that are unavailable from any other source. We aim to continue that legacy while adapting our products and expertise to the needs of the future. With a relentless emphasis on excellence in everything we do, we aim, in these ways, to create value for our customers, employees, and stockholders.



**Subsidiaries and Affiliates:** FEI-Zyfer provides GPS and secure timing ("SAASM") capabilities for critical military and commercial applications; FEI-Elcom Tech provides Electronic Warfare ("EW") sub-systems and state-of-the-art RF microwave products.

Additional information is available on the Company's website:

[www.frequencyelectronics.com](http://www.frequencyelectronics.com)

## FINANCIAL HIGHLIGHTS

For the years ended April 30:

	2025	2024
Revenues	\$ 69,811,000	\$ 55,274,000
Net Income	\$ 23,686,000	\$ 5,594,000
Earnings per share (diluted)	\$2.46	\$0.59
Average number of common and common equivalent shares (diluted)	9,614,536	9,431,264

At April 30:

Working Capital	\$ 29,651,000	\$ 27,325,000
Current Ratio	2.3 to 1	1.9 to 1
Total Assets	\$ 93,737,000	\$ 83,253,000
Stockholders' Equity	\$ 55,620,000	\$ 39,816,000

## MARKET PRICES OF COMMON STOCK

The common stock of the Company is listed on the NASDAQ Global Market under the symbol "FEIM."

Fiscal Quarter	High Sale	Low Sale
<b>2025</b>		
First Quarter	\$14.23	\$ 8.62
Second Quarter	14.50	11.51
Third Quarter	20.33	12.47
Fourth Quarter	19.50	13.69
<b>2024</b>		
First Quarter	\$ 7.25	\$ 6.22
Second Quarter	7.96	6.35
Third Quarter	11.41	7.20
Fourth Quarter	11.35	9.15

## 2025 PRESIDENT'S LETTER TO STOCKHOLDERS

### **THE FISCAL YEAR ENDING APRIL 30 MARKED ANOTHER PERIOD OF SUSTAINED GROWTH FOR OUR COMPANY.**

Revenue increased from \$55 million in FY2024 to \$70 million in FY2025, while operating profit rose from \$5 million to nearly \$12 million during the same timeframe. Our backlog at year-end stood at just over \$70 million, a slight decrease from the previous year but still historically strong.

We foresee continued long-term growth within our primary markets: space, navigation, secure communication, and timing. Our technical expertise enables us to win new contracts and maintain strong gross margins. The current administration in Washington has demonstrated strong support for both space and defense initiatives. Although there are ongoing discussions regarding changes to the space architecture and procurement processes, we have not observed any indications of reduced overall spending. In fact, pronouncements regarding additional spending on space-related programs and the Department of Defense's July announcement regarding bolstering the U.S. drone manufacturing base and expanding the use of drones for military units and training programs, are significant positives for the future of our business.

One reason for this increased attention on space is that it is ever more clear that space is no longer the safe, un-contested environment which the nation has operated in for the last 70 years. In addition to the demonstrated ability to jam and spoof signals from our satellites, it is clear that the satellites themselves are vulnerable to direct attack from our adversaries. This fact is accelerating the need to change the space architecture from one with a few exquisite billion-dollar satellites designed to operate in space for 20 years, to one in which a much larger number of much less expensive satellites perform the same functions, and are continuously replaced, potentially with updated technology, after 2 to 5 years. The Company is actively involved in this transition, with work underway on several funded programs, and we are bidding on several others. We firmly believe that in the long run, technology applications in the space environment will depend on this architecture, and are actively developing variants of our core products targeted at this concept. This new architecture holds the promise of continuous, long-term production of space hardware, in contrast to the sporadic, cyclical development/production of space hardware we are used to with billion-dollar space vehicles. Coupled with an overall growth in the use of space for commercial purposes, this represents a solid growth opportunity for the Company, and potentially a future that has less lumpy revenue patterns than those we have exhibited in the past. In the short run, this requires investment in the development of targeted low-cost products, and in some cases lower margins, necessary to capture business and develop a presence in this arena.

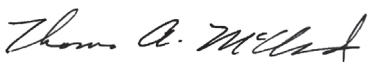


**SCIENTIFIC EXPERTISE  
MATCHED WITH OUR  
MANUFACTURING  
CAPABILITIES WILL  
FURTHER STRENGTHEN  
OUR STRATEGIC POSITIONING  
IN NEXT GENERATION  
MARKET OPPORTUNITIES**

Another long-term growth opportunity we are pursuing is the development of quantum sensors. There is a developing market for quantum magnetometers, Rydberg sensors, and advanced atomic clocks, including optical atomic clocks. These are somewhat esoteric technologies, but enable navigation alternatives to GPS, very compact receiving antennas, and more precise timing/navigation, respectively. The Company is ideally suited to participate in these markets since they use the same basic physics as our core atomic clock technology, and in many cases some of the same manufactured physics elements. Much of this development is funded externally through government-led Department of Defense programs, with additional support from internal R&D resources as required. The Company's proven ability to deliver rubidium atomic clocks that operate in harsh environments, including space, makes us a very credible player in this technology; our decades-long legacy of manufacturing to such high specifications stands in contrast to government laboratories and start-ups which are good at demonstrating laboratory versions of quantum devices, but have no experience manufacturing reliable products for demanding real-world environments.

To be successful in the somewhat arcane world of quantum sensors, and also to continue to be successful in our core technologies, it is important to maintain and grow our scientific and engineering workforce, and attract the best talent in these fields. To this end, we have opened a small facility in Boulder, CO, near both the University of Colorado and the NIST (National Institute for Standards and Technology) time and frequency division. These institutions are both active in state-of-the-art quantum sensor research. We have already enticed several well-respected senior scientists, until recently employed at NIST, to join our staff; and are interviewing others. We believe that their scientific expertise matched with our manufacturing capabilities will further strengthen our strategic positioning in next generation market opportunities, and we are already seeing signs of progress on these fronts.

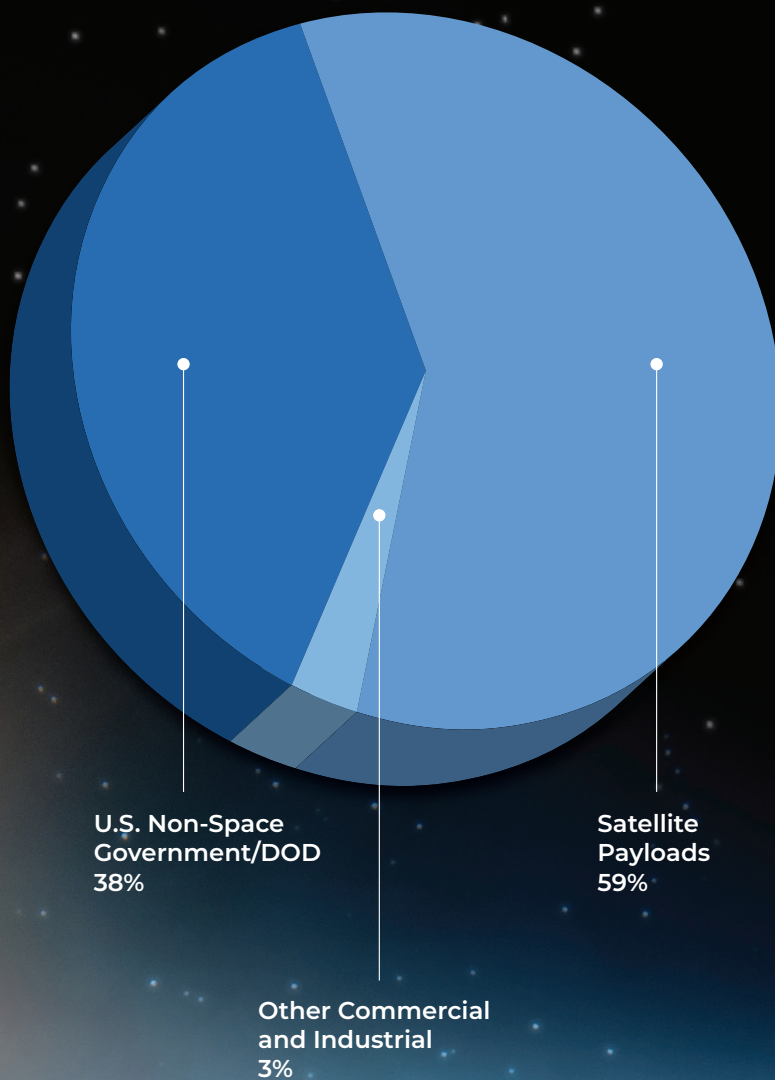
In closing, the Company achieved strong performance this year and remains vigilant in pursuing future opportunities. We are taking prudent steps to reshape our organization to help lead the charge in these increasingly dynamic times. We are confident in maintaining profitability within our core technologies, while proactively adapting and innovating to drive long-term growth. With a debt-free balance sheet and the enduring commitment of our talented workforce, I am optimistic about our path forward.



**Thomas McClelland**

*President and Chief Executive Officer*

## FISCAL YEAR 2025 REVENUES BY MARKET AREA



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

FORM 10-K

(Mark one)

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the Fiscal Year ended April 30, 2025

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission File No. 1-8061

**FREQUENCY ELECTRONICS, INC.**

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of  
incorporation or organization)

11-1986657

(I.R.S. Employer  
Identification No.)

55 CHARLES LINDBERGH BLVD., MITCHEL FIELD, NY.

(Address of principal executive offices)

11553

(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

Trading Symbol

Name of each exchange on which registered

Common Stock  
(par value \$1.00 per share)

FEIM

NASDAQ Global Market

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

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ☐ No ☒

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 whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large accelerated filer

☐

Accelerated filer

☐

Non-accelerated filer

☒

Smaller Reporting Company

☒

Emerging growth company

☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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

The aggregate market value of voting common equity held by non-affiliates of the registrant as of October 31, 2024 – \$73,400,000

The number of shares outstanding of registrant's Common Stock, par value \$1.00 per share, as of July 9, 2025 – 9,727,928

DOCUMENTS INCORPORATED BY REFERENCE: PART III incorporates information by reference from the definitive proxy statement to be filed with the Securities and Exchange Commission with respect to the Annual Meeting of Stockholders to be held on or about October 8, 2025.

# FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES

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## PART I

### Item 1. Business

#### GENERAL DISCUSSION

Frequency Electronics, Inc. (sometimes referred to as “Registrant”, “Frequency Electronics” or the “Company”) is a world leader in precision time and frequency generation technology, which is incorporated into commercial and U.S. Government satellites, Command, Control, Communication, Computer, Intelligence, Surveillance and Reconnaissance (“C4ISR”), and Electronic Warfare (“EW”) systems. Its technology is used for a wide range of space and non-space applications.

Unless the context indicates otherwise, references to the Registrant or the Company are to Frequency Electronics, Inc. and its subsidiaries. References to “FEI” are to the parent company alone and do not refer to any of the subsidiaries. Frequency Electronics, a Delaware corporation, has its principal executive office at 55 Charles Lindbergh Boulevard, Mitchel Field, New York 11553. Its telephone number is 516-794-4500 and its website is [www.frequencyelectronics.com](http://www.frequencyelectronics.com).

Frequency Electronics was founded in 1961 as a research and development firm generating proprietary precision time and frequency technology primarily under contracts for end-use by the United States (“U.S.”) Government. In the mid-1990’s, the Company evolved into a designer, developer and manufacturer of state-of-the-art products for both commercial and government end-use. The Company’s present mission is to be the world leader in providing precision time and low phase noise frequency generation systems, from 1 Hz to 46 GHz for space and other challenging environments. The Company’s technology is the key element in enhancing the functionality and performance of many electronic systems.

#### MARKETS

The Company’s principal end markets are time and frequency generation and distribution systems for use in satellite payloads and terrestrial secure command control and communications systems.

For the satellite market, the Company has a unique legacy of providing master timing systems, power converters, and frequency generation, synthesis and distribution systems. These products are applicable for both commercial and U.S. Government end-use. Currently, it is estimated that there are over 5,000 U.S. satellites with varying remaining useful lives operating in Geostationary, Medium and Low Earth Orbits (“LEO”). The number of operational satellites with emphasis on high-throughput is expected to continue to grow over the next ten years as demand for higher bandwidths and improved anti-jam-anti-spoofing increases. Furthermore, the U.S. Government is expected to contract options for additional GPS III satellites, and the Company believes it is well positioned to compete for the onboard clock ensemble with its high-precision digital Rubidium atomic frequency standard.

For the terrestrial secure command control and communications systems market, the Company’s products support multiple C4ISR and EW applications for the U.S. Government on land, sea and air-borne platforms. Recently identified threats to the communication capabilities of U.S. Government facilities through jamming or “spoofing” global positioning systems (“GPS”) signals may be mitigated by the Company’s technologies. In addition, similar types of threats to the public and enterprise networks have been identified by the U.S. Department of Homeland Security. The Company’s high precision, ruggedized clocks combined with specialized software are essential for certain secure communication systems.

To address these markets, the Company has several corporate entities which operate under two reportable segments primarily based on the geographic locations of its subsidiaries. The two reportable segments are (1) FEI-NY, which includes the subsidiaries FEI Government Systems, Inc., FEI Communications, Inc., and FEI-Elcom Tech, Inc. (“FEI-Elcom”) and (2) FEI-Zyfer, Inc. (“FEI-Zyfer”).

Frequency Electronics has made a strategic decision to focus on satellite payloads, C4ISR and EW market segments, because the Company believes these business areas represent significant opportunities for revenue growth.

## 1. **FEI-NY**

FEI Government System, Inc. and FEI Communications, Inc. design and manufacture U.S. Government and commercial satellite electronics, as well as products for the U.S. military and commercial telecom customers. These products are designed and manufactured at the Company's Long Island, New York headquarters facility.

FEI-Elcom designs and manufactures Radio Frequency ("RF") microwave modules, devices and subsystems up to 60 GHz including fast switching, ultra-low phase noise synthesizers, up-down converters, receivers, tuners, ceramic resonance oscillators and dielectric resonance oscillators. These instruments and components are mission critical for multiple applications in the EW market, SATCOM communication, surveillance, signal intelligence (COMINT, MASINT and ELINT), threat simulation, electronic attack ("EA") and electronic prevention ("EP") systems. FEI-Elcom's RF microwave technology has also been utilized to develop new products for application in the Company's satellite payload end market.

2. **FEI-Zyfer** — Precision time references for terrestrial secure communications and command and control, and frequency products that incorporate GPS technology are manufactured by FEI-Zyfer. FEI-Zyfer's GPS capability complements the Company's existing technologies and permits the combined entities to provide a broader range of embedded systems for a variety of timing functions and anti-spoofing applications.

For additional information about these reportable segments, see Item 1. Business — Reportable Segments and Products below.

## **Morion**

In addition to its subsidiaries, the Company made a strategic investment in and licensed certain technology to Morion, Inc. ("Morion"), a Russian crystal oscillator manufacturer located in St. Petersburg, Russia. The Company's relationship with Morion, which includes ownership of 4.6% of the outstanding shares of Morion's common stock, permitted the Company to secure a cost-effective source for high precision quartz resonators and crystal oscillators. The Morion investment was accounted for under the cost method. Due to the current Russia-Ukraine conflict and resulting sanctions, the future status of FEI's equity investment in Morion is uncertain. In response to these conditions, in connection with the preparation of the audited financial statements included in the Annual Report on Form 10-K, for the fiscal year ended April 30, 2022, as amended (the "2022 Form 10-K"), the Company impaired its investment in Morion in full. For more information regarding the Company's investment in Morion, see Note 9 to the Consolidated Financial Statements.

## **REPORTABLE SEGMENTS AND PRODUCTS**

The Company operates under two reportable segments, primarily aligned with the geographical locations of its subsidiaries: (1) FEI-NY and (2) FEI-Zyfer. Within each segment the Company designs, develops, manufactures and markets precision time and frequency control products for different markets as described below. The Company's Chief Operating Decision Maker ("CODM") measures segment performance based on total revenues, cost of revenues, and profits generated by each geographic center rather than on the specific types of customers or end-users. Consequently, the Company determined that the segments indicated above appropriately reflect the way the Company's CODM views the business. The FEI-NY segment, which includes the parent company, FEI, and operates out of the Company's Long Island, New York headquarters facility, also includes the operations of the Company's wholly-owned subsidiary, FEI-Elcom. FEI-Elcom, in addition to its own product line, provides design and technical support for FEI's business. The products manufactured by the FEI-NY segment are principally marketed to the commercial and U.S. Government satellite markets, to other U.S. Department of Defense ("DOD") customers and to wireless communications network providers. The FEI-Zyfer segment, which operates out of California, designs and manufactures products which incorporate GPS technologies and high-precision clocks designed and manufactured at FEI. FEI-Zyfer sells its products to both commercial and U.S. Government customers and collaborates with FEI on joint product development activities.

During fiscal years 2025 and 2024, approximately 76% and 73%, respectively, of the Company's consolidated revenues were from products sold by the FEI-NY segment. In fiscal years 2025 and 2024, sales for the FEI-Zyfer segment were 27% and 33% of consolidated revenues. (The sum of annual sales percentages exceeds 100% due to intersegment sales.)

Consolidated revenues include sales to end-users in countries located outside of the U.S., primarily in Europe and Asia. During fiscal years 2025 and 2024, foreign sales comprised 6% and 4%, respectively, of consolidated revenues. For segment information, see Note 13 to the Consolidated Financial Statements.

The Company's sales on U.S. Government programs for both space and non-space applications are generally made under fixed price or cost-plus contracts either directly with U.S. Government agencies or indirectly through subcontracts intended for U.S. Government end-use. For fixed-price contracts, the price paid to the Company is not subject to adjustment by reason of costs incurred by the Company in the performance of the contract, except for costs incurred due to contract changes ordered by the customer. These contracts are negotiated on terms under which the Company bears the risk of cost overruns and derives the benefit from cost savings. Cost-plus contracts reimburse the Company for the actual costs incurred in performance of the contract requirements.

As indicated above, many of the programs and platforms for which the Company supplies products and systems are used by the U.S. Government for maintaining secure communications world-wide, for obtaining vital intelligence and for enabling precision targeting capabilities. It is the belief of management that the future success of the mission of the U.S. military and intelligence community is dependent on successful and timely deployment of these systems. Thus, the Company anticipates that adequate funds will be provided by the U.S. Government to ensure that the programs are completed. However, the Company's experience indicates that programs and/or product sales can be delayed or canceled due to variations associated with periodic U.S. Government appropriations cycles and shifting priorities. If the U.S. Government canceled or delayed, even temporarily, programs and/or purchases involving Company products, the Company's business could suffer a material adverse effect.

Negotiations on U.S. Government contracts are sometimes based in part on Certificates of Current Costs. An inaccuracy in such certificates may entitle the U.S. Government to an appropriate recovery. The Company's accounts with respect to these contracts are subject to audit by the Defense Contract Audit Agency ("DCAA"). The Company's last full incurred cost audit was performed in 2008. Additionally, the Company had successfully completed an accounting system audit in 2018 and 2023. The Company is required to submit, for subsequent review, an Incurred Cost Report by October 31, for each year then ended. All such required reports have been filed with no adverse comments to date.

Frequency Electronics has a DCAA audited and approved accounting system, which enables the Company to enter into contracts directly with U.S. Government agencies that require government certified accounting systems.

Government end-use contracts are subject to termination by the purchaser for convenience or default, as well as various other Federal Acquisition Regulations provisions. In the event of a termination for convenience, the Company is entitled to receive compensation as provided under the specific terms of such contracts. There were two government end-use contracts terminated during the fiscal year ended April 30, 2025.

#### **FEI-NY SEGMENT:**

FEI-NY provides precision time, frequency generation and synchronization products and subsystems that are found on-board satellites, in ground-based communication systems and imbedded in mobile platforms operated by the U.S. military. FEI-NY has made a substantial investment in research and development ("R&D") to apply its core technologies to satellite payloads, non-space DOD programs and commercial and industrial markets. Revenues from satellite payloads, both for commercial and U.S. Government applications, have become FEI-NY's largest business area while the portion of commercial network infrastructure sales has declined relatively. FEI-NY expects to continue to generate substantial revenues from deployment of new and replacement satellites and other U.S. Government/DOD applications including sales of ruggedized subsystems for mobile U.S. military platforms.

#### **Satellite Payloads**

The use of satellites launched for communications, navigation, weather forecasting, video and data transmissions and Internet access has expanded the need to transmit increasing amounts of voice, video, and data to earth-based receivers. This requires more precise timing and frequency control at the satellite. The Company manufactures the master timing systems (quartz, rubidium) and other significant timing and frequency generation products for navigation, communication and intelligence collection satellites, and many of the Company's other space assemblies are used onboard spacecraft for command, control and power distribution. Efficient and reliable DC-DC power converters are also manufactured for the Company's own assemblies and as stand-alone products for space applications. The Company's oven-controlled quartz crystal oscillators are cost-effective precision frequency sources suited for

high-end performance required in satellite communications, airborne and terrestrial datalinks and geophysical survey positioning systems. Commercial satellite programs which utilize the Company's space-qualified products include Iridium NEXT Constellation, Intelsat EPIC, O3B, WAAS, MexSat, MSV, ICO, TerreStar, EchoStar, Inmarsat and others. The Company is also pursuing core product opportunities for planned satellite constellations that will operate in low- or mid-earth orbits.

In the years ahead, the Company expects that the DOD will require more secure communication capabilities, more assets in space and greater bandwidth. The Global Positioning Satellite System, the MILSTAR Satellite System and the AEHF Satellite System are examples of the programs in which the Company has participated or plans to participate and which management believes are important to the success of the U.S. Government's communication, intelligence and Precision Navigation and Timing ("PNT") needs. It is likely that the DOD will move to adopt smaller and less expensive satellites for LEO applications, which the Company anticipates will necessitate the adaptation of the Company's products or development of new products to better suit this type of satellite architecture. The Company previously manufactured 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 Company's product offerings for U.S. Government satellite programs are similar in design and function to those used on commercial satellites, as described above.

### **U.S. Government- Non-space**

In addition to space-based programs, the Company's proprietary products have been used in airborne and ground-based guidance, navigation, communications, radar, sonar and electronic countermeasures and timing systems. The Company has developed and patented a low acceleration-sensitive technology which offers an approximate 100 times improvement in performance under shock, vibration and other environmental effects as compared to devices not so designed. Products are built in accordance with DOD standards and are in use on many of the U.S. Government's important military applications. The Company anticipates that adequate funds will be provided by the U.S. Government to ensure that these programs are sustained.

FEI-Elcom addresses RF microwave modules and subsystems up to 60 GHz including fast switching, ultra-low phase noise synthesizers, up-down converters, receivers, tuners, ceramic resonance oscillators and dielectric resonance oscillators. These instruments and components are mission critical for many applications in the EW market, including SATCOM communication, surveillance, intelligence collection (SIGINT, COMINT, MASINT, and ELINT) and threat simulation systems.

### **FEI-ZYFER SEGMENT:**

FEI-Zyfer designs, develops and manufactures products which provide PNT, primarily incorporating Global Navigation Satellite System(s) technology. FEI-Zyfer's products make use of both "in-the-clear" civil and "crypto-secured" military signals for GPS. FEI-Zyfer's products are integrated into radar systems, airborne SIGINT/COMINT platforms, information networks, test equipment, military command and control terminals, and satellite ground stations. FEI-Zyfer's products are an important extension of FEI's core product line, specifically in secure PNT for Command, Control, Communications, Computers, Combat Systems, Intelligence, Surveillance, and Reconnaissance (C5ISR). Recently identified threats to the communication capabilities of U.S. Government and to the public and enterprise networks through jamming, multi-path or "spoofing" GPS signals may be mitigated by FEI-Zyfer's technologies and products. High precision, ruggedized clocks combined with specialized software are essential for the security of government communication and systems. More than 95% of FEI-Zyfer's revenues are derived from sales where the end user is the U.S. Government.

### **BACKLOG**

As of April 30, 2025, the Company's consolidated backlog amounted to approximately \$70 million compared to \$78 million, at the end of the prior fiscal year. Approximately 64% of the current backlog is expected to be filled during the Company's fiscal year ending April 30, 2026. As of April 30, 2025, there were no amounts included in backlog under cost-plus or fixed-fee contracts that had not been funded. The Company excludes from backlog those contracts or awards for which it has not received authorization to proceed. The Company expects any partially funded contracts to become fully funded over time and will add the additional funding to its backlog at that time. The backlog

is subject to change for various reasons, including possible cancellation of orders, change orders, change in contract terms and other factors beyond the Company'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 Company's products are sold to both commercial and governmental customers. For the years ended April 30, 2025 and 2024, approximately 94% and 98%, respectively, of the Company's sales were made under contracts to the U.S. Government or subcontracts for U.S. Government end-use.

During fiscal year 2025, Northrop Grumman Company ("Northrop Grumman") accounted for more than 10% of the Company's consolidated revenues.

During fiscal year 2024, Lockheed Martin Corporation ("Lockheed Martin"), Northrop Grumman, Office of Naval Research and BAE Systems each accounted for more than 10% of the Company's consolidated revenues.

The loss by the Company of any one of these customers could have a material adverse effect on the Company's business. The Company believes its relationship with these companies is mutually satisfactory. Additionally, the Company is not aware of any prospect for the cancellation or significant reduction of any of its commercial or existing U.S. Government contracts; however, the cancellation or significant reduction of the Company's commercial or existing U.S. Government contracts could also have a material adverse effect of the Company's business.

The Company purchases a variety of electrical and other components and materials for use in the manufacture of its products. The Company is not dependent upon any one supplier or source of supply for any of its materials and maintains alternative sources of supply for all of its purchases. The Company has found its suppliers generally reliable and price-competitive; however, recent quotes for various parts and materials reflect increased delivery schedules and price increases. Where supply chain issues have been encountered, the Company has responded by changing the source of supply or redesigning products and replacing unavailable parts and materials with alternates wherever possible. FEI-NY is dependent on a limited number of suppliers for space qualified parts. If these suppliers were unable to deliver in reasonable time frames, then the prompt qualification of alternate suppliers may not be feasible or cost effective. Consequently, the Company could experience delays in delivery of its end products or costs in excess of what was originally quoted.

#### RESEARCH AND DEVELOPMENT

The Company's technological leadership continues to be an essential factor as it pursues future growth in revenues and earnings. The Company has focused its internal R&D efforts on improving the core physics and electronic performance in its time and frequency products, conducting research to develop new time and frequency technologies and capabilities, improving product manufacturability by seeking to reduce its production costs through product redesign and process improvements and other measures to take advantage of lower cost components.

The Company continues to focus a significant portion of its own resources and efforts on developing hardware for satellites (commercial and U.S. Government) and terrestrial commercial communications systems, including wireless and GPS-related systems. During fiscal years 2025 and 2024, the Company expended \$6.1 million and \$3.4 million of its own funds, respectively, on such R&D activity. See Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations. Additionally, the Company receives customer funding for specific R&D projects and anticipates additional funding from customers for future R&D initiatives. Although funding is obtained from customers, the Company retains the rights to any products developed. During fiscal years 2025 and 2024, some of the Company's development resources were applied to the design-stage of fixed-price satellite payload sub-system programs. For fiscal year 2026, the resources to be allocated to R&D will depend on market conditions and identification of new opportunities, as was the case in fiscal year 2025.

#### PATENTS AND LICENSES

The Company believes that its business is generally not dependent on patent or license protection. Rather, it is primarily dependent upon the Company's technical competence, the quality of its products and its prompt and responsible contract performance. However, employees working for the Company assign all rights to inventions to the Company, and the Company presently holds such patents and licenses. In certain limited circumstances, the U.S.



Government may use or permit the use by the Company's competitors of certain patents or licenses the government has funded. During fiscal year 2003, the Company received a broad and significant patent for proprietary quartz oscillator technology which the Company has incorporated into its legacy designs, and which it will incorporate into future designs, to exploit in both legacy and new applications. In 2006, the Company obtained a basic patent for its low g-sensitivity technology which management believes will permit greatly enhanced performance of devices on moving platforms and under externally imposed shock or vibration. The Company's current patents run through 2026.

## COMPETITION

The Company experiences competition in all areas of its business. Many of the Company's competitors are larger, have greater financial resources and have larger R&D and marketing staffs. The Company has a strong history of competing successfully in this environment due to the quality, reliability and outstanding record of performance its products have achieved. The Company competes primarily on the basis of the accuracy, performance and reliability of its products, the ability of its products to function under severe conditions, such as in space or in other extremely hostile environments, and the Company's track record of prompt and responsive contract performance and technical competence. The Company has unique and broad capabilities which include quartz and rubidium-based timing references and specialized RF microwave technology. With respect to very high precision products, the Company encounters fewer competitors than it does for lower precision products for which there are a significant number of suppliers.

The Company's principal competition for space products is the in-house capability of its major customers such as the Boeing Company, Northrop Grumman and Lockheed Martin, as well as a number of other firms capable of providing high-reliability microwave frequency generators. With respect to non-space products, such as systems for precision time for terrestrial secure communication and command and control, and products for multiple applications in the EW market, the Company competes with larger domestic companies such as Microchip Technology Incorporated. and Mercury Systems, Inc.

The Company believes its ability to obtain raw materials, manufacture finished products, integrate them into systems and sub-systems and interface these systems with highly sophisticated end-user applications provides a strong competitive edge.

## EMPLOYEES

Due to the specialized nature of our business, our performance depends on identifying, attracting, developing, motivating, and retaining a highly skilled workforce in multiple areas, including engineering, science, manufacturing, information technology, cybersecurity and business development. The Company develops its workforce using a broad-based recruiting process to select talented individuals and by offering competitive compensation and benefits.

The Company currently employs 226 employees (216 full-time and 10 part-time), all based in the U.S. No employees are represented by labor unions. We believe our relationships with our employees are favorable as reflected in high retention rates and increasing average length of service. Due to low turnover of employees, the average age of the workforce is increasing with time. Depending on growth in total employment and the average age of newly hired employees, replacement of key technical staff may be an issue in the future due to increased retirement.

## OTHER ASPECTS

The Company's business is not seasonal although it expects to experience some fluctuation in revenues during the second fiscal quarter as a result of summer holiday periods.

## INFORMATION ABOUT OUR EXECUTIVE OFFICERS

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.

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

Thomas McClelland – President and Chief Executive Officer  
Oleandro Mancini – Senior Vice President, Business Development  
Steven L. Bernstein – Chief Financial Officer and Secretary and Treasurer

Thomas McClelland, age 70, joined the Company as an engineer in 1984 and was elected Vice President, Commercial Products in March 1999. In fiscal year 2011, Dr. McClelland's title was modified to Vice President Advanced Development to describe his expanded role in the Company. In January 2020 Dr. McClelland's title was modified to Senior Vice President and Chief Scientist. In July 2022, Dr. McClelland was appointed the Company's Interim President and Chief Executive Officer, in addition to his existing positions and responsibilities with the Company, following the resignation of the Company's former President and Chief Executive Officer. On January 17, 2023, Dr. McClelland was appointed the Company's President and Chief Executive Officer.

Oleandro Mancini, age 76, joined the Company in August 2000 as Vice President, Business Development and was promoted to Senior Vice President in 2010. Prior to joining the Company, Mr. Mancini served from 1998 to 2000 as Vice President, Sales and Marketing at Satellite Transmission Systems, Inc. and from 1995 to 1998 as Vice President, Business Development at Cardion, Inc., a Siemens A.G. company. From 1987 to 1995, he held the position of Vice President, Engineering at Cardion, Inc.

Steven L. Bernstein, age 60, joined the Company in April 2010 as its Controller and was appointed to the position of Chief Financial Officer in April 2016. In January 2019, Mr. Bernstein was also appointed as Secretary and Treasurer of the Company, in addition to his role as Chief Financial Officer. Prior to joining the Company, Mr. Bernstein worked in the North America accounting group of Arrow Electronics, a Fortune 500 electronics distributor.

#### Item 1A. Risk Factors

##### **Risks Related to Business Operations and Our Industry**

***We rely heavily on U.S. Government programs for a substantial portion of our business. Accordingly, changes in U.S. Government priorities or delays or reductions in spending by the U.S. Government on such programs could have a material adverse effect on our business, financial position, results of operations and/or cash flows.***

Either as a prime contractor or as a subcontractor, we rely heavily on U.S. Government programs, from which we derived approximately 94% and 98% of our sales in fiscal 2025 and fiscal 2024, respectively. These U.S. Government programs may be only partially or incrementally funded and are subject to potential termination. These programs may also be subject to funding reductions and/or delays due to changes in government priorities or other factors. Whether direct contracts with the U.S. Government or contracts with prime contractors to the U.S. Government, our contracts typically are funded at a level less than the full contract value and require periodic incremental additional funding in order to continue. Should circumstances change regarding funding and sufficient funding become unavailable, contracts may be terminated, delayed significantly or put on stop work status.

U.S. Government contracts are subject to Congressional funding, which may be unavailable due to changes in priorities or subject to continuing resolution, which may result in funding reductions, eliminations or other effects that could impact our business. Furthermore, budget uncertainty, the risk of future budget cuts, the potential for U.S. Government shutdowns, and the federal debt ceiling could also adversely affect our industry and the funding for our current and future contracts. If appropriations are delayed or a government shutdown was to occur and was to continue for an extended period of time, we could be at risk of program or contract cancellations and other disruptions and nonpayment. Finally, shifting funding priorities or federal budget changes, could also result in reductions in overall spending on our contracts and projects, which could adversely impact our business, financial condition, results of operations and/or cash flows. Changes in funding priorities could reduce opportunities in existing programs and in future programs where we intend to compete. While we would expect to compete and be well positioned as the incumbent on existing programs, we may not be successful and, even if we are successful, the replacement programs may be funded at lower levels, which could adversely affect our business, financial position, results of operations and/or cash flows.

***We depend heavily on a small number of larger customers for a substantial portion of our business. The loss of one or more of our largest customers or programs could have a material adverse effect on our business, financial position, results of operations and/or cash flows.***

As a subcontractor, the Company is reliant on a few large customers that generally hold the ultimate contract with the U.S. Government. During fiscal year 2025, only Northrop Grumman accounted for more than 10% of the Company's consolidated revenues; however, the Company has other large customers that it relies on for significant portions of its consolidated revenues. These customers typically incorporate our products into larger programs. If these customers encounter technical, financial or other issues unrelated to our products that affect the larger program's operations, the related program may be terminated or require expensive, unanticipated revisions. These issues, although unrelated to our products, could adversely impact us if our customers' contracts with the U.S. Government become subject to re-competition or are ultimately cancelled. Additionally, our larger customers are sophisticated corporations with large research and development staffs and budgets. If one or more sought to design and manufacture replacements for our products, they could potentially discontinue their need for our products. Alternatively, our larger customers could look to replace our products with the products of one or more of our competitors. The loss of the U.S. Government or one or more of our other larger customers or programs could adversely affect our business, financial position, results of operations and/or cash flows.

***We use estimates when accounting for contracts. Changes in estimated contract revenues and/or changes in costs can affect our profitability and our overall financial position.***

Contract accounting requires significant judgment by the Company's management with respect to estimating contract revenues and costs and making assumptions for possible schedule and technical issues. These costs include planned costs for all phases of the contract and, if needed, costs for any technical issues that arise. Due to the nature and complexity of many of our contracts, the estimation of total revenues and costs at completion is subject to many variables and often difficult to predict accurately. As a result, it has, and could in the future, be possible that the Company's estimates when accounting for contracts may prove to be materially incorrect.

The Company's operating income can be adversely affected when estimated contract costs increase. Reasons for increased estimated contract costs include: design issues; changes in estimates of the nature and complexity of the work, including technical or quality issues or requests for additional work; production challenges, including those resulting from the timeliness of customer funding, unavailability or reduced productivity of qualified labor; the availability, performance, and quality of significant subcontractors; supplier issues, including the costs, timeliness and availability of materials and components; changes in laws or regulations; actions necessary for long-term customer satisfaction; and natural disasters or other matters. We have filed, and may file, requests for equitable adjustment or claims to seek recovery in whole or in part for our increased costs and aim to protect against these risks through contract terms and conditions when practical, but the prime contractor or the U.S. Government may disagree with our requests or may not have funding to cover them.

Due to their nature, fixed price contracts inherently tend to have more financial risk than cost-type contracts, including as a result of inflationary pressures, labor shortages, and increased labor rates. In fiscal 2025, 96% of our sales were derived from fixed-price contracts. While the Company's management uses its best judgment to estimate costs associated with fixed-price contracts, future events may require adjustments, which could ultimately adversely affect the Company's operating income.

Under cost-type contracts, allowable costs incurred by the contractor are generally subject to reimbursement plus a fee. These cost-type programs may have award or incentive fees that are uncertain and may be earned over extended periods or towards the end of the contract. In these cases, the associated financial risks are primarily in recognizing profit, which ultimately may not be earned, or program cancellation if cost, schedule, or technical performance issues arise.

Changes in underlying assumptions, circumstances or estimates, and the failure to prevail on related claims for equitable adjustments could have a material adverse effect on our business, financial position, results of operations and/or cash flows.

***We face substantial competition in our industry, and if we fail to win future business or experience undue pricing pressures as a result of such competition, our business, financial position, results of operations and/or cash flows could be adversely affected.***

We operate in a highly competitive industry focused on very high-performance products. Many of our competitors are larger, have greater financial resources and have larger R&D and marketing staffs. While we also maintain a robust internal R&D program that is intended to maintain our technical edge, the Company is limited in its resources and ultimately may not be able to successfully compete. Technology is advancing rapidly, and if we are unable to respond effectively to competition, we may lose existing customers, fail to win future business or experience undue pricing pressures that could affect our financial performance. Certain of our current technologies may become subject to significant future advancements, which may make our products obsolete or non-competitive. Competitors may be able to develop new manufacturing technologies that afford them cost and/or schedule advantages compared to our products. Customers may elect a less expensive product, even where it offers lower performance, compared to our current products. Specifically, the emergence of numerous LEO commercial satellite systems that have significantly lower requirements for life in orbit may result in new products based on commercial parts and processes not required for the high performance and/or longer lived geo-synchronous orbit satellites for which the Company has typically developed products. This may result in a migration to less capable, but less expensive products compared to what the Company has traditionally produced. This may result in reduced market share, lower revenues and impact our business operations and financial conditions. Additionally, competitors may have the benefit of other contracts that enable them to produce in volume with a concomitant cost advantage that affords them a price advantage. Many of our customers have in-house capability to develop products comparable to ours and may opt to do so. Accordingly, if we are unable to continue to compete successfully against our current or future competitors, we may experience declines in future revenues and market share, which could have a material adverse effect on our financial position, results of operations and/or cash flows.

***Our products, which are often incorporated into larger systems, are technologically complex and require state-of-the-art technology and manufacturing expertise. Any defect in the design, materials or workmanship with respect to our product could result in system failure.***

Our products are technologically complex and require state-of-the-art technology and manufacturing expertise. If a defect in design, materials or workmanship is not identified prior to delivery, the defect can result in product failure and potentially the loss of mission capability for the systems into which our products are integrated. All satellites cannot be recovered from orbit to repair failed sub-systems, therefore failure of a Company product incorporated into a satellite may result in the complete loss of the satellite with a significant impact to the Company's reputation and future business prospects. Penalties and possible litigation may result from these types of problems, with potential significant impact to our financial position, results of operations and/or cash flows.

***We are dependent on numerous suppliers for various parts, materials, test services, facility operations and infrastructure. If these suppliers fail to perform or we are unable to procure or experience significant delays with respect to needed products, materials or services, our financial position, results of operations and/or cash flows could be materially adversely affected.***

We are dependent on numerous suppliers for various parts, materials, test services, facility operations and infrastructure who may, in turn, be affected by factors such as raw material availability, skilled personnel shortages, pandemics, major weather events or natural disasters and other impacts that affect their ability to provide the goods and services we require. Disruptions or performance problems caused by our suppliers or failure to meet regulatory or contractual requirements, have had, and may continue to have, various adverse impacts on the Company, including our ability to meet our commitments to customers. The inability of our suppliers to perform adequately has resulted in and could in the future result in the need for us to transition to alternate suppliers if available, which could result in significant incremental cost and delay or the need for us to provide other resources to support our existing suppliers. The Company is reliant on suppliers who are space-qualified, limiting the ability to procure certain key materials, such as circuit boards, from other vendors. When these key suppliers experience quality issues, their products may have to be rejected, causing delays in our ability to complete projects on schedule and at projected costs. The time and cost associated with resolution of these issues may impact our financial performance. Consolidation of the industry can result in elimination of suppliers or discontinuation of certain product lines upon which we are reliant, necessitating

lifetime buys of components or the need to redesign electronics to incorporate different components, having a negative effect on our financial position, results of operations and/or cash flows. Furthermore, latent supply chain quality issues may affect our product performance and reliability, which may damage our reputation and impact future business.

***The success of our business and financial performance is dependent on our ability to identify, attract, train and retain a highly skilled workforce.***

We rely on very unique skill sets in our employee population. Our average employee tenure is approximately 14 years and the median age is approximately 51. Our products rely on very experienced engineers, physicists and manufacturing personnel who are trained in-house and who acquire competence only after a lengthy period of time. Given the median age of our average employee, we anticipate that a number of our key personnel will retire in the coming years. If we are unable to attract, train and retain competent and skilled replacement employees, our ability to design, develop and manufacture our products will be adversely affected. Furthermore, our operating performance is also dependent upon personnel who hold security clearances and receive substantial training to work on certain programs or tasks. If we were to experience an unanticipated attrition with respect to these employees, it will be difficult for us to replace them on a timely basis.

***Adverse changes in global economic or geopolitical conditions may adversely affect business operations and financial condition.***

Global economic and geopolitical conditions may adversely affect our business operations and financial condition. Turmoil in world financial markets may impact our supply chain resulting in unavailability of key components and materials, increasing costs due to delays, need to redesign certain electronics in order to mitigate shortages or schedule impacts and increasing costs to establish alternate qualified suppliers. These impacts may adversely affect our business due to customer cancellations, reduced demand for our products and increased costs, which could impact our financial condition. We are also subject to inflation and recessionary pressures. The current inflationary environment has and may continue to increase our cost of labor as well as our other operating costs. Likewise, deteriorating economic conditions could reduce the demand for our products, which could adversely affect our business operations and financial condition.

***We face various risks related to health epidemics, pandemics and similar outbreaks, which may have material adverse effects on our business, financial position, results of operations and/or cash flows.***

Health epidemics, pandemics and similar outbreaks, such as COVID-19, create substantial risk to the Company. Employees work in close proximity to one another. Therefore, if an employee is infected with a communicable disease, such as COVID-19, or suspected of being infected, other employees he or she has come in contact with may also be infected, with a cascading effect on the workforce. In addition to the time off to recover, there is a need to clean and disinfect the areas where the employee was working and had frequented in the facility. The nature of the Company's business requires mostly "hands-on" activities related to design, manufacturing and testing. Therefore, absenteeism resulting from infectious diseases and cleaning procedures to disinfect various areas of our facilities can have a significant impact on a contract's schedule, with a corresponding impact to costs. The Company is not able to predict possible future pandemics, but if they manifest, they could have significant adverse effects on our business, financial position, results of operations and/or cash flows.

***Our business could be adversely impacted by various external disruptions.***

A natural disaster, terrorism, insider threat, workplace violence, civil unrest, damaging weather, fire, act of war, or similar acts or events could limit our access to our facilities or cause interruption in the supply of electricity, natural gas, or water or preclude delivery of various supplies or limit the movement of our workforce, which may have a significant adverse impact to our operations and financial performance. The nature of our business requires mostly "hands-on" activities at our facilities to design and manufacture our products. Additionally, our products undergo lengthy testing, and interruption of these tests for any reason can cause damage to the product and/or necessitate the need to repeat test cycles, with adverse cost and schedule impacts. Catastrophic effects that result in intrusion of damaging water or other contaminants may cause damage to sensitive capital equipment, inventory or facilities that could be material. Our ability to recover from these catastrophes may be limited. As a result, such disruptions could adversely impact our financial position, results of operations and/or cash flows.



## **Risks Related to Legal, Regulatory and Compliance Matters**

***Our failure to comply with laws, regulations and/or terms we are subject to could adversely affect our business.***

We operate in a highly regulated industry and are routinely audited and reviewed by the U.S. Government and its agencies. These agencies review performance under our contracts, our cost structure and accounting, and our compliance with applicable laws, regulations, terms and standards, as well as the adequacy of our systems in meeting government requirements. If an audit uncovers improper or illegal activities, we would be subject to possible civil and criminal penalties, sanctions, forfeiture of profits or suspension or debarment. Most of our contracts are subject to Federal Acquisition Regulations (FARs) or Defense Federal Acquisition Regulation Supplement (DFARS). Violation of any of these regulations can result in significant consequences, including fines, disbarments or other punitive measures by the U.S. Government. Additionally, the Company has defense department security clearance that is required for performance on several contracts. Failure to maintain compliant security procedures may result in suspension of our security clearance and inability to perform on current contracts, as well as limit our ability to be awarded future contracts. The Company is also subject to export control requirements, anti-boycott regulations and Office of Foreign Assets Control (OFAC) sanctions against business dealings with certain persons and entities, including its investment in Morion, Inc., a less than wholly-owned subsidiary of state-owned Russian bank Gazprombank. Violation of any of these requirements may have a material adverse effect on our financial position, results of operations and/or cash flows.

***We are subject to various investigations, claims, disputes, enforcement actions, litigation, and other legal proceedings that could ultimately be resolved against us.***

We have and may in the future become subject to investigations, claims, disputes, enforcement actions and administrative, civil or criminal litigation, arbitration or other legal proceedings across a broad array of matters, including government contracts, commercial transactions, false claims, false statements, compliance with government orders, mischarging, contract performance, fraud, procurement integrity, securities laws and requirements, products liability, warranties, hazardous materials, personal injury claims, environmental, stockholder derivative actions, acquisitions and divestitures, intellectual property, tax, corporate law and obligations, employment, export/import, anti-corruption, debt and equity, labor, health and safety, the COVID-19 pandemic and the Company's response to it, accidents, and employee benefits and plans, including plan administration, improper payments and issues related to privacy and security (cyber and physical). These matters can divert financial and management resources; result in administrative, civil or criminal fines, penalties or other sanctions (including judgments, convictions, consent or other voluntary decrees or agreements), compensatory, treble or other damages, non-monetary relief or other liabilities; and otherwise harm our business and our ability to obtain and retain new business. Certain allegations against us can lead to suspension or debarment from government contracts. A suspension or debarment could have a material adverse effect on the Company because of our reliance on U.S. Government contracts. Additionally, an investigation, claim, dispute, enforcement action or litigation, even if pending or not ultimately substantiated or if fully indemnified or insured, can also negatively impact our reputation among our customers, and make it substantially more difficult for us to compete effectively for business in the future. Accordingly, investigations, claims, disputes, enforcement actions, litigation or other legal proceedings could have a material adverse effect on our financial position, results of operations and/or cash flows.

***The Company has identified a material weakness in its internal control over financial reporting for the fiscal year ended April 30, 2024. We may identify additional material weaknesses in the future or otherwise fail to maintain an effective system of internal controls, which may result in material misstatements of our financial statements or cause us to fail to meet our reporting obligations.***

Maintaining effective internal control over financial reporting is necessary for us to produce reliable financial statements. As more fully disclosed in Part II, Item 9A "Controls and Procedures," in the course of preparing the audited consolidated financial statements for the prior Annual Report on Form 10-K, the Company identified an error related to the calculation of the provision for losses on contracts. We determined that we did not maintain adequate controls over the review of the calculation of the loss provision, which the Company concluded constituted a material weakness in the Company's internal control over financial reporting as of April 30, 2024.

Under standards established by the PCAOB, a material weakness is defined as a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis.

A material weakness in the design of monitoring controls indicates that the Company has not sufficiently developed and/or documented internal controls by which management can review and oversee the Company's financial information to detect and correct material errors or that the personnel responsible for performing the review did not have the sufficient skill set or knowledge of the subject matter to perform a proper assessment.

To remediate the material weakness, the Company has implemented changes to its loss provision calculation and enhanced its controls over the review of the loss provision calculation to ensure appropriateness. The Company believes that its remediation plan was sufficient to remediate the identified material weakness and strengthen its internal control over financial reporting. As of April 30, 2025, the Company's management believes the identified material weakness have been remediated. As the Company continues to evaluate and work to improve its internal control over financial reporting, management may determine to take additional measures to address control deficiencies or determine to modify the remediation plan. Moreover, the Company cannot assure you that additional material weaknesses will not arise in the future.

Failure to remediate the material weakness, or the development of new material weaknesses in the Company's internal control over financial reporting, could result in future material misstatements in its consolidated financial statements and cause the Company to fail to meet its reporting and financial obligations, which in turn could have a negative impact on the Company's financial condition.

### **Risks Related to Information Technology and Intellectual Property**

#### ***Our business could be adversely impacted by significant cybersecurity attacks.***

As a U.S. Government defense industry contractor, the Company has experienced cybersecurity attacks in the past and may be subjected to significant cybersecurity attacks in the future in an effort to, among other things, steal intellectual property, disrupt operations, embed ransomware or initiate insider attacks. Although we implement various measures and controls to monitor and mitigate risks associated with these threats and to increase the cyber resiliency of our infrastructure and products, there can be no assurance that these processes will be sufficient. Our inability to defend effectively against cyberattacks may result in disruption of operations, loss of significant intellectual property, compromise of employee's personal information or violation of government contractor requirements for information security. These could result in reputational damage, fines, litigation, operational impacts or significant costs for mitigation and/or recovery, all with adverse consequences to our financial position, results of operations and/or cash flows.

#### ***Claims by third parties that our products infringe their intellectual property could result in costly disputes and/or require us to develop alternate designs.***

We may become subject to claims for infringement of intellectual property, which could result in litigation costs or require us to incur costs for developing alternate designs that may require extensive testing and qualification to meet contract obligations. This could result in adverse consequences to our financial position, results of operations and/or cash flows.

### **Risks Related to Our Common Stock**

#### ***Our stock price may continue to be volatile.***

The trading price of our common stock may continue to be volatile. As a result, investors in our common stock may experience substantial losses. This volatility may or may not be related to our operating performance. Our operating results, from time to time, may be below the expectations of public market analysts and investors, which could have a material adverse effect on the market price of our common stock.

#### ***If significant existing stockholders sell large numbers of shares of our common stock, our common stock price could decline.***

Approximately 41.2% of our outstanding common stock is held by 5 individuals or entities. The market price of our common stock could decline if a large number of our shares of outstanding common stock are sold in the public market by our existing stockholders or as a result of the perception that such sales could occur.

## Item 1B. Unresolved Staff Comments

Not Applicable.

## Item 1C. Cybersecurity

### *Risk Management and Strategy*

We believe cybersecurity is critical to our mission achievement to ensure uninterrupted business continuity, and enables us to deliver superior services while safeguarding our customers' sensitive information.

Our cybersecurity risk management processes are integrated into our overall risk management strategy. As part of our risk management strategy, our cybersecurity framework encompasses the following key processes:

- **Risk-Based Controls for Information Systems:** We maintain an Information Technology (IT) infrastructure with physical, administrative, and technical controls tailored to protect the confidentiality, integrity, and availability of our information and systems.
- **Cybersecurity Incident Response Plan and Testing:** We have an incident response plan supported by a dedicated team to address cybersecurity incidents. This includes vulnerability identification, initial assessment, and engagement of external experts as needed.
- **Training Initiatives:** We provide security awareness training to help our employees understand their information protection and cybersecurity responsibilities at FEI. We also provide additional role-based training to employees based on customer requirements, regulatory obligations and industry risks as needed.
- **Third-Party Assessments:** We engage cybersecurity firms to regularly evaluate our cybersecurity posture, helping identify and mitigate risks posed by evolving threats.

We seek to continually strengthen our cybersecurity defenses through significant investments in resources and maintaining comprehensive cybersecurity insurance coverage. We maintain an insider threat detection program to proactively identify and mitigate both external and internal threats in a timely manner.

We rely on certain third-party service providers to assist us with the delivery of our products to our customers. A cybersecurity incident at a supplier or subcontractor could materially adversely impact us. Therefore, we evaluate third party providers from a cybersecurity risk perspective, which may include an assessment of that service provider's cybersecurity posture through a questionnaire. However, we rely on the third parties we use to implement security programs commensurate with their risk, and we cannot ensure in all circumstances that their efforts will be successful.

Our adherence to Defense Federal Acquisition Regulation Supplement (DFARS) and Cybersecurity Maturity Model Certification (CMMC) requirements ensures strict protection of Controlled Unclassified Information (CUI), mandated by the U.S. Department of Defense. These efforts underscore our commitment to maintaining the highest cybersecurity resilience standards and regulatory compliance.

As a U.S. Government defense industry contractor, we have experienced cybersecurity attacks and may be subject to significant cybersecurity attacks in the future. To date, we are not aware of any cybersecurity threats that have materially affected or are reasonably likely to affect us, including our business strategy, results of operations or financial condition. For additional information, see "Our business could be adversely impacted by significant cybersecurity attacks" in Item 1A. Risk Factors above.

### *Governance*

The full Board of Directors has overall responsibility for overseeing the cybersecurity processes of identifying and mitigating cybersecurity risks. The Board of Directors has not delegated this responsibility to any one Committee, as its structure and size allows for the entire Board of Directors to oversee this responsibility. Periodically, our management provides updates to the Board of Directors regarding our internal control program, including any significant changes to its IT infrastructure and/or cybersecurity program. Management also communicates directly with the Board of Directors to report any material risks from cybersecurity threats.

Our Chief Information Officer (CIO) leads our cybersecurity program and reports directly to our Chief Executive Officer. Our CIO is supported by our internal IT team that assists our CIO in the day-to-day management of the cybersecurity program, including the cybersecurity incident response plan, training initiatives and third-party assessments. Our CIO has over two decades of experience in various cybersecurity functions, including implementing stringent cybersecurity measures to protect sensitive information and meet established security standards, extensive work in IT governance and operations, network intrusion and critical systems protection, Enterprise Resource Planning (ERP) systems, and data analytics.

## Item 2. Properties

The Company operates out of several facilities located around the U.S. Each facility is used for manufacturing its products and for administrative activities. The following table presents the location, size and terms of ownership/occupation:

<b>Location</b>	<b>Size (sq. ft.)</b>	<b>Own or Lease</b>
Mitchel Field, NY . . . . .	93,000	Lease
Garden Grove, CA . . . . .	37,463	Lease
Northvale, NJ . . . . .	6,548	Lease

The Company's facility located in Mitchel Field, Long Island, New York, is part of the building that the Company constructed in 1981 and expanded in 1988 on land leased from Nassau County. In January 1998, the Company sold the building and the related land lease to Reckson Associates Realty Corp. ("Reckson"), leasing back the space that it presently occupies.

The Company leases its manufacturing and office space from RA 55 CLB LLC (as successor-in-interest to Reckson). The lease expires on September 30, 2029. Pursuant to the lease agreement, the Company pays a gradually increasing annual rent of \$1,046,810 in 2019 to \$1,276,056 in 2029. The Company believes the leased space is adequate to meet the Company's domestic operational needs which encompass the principal operations of the FEI-NY segment and also serves as the Company's corporate headquarters.

The Garden Grove, California facility is leased by the Company's subsidiary, FEI-Zyfer. The facility consists of a combination office and test/assembly areas. The Company has signed a third amendment to the lease, which expanded the square footage rented, and extended the lease an additional 62 months, beginning February 1, 2025 and expiring March 30, 2030. The average annual rent over the period of the amendment is approximately \$672,000. The Company believes the leased space is adequate to meet FEI-Zyfer's operational needs.

FEI-Elcom entered into a new lease agreement on January 12, 2022 regarding its Northvale, New Jersey facility. The facility consists of a combination office and manufacturing space. The Company has signed a third amendment to the lease, which extended the lease an additional 36 months beginning February 1, 2022 and expiring January 31, 2025, and reduced the square footage rented. The lease, as amended, requires monthly payments of \$8,270. As of April 30, 2025, the Company is in the process of negotiating a fourth amendment to the lease with the landlord as the Company continues to utilize the space for FEI-Elcom's operational needs.

## Item 3. Legal Proceedings

From time to time, the Company may become a defendant in litigation arising out of the ordinary course of business. As of July 18, 2025, the Company was not party to any material pending legal proceedings.

## Item 4. Mine Safety Disclosures

Not applicable.

## PART II

### Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

The common stock of the Company is listed on The Nasdaq Global Market ("NASDAQ") under the ticker symbol "FEIM." As of July 8, 2025, the approximate number of holders of record of common stock was 441.

#### DIVIDEND POLICY

On July 22, 2024, the Board of Directors of the Company declared a special cash dividend of \$1.00 per share of common stock. The dividend was paid on August 29, 2024, to stockholders of record as of the close of business on August 8, 2024. Based on the current number of shares of common stock outstanding, the total amount of this special cash dividend payment was approximately \$9.4 million. No dividends were declared or paid during fiscal year 2024. Any future determinations as to the declaration of dividends on our common stock will be made at the discretion of the Board of Directors and will depend on our earnings, operating and financial conditions, capital requirements and other factors deemed relevant by the Board of Directors.

#### PURCHASES OF EQUITY SECURITIES

There were no sales of unregistered equity securities during the quarter ended April 30, 2025.

In March 2005, the Company's Board of Directors authorized a stock repurchase program for up to \$5 million of the Company's outstanding common stock. This program does not have an expiration date. Shares may be purchased in open market purchases, private transactions or otherwise at such times and from time to time, and at such prices and in such amounts as the Company believes appropriate and in the best interests of its stockholders. The timing and volume of repurchases will vary depending on market conditions and other factors. Purchases may be commenced or suspended at any time without notice. The Company has acquired approximately \$3.9 million of its common stock out of the total authorization of \$5 million.

The following table presents the share-repurchase activity for the quarter ended April 30, 2025:

Period	Total number of shares purchased <sup>(1)</sup>	Average price paid per share	Total number of shares purchased as part of the publicly announced plan or program	Approximate dollar value of shares that may yet be purchased under the plan or program
February 1 – 28, 2025 . . . . .	—	\$ —	—	\$ 1,138,718
March 1 – 31, 2025 . . . . .	—	—	—	\$ 1,138,718
April 1 – 30, 2025 . . . . .	—	—	—	\$ 1,138,718
Total . . . . .	—	—	—	\$ 1,138,718

(1) There were no shares withheld or otherwise repurchased during the quarter ended April 30, 2025.

### Item 6. [Reserved]

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

#### **"Safe Harbor" Statement under the Private Securities Litigation Reform Act of 1995:**

The statements in this Annual Report on Form 10-K regarding future earnings and operations and other statements relating to the future constitute "forward-looking" statements pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements inherently involve risks and uncertainties that could cause actual results to differ materially from the forward-looking statements. Factors that would cause or contribute to such differences include, but are not limited to, the risks associated with reliance on key customers, including the U.S. government, the Company's use of estimates when accounting for contracts, actions by significant



customers or competitors, competitive factors, new products and technological changes, continued acceptance of the Company's products in the marketplace, dependence upon third-party vendors, product prices and raw material costs, the Company's ability to attract and retain key employees, general domestic and international economic conditions, health epidemics and pandemics, external disruptions to the Company's facilities or supply chain, the Company's operations in a highly regulated industry, the outcome of any litigation and arbitration proceedings, cybersecurity attacks, volatility in the Company's stock price, including due to the relatively low trading volume of its common stock, and failure to maintain an effective system of internal controls over financial reporting. The factors listed above are not exhaustive. Other sections of this Form 10-K include additional factors that could materially and adversely impact the Company's business, financial condition and results of operations. Moreover, the Company operates in a very competitive and rapidly changing environment. New factors emerge from time to time and it is not possible for management to predict the impact of all these factors on the Company's business, financial condition or results of operations or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, investors should not rely on forward-looking statements as a prediction of actual results. Any or all of the forward-looking statements contained in this Form 10-K and any other public statement made by the Company or its management may turn out to be incorrect. The Company expressly disclaims any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

### **Critical Accounting Estimates**

The Company's significant accounting policies are described in Note 1 to the Consolidated Financial Statements. The Company believes its most critical accounting policies to be the recognition of revenue and costs on production contracts, income taxes and the valuation of inventory. Each of these areas requires the Company to make use of reasonable estimates, including estimating the cost to complete a contract, the realizable value of its inventory or the market value of its products. Changes in estimates can have a material impact on the Company's financial position and results of operations.

#### Revenue Recognition

Revenues for most contracts are reported in operating results over time using the cost-to-cost method. Under this method, revenue is recorded based upon the ratio that incurred costs bear to total estimated contract costs with related cost of revenues recorded as the costs are incurred. Each month management reviews estimated contract costs through a process of aggregating actual costs incurred and estimating additional costs to completion based upon the current available information regarding labor, outside services, materials, overhead costs and status of the contract. The effect of any change in the estimated gross margin rate for a contract is reflected in revenues in the period in which the change is known. Provisions for the full amount of anticipated losses on contracts are made in the period in which they become determinable.

Significant judgment is used in evaluating the financial information for certain contracts to determine an appropriate budget and estimated cost. The Company evaluates this information continuously and bases its judgments on historical experience, design specifications, and expected costs for material and labor.

#### Inventory

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. Inventory write downs are established for slow-moving materials based on percentage of usage over a ten-year period, obsolete items on a gradual basis over five years with no usage and costs incurred on programs for which production-level orders cannot be determined as probable. Such write-downs are based upon management's experience and expectations for future business.

#### Income Taxes

Our income tax expense, deferred tax asset and liabilities, and liabilities for unrecognized tax benefits reflect management's best estimate of current and future taxes to be paid. Significant judgments and estimates are required in the determination of the consolidated income tax expense.

Deferred income taxes arise from temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements, which will result in taxable or deductible amounts in the future. Accounting for income taxes requires that a valuation allowance be established when it is more likely than not that all or a portion of the deferred tax assets will not be realized. In evaluating our ability to recover deferred tax assets in the jurisdiction from which they arise, we consider all positive and negative evidence, including the reversal of deferred tax liabilities, projected future taxable income, tax planning strategies, and results of recent operations. In circumstances where there is sufficient negative evidence indicating that the deferred tax assets will not be realizable, we establish a valuation allowance. For the fiscal year ended April 30, 2025, the valuation allowance decreased by approximately \$13.9 million from the prior fiscal year primarily due to releasing the majority of the valuation allowance recorded against the deferred tax asset. The change in estimate occurred in the quarter ended January 31, 2025 because Frequency no longer had cumulative losses in recent years due to significant earnings in the quarter ended January 31, 2025.

The Company maintains a valuation allowance of approximately \$1.4 million against certain deferred tax assets including state tax credits and capital loss carryforwards because the realization of these tax attributes requires sufficient taxable income be sourced to the respective state jurisdiction and capital gain income is required to utilize capital losses. The Company will continue to evaluate the realizability of its deferred tax assets quarterly. Any further increases or decreases in the valuation allowance could have an unfavorable or favorable impact on the Company's income tax provision and net income in the period in which such determination is made. As of April 30, 2025, the deferred tax asset is recorded at its more-likely-than-not realizable amount.

Tax benefits are recognized for an uncertain tax position when, in the Company's judgment, it is more likely than not that the position will be sustained upon examination by a taxing authority. For a tax position that meets the more-likely-than-not recognition threshold, the tax benefit is measured as the largest amount that is judged to have a greater than 50% likelihood of being realized upon ultimate settlement with a taxing authority. The liability associated with unrecognized tax benefits is adjusted periodically due to changing circumstances and when new information becomes available. Such adjustments are recognized entirely in the period in which they are identified. The effective tax rate includes the net impact of changes in the liability for unrecognized tax benefits and subsequent adjustments as considered appropriate by the Company. While it is often difficult to predict the final outcome or the timing of resolution of any particular tax matter, the Company believes its liability for unrecognized tax benefits is adequate.

## **RESULTS OF OPERATIONS**

### **Consolidated Results**

The table below sets forth for the fiscal years ended April 30, 2025 and 2024, the percentage of consolidated net sales represented by certain items in the Company's consolidated statements of operations:

	<b>Fiscal Years Ended April 30,</b>	
	<b>2025</b>	<b>2024</b>
Revenues .....		
FEI-NY .....	76.3%	72.9%
FEI-Zyfer .....	26.7	32.8
Less intersegment revenues .....	(3.0)	(5.7)
	100.0	100.0
Cost of revenues .....	56.9	66.4
Gross margin .....	43.1	33.6
Selling and administrative expenses .....	17.6	18.4
Research and development expenses .....	8.7	6.1
Operating income .....	16.8	9.1
Other income, net .....	0.6	0.8
Benefit from income taxes .....	(16.5)	(0.2)
Net income .....	33.9%	10.1%

## **Revenues**

Segment	Fiscal Years Ended April 30, (in thousands)			
	2025	2024	Change	
FEI-NY .....	\$ 53,269	\$ 40,261	\$ 13,008	32.3%
FEI-Zyfer .....	18,660	18,138	522	2.9%
Intersegment revenues .....	(2,118)	(3,125)	1,007	(32.2)%
	<u>\$ 69,811</u>	<u>\$ 55,274</u>	<u>\$ 14,537</u>	<u>26.3%</u>

For the fiscal year ended April 30, 2025 revenue increased by approximately \$14.5 million, or 26%, compared to the prior fiscal year. The Company is encouraged by the significant revenue growth compared to the prior fiscal year. The majority of the increase in revenue for fiscal year 2025, as compared to fiscal year 2024, was as a result of an increase in sales in the U.S. Government/DOD Satellite market. In fiscal year 2025, revenues from satellite programs, one of the Company's largest business areas, increased by \$17.7 million, or 76%, compared to the prior fiscal year. The increase was due mainly to adjustments in total estimated costs in the current period resulting from efficiencies realized. Satellite program revenues for Government end-use were 53% and 40% of total revenues for fiscal years 2025 and 2024, respectively. Satellite program revenues for commercial end-use were 6% and 2% of total revenue for fiscal years 2025 and 2024, respectively.

Revenues on satellite program contracts are recorded in the FEI-NY segment and are recognized primarily under the percentage-of-completion ("POC") method. Revenues from non-space U.S. Government/DOD customers decreased by approximately \$2.4 million, or 8%, in fiscal year 2025 compared to fiscal year 2024. These revenues are recorded in both the FEI-NY and FEI-Zyfer segments and accounted for approximately 38% and 52% of consolidated revenues for fiscal years 2025 and 2024, respectively. Other commercial and industrial sales accounted for approximately 3% and 6% of consolidated revenues for fiscal years 2025 and 2024, respectively. Sales in the other commercial and industrial sales area were \$2.4 million and \$3.1 million for the fiscal year ended April 30, 2025 and the fiscal year ended April 30, 2024, respectively.

## **Gross Profit**

	Fiscal Years Ended April 30, (in thousands)			
	2025	2024	Change	
Gross Profit .....	\$ 30,097	\$ 18,583	\$ 11,514	62.0%
Gross Profit Percentage .....	43.1%	33.6%		

For the fiscal year ended April 30, 2025, the gross profit and gross profit percentage increased as a result of several factors. The increase in gross profit dollars was directly related to the significant increase in revenues over the prior fiscal year period as well as the increase in gross margin. The majority of the increase in the gross profit percentage, as compared to the prior fiscal year, was in the FEI-NY segment and was attributed to the Company's performance on several traditional space programs at higher margins, due to favorable cumulative catch-up adjustments, and those programs progressing ahead of schedule. In addition, the Company has new programs that are progressing well, and the Company anticipates that they will generate additional revenue and profit.

## **Selling and Administrative Expenses**

Fiscal Years Ended April 30, (in thousands)				
2025	2024	Change		
\$ 12,289	\$ 10,184	\$ 2,105		20.7%

In fiscal years ended April 30, 2025 and 2024, selling and administrative expenses (“SG&A”) were 18% of consolidated revenues in both periods. While total SG&A expenses increased in fiscal year 2025, as compared to the prior fiscal year, SG&A expenses remained consistent as a percentage of revenue in fiscal year 2025. The approximately \$2.1 million dollar increase is made up of mainly payroll related items such as, 401K expense, stock option expense, and bonus accrual. In addition to these expenses, trade show and related costs also increased during fiscal year 2025 as well.

### **Research and Development Expenses**

Fiscal Years Ended April 30, (in thousands)				
2025	2024	Change		
\$ 6,076	\$ 3,380	\$ 2,696	79.8%	

As a percentage of consolidated revenue, R&D expense for the fiscal years ended April 30, 2025 and 2024 were 9% and 6%, respectively. The Company funded R&D amount was higher in fiscal year 2025 as compared to the previous fiscal year, partially because the previous fiscal year R&D expenditures was lower than planned and some of the expenses were subsequently captured in fiscal year 2025. The increase in R&D expense also reflects the Company’s commitment to maintaining its technical excellence. The Company expects future R&D investment to be in line with, or even potentially above, historical spending.

The funds received in connection with customer funded R&D appears in revenues and the associated expenses are included in cost of revenues and are not included in the table above. The Company believes that internally generated cash and cash reserves are adequate to fund its future R&D activity.

### **Operating Income**

Fiscal Years Ended April 30, (in thousands)				
2025	2024	Change		
\$ 11,732	\$ 5,019	\$ 6,713	133.8%	

For the fiscal year ended April 30, 2025, the Company recorded operating income of \$11.7 million compared to an operating income of \$5.0 million in the prior fiscal year. The increase is mainly attributable to the Company’s significant increase in revenue and gross margin during fiscal year 2025, as noted above, from traditional space programs that have been executed ahead of schedule, well within budgets, and performed well technologically. The positive effects of cost cutting measures instituted by management have also contributed to the increase.

### **Other Income, net**

Fiscal Years Ended April 30, (in thousands)				
	2025	2024	Change	
Income on investments . . . . .	\$ 519	\$ 561	\$ (42)	(7.5)%
Interest expense . . . . .	(104)	(109)	5	(4.6)%
Other expense, net. . . . .	(3)	(7)	4	(57.1)%
	<u>\$ 412</u>	<u>\$ 445</u>	<u>\$ (33)</u>	<u>(7.4)%</u>

The change from the prior fiscal year was relatively minimal. All three categories presented were slightly lower in fiscal year 2025 compared to the prior fiscal year.

**Income Tax (Benefit) Provision**

Fiscal Years Ended April 30, (in thousands)			
2025	2024	Change	
\$ (11,542)	\$ (130)	\$ (11,412)	8,778.5%

Fiscal Years Ended April 30, (in thousands)			
2025	2024		
Effective tax rate on pre-tax book income (loss): . . . . .	(95.0)%	(2.4)%	

For the fiscal year ended April 30, 2025, the Company recorded an income tax benefit of \$11.5 million. For the fiscal year ended April 30, 2024, the Company recorded an income tax benefit of \$0.1 million.

The Company's effective tax rate of (95.0)% for fiscal year 2025 differs from the U.S. federal statutory rate of 21% primarily due to a reduction of the valuation allowance. (See Note 13 to the Consolidated Financial Statements for a reconciliation of the actual tax benefit to the expected tax provision at the federal statutory rate.)

As of April 30, 2025, the Company has U.S. federal net operating losses of \$5 million of which \$1.7 million begins to expire in fiscal year 2026 through fiscal year 2031. The U.S. federal net operating losses of \$5 million includes \$1.7 million which is subject to an annual limitation under Internal Revenue Code Section 382. The remaining U.S. federal net operating losses of \$3.4 million have an indefinite carry-forward period. The U.S. federal capital loss carry-forward of \$0.8 million expires in fiscal years 2028. U.S. federal R&D credits of \$0.7 million begin to expire in fiscal year 2038 through fiscal year 2045. The Company also has state net operating loss carryforwards, and state tax credits that expire in various years and amounts.

On July 4, 2025, President Trump signed H.R. 1, the "One Big Beautiful Bill Act", into law. In accordance with U.S. GAAP, the Company will account for the tax effects of changes in tax law in the period of enactment which is Q1 of fiscal year 2026. The Company is currently in the process of analyzing the tax impacts of the law change, but we do not expect a material impact on our financial statements.

**LIQUIDITY AND CAPITAL RESOURCES**

Net cash used in operations was \$1.4 million in fiscal year 2025 compared to net cash provided by operations of \$8.7 million in fiscal year 2024. The Company's balance sheet continues to reflect a highly liquid position with working capital of \$29.7 million at April 30, 2025 as compared to \$27.3 million at April 30, 2024. Included in working capital at April 30, 2025 was \$4.7 million consisting of cash and cash equivalents. The Company's current ratio at April 30, 2025 was 2.3 to 1, compared to 1.9 to 1 at April 30, 2024.

During fiscal years 2025 and 2024, the Company incurred \$5.9 million and \$4.4 million, respectively, in non-cash charges to earnings, including adjustments relating to net assets and liabilities for operating leases, loss provision accrual, deferred tax assets, depreciation and amortization expense, inventory adjustments, warranty and accounts receivable reserves and certain employee benefit plan expenses, including accounting for stock-based compensation. During fiscal year 2025, cash provided by operations was mainly due to increases in net income, mainly in the U.S. Government/DOD Satellite market, and deferred tax assets primarily due to the reduction of the valuation allowance, and partially offset by a decrease in contract liabilities and contract assets. During fiscal year 2024, cash flows relating to operating activities increased as a result of decreases in the loss provision accrual and other liabilities and increases in contract assets and inventory, partially offset by an increase in contract liabilities and net income.

Net cash used in investing activities for the fiscal year ended April 30, 2025 was \$1.8 million compared to \$1.5 million used in investing activities for the fiscal year ended April 30, 2024 all relating to purchases of capital expenditures.

Net cash used in financing activities for the fiscal year ended April 30, 2025 was \$9.9 million, of which \$9.6 million was related to a special cash dividend payment of \$1.00 per share of common stock paid on August 29, 2024. There was no cash used in financing activities for the fiscal year ended April 30, 2024.

The Company will continue to expend resources for R&D to develop, improve and acquire products for space applications, guidance and targeting systems, and communication systems that management believes will result in future growth and profitability. The Company anticipates securing additional customer funding for a portion of its R&D activities and will allocate internal funds depending on market conditions and identification of new opportunities. The Company expects internally generated cash will be adequate to fund these R&D efforts. The Company may also pursue acquisitions to expand its range of products and may use internally generated cash and external funding in connection with such acquisitions.

During fiscal year 2025, as in fiscal year 2024, the impact of inflation on the Company's business was an increases in costs for materials and services. The Company believes this may continue to impact expenses in fiscal year 2026 and future years.

As of April 30, 2025, the Company had retained earnings of \$3.7 million. The Company believes that its cash, as of April 30, 2025, and cash flows from operations will provide sufficient liquidity to meet its operating needs in the normal course of business in both the short-term (next twelve months from the date of issuance of these consolidated financial statements) and in the long-term (beyond the next twelve months).

## **RECENT ACCOUNTING PRONOUNCEMENTS**

In November 2023, the Financial Accounting Standards Board ("FASB") issued ASU No. 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures* ("ASU 2023-07"), which expands on the required disclosure of incremental segment information. The new guidance is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. We adopted the new standard effective April 30, 2025. As a result, we have enhanced our segment disclosures to include the presentation of cost of revenues by segment and the disclosure of our Chief Operating Decision Maker ("CODM"). The adoption of this ASU has no material effect on the consolidated financial statements and only affects our disclosure.

In December 2023, the FASB issued ASU No. 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures* ("ASU 2023-09"), which requires companies to annually disclose categories in the effective tax rate reconciliation and additional information about income taxes paid. The new guidance is effective for annual periods beginning after December 15, 2024, and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. The Company is in the process of evaluating the impact that the adoption of ASU No. 2023-09 will have to the financial statements and related disclosures.

## **OTHER MATTERS**

The financial information reported herein is not necessarily indicative of future operating results or of the future financial condition of the Company.

### **Morion**

The Company has an investment in Morion, a privately-held Russian company, which manufactures high precision quartz resonators and crystal oscillators. The Company has also licensed certain technology to Morion.

The Company's investment consists of 4.6% of Morion's outstanding shares, accordingly, the Company accounts for its investment in Morion on a cost basis. During the fiscal year ended April 30, 2025, the Company acquired no product from Morion. During the fiscal year ended April 30, 2024, the Company acquired product from Morion in the aggregate amount of approximately \$89,000. During the fiscal years ended April 30, 2025 and 2024, the Company sold no product and no training services to Morion, and the Company received no dividends from Morion.

Due to the Russia-Ukraine conflict and resulting sanctions, the future status of FEI's equity investment in Morion is uncertain. In response to these conditions, in connection with the preparation of the audited financial statements included in the 2022 Form 10-K, the Company impaired its investment in Morion in full.



Prior purchases of materials from Morion consisted mainly of quartz crystal blanks, which were used in the fabrication of quartz resonators. However, on October 30, 2024, the U.S. Department of Treasury's Office of Foreign Assets Control designated Morion as a Specially Designated National, resulting in the blocking of all Morion property and property interests. As a result, the Company has terminated all commercial relationships with Morion, including the licensing of technology to Morion and the purchase of any products from Morion. The Company has established alternate sources of supply with respect to items previously acquired from Morion. The Company is also capable of fabricating the crystal blanks in-house.

Morion is a less than wholly-owned subsidiary of Gazprombank, a state-owned Russian bank. The U.S. Ukraine-related sanctions regime has since 2014 included a list of sectoral sanctions identifications ("SSI") pursuant to Executive Order 13662, which prohibits certain transactions, including certain extensions of credit, with an entity designated as an SSI or certain affiliates of an entity designated as an SSI. On July 16, 2014, after the Company's investment in Morion, Gazprombank was designated as an SSI.

As previously disclosed, in light of Morion's relationship with Gazprombank, in 2020, the Company evaluated, with the assistance of external legal counsel, certain sales to Morion and the timing of payments by Morion to the Company in connection with those sales to determine whether payments by Morion may have inadvertently constituted extensions of credit in violation of Directive 1 under Executive Order 13662. The Company determined that certain payments by Morion — the majority of which occurred more than five years ago — were not timely. Following the evaluation, on May 7, 2020, the Company voluntarily disclosed its findings to the Office of Foreign Assets Control ("OFAC"). The Company's voluntary disclosure to OFAC related solely to delays in collection of accounts receivable that exceeded then-applicable payment windows set forth in sanctions regulations and did not relate to any other type of payment or transaction. On February 17, 2021, the Company received a Cautionary Letter from OFAC indicating that OFAC has completed its review of the matter. According to OFAC, the Cautionary Letter was issued instead of pursuing a civil monetary penalty or taking other enforcement action.

#### Item 7A. Quantitative and Qualitative Disclosure about Market Risk

Not applicable.

**Report of Independent Registered Public Accounting Firm**

Board of Directors and Stockholders  
Frequency Electronics, Inc.

**Opinion on the financial statements**

We have audited the accompanying consolidated balance sheets of Frequency Electronics, Inc. (a Delaware corporation) and subsidiaries (the “Company”) as of April 30, 2025 and 2024, the related consolidated statements of operations, changes in stockholders’ equity, and cash flows for each of the two years in the period ended April 30, 2025, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of April 30, 2025 and 2024, and the results of its operations and its cash flows for each of the two years in the period ended April 30, 2025, in conformity with accounting principles generally accepted in the United States of America.

**Basis for opinion**

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

**Critical audit matter**

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

*Revenue recognized using the percentage-of-completion cost-to-cost method*

As described further in Note 1 to the consolidated financial statements, the Company generates a majority of its revenue from contracts with its customers where revenue is recognized over time using the percentage-of-completion cost-to-cost method. Under this method, the Company measures progress towards completion based on the ratio of costs incurred to date to total estimated costs to satisfy the Company’s performance obligation. The percentage-of-completion cost-to-cost method requires management to use significant estimates and assumptions to estimate costs associated with its contracts with customers. These costs are estimated at contract inception and are monitored and updated throughout the duration of the contract. We identified revenue recognized using the percentage-of-completion cost-to-cost method as a critical audit matter.

The principal consideration for our determination that revenue recognized using the percentage-of-completion cost-to-cost method is a critical audit matter is management's use of significant estimates and assumptions in determining the total estimated costs at completion. Auditing these estimates and assumptions required especially challenging, subjective, and complex auditor judgment.

Our audit procedures related to cost estimates used in recognizing revenue under the percentage-of-completion cost-to-cost method included the following, among others:

- We gained an understanding of the Company's process to develop the estimates and assumptions used in determining the total estimated costs at completion.
- We evaluated the reasonableness of significant estimates and assumptions used by management to develop its cost estimates through reviewing key terms of the contracts, comparing margin estimates with actual margins generated by similar contracts that have been completed, evaluating costs incurred to date relative to the contracts' remaining tasks and timeline, and inspecting analyses and documentation used to support the cost estimates, as applicable.
- We inquired with project management, engineers, and others directly involved with the execution of contracts to evaluate management's ability to satisfy the requirements of the contract, as well as to evaluate project status and challenges which may affect the cost estimates.
- We evaluated contract activity during the period subsequent to April 30, 2025, but before the financial statements were issued, to identify changes in conditions or events that may result in significant changes to the Company's cost estimates as of April 30, 2025.
- We evaluated the appropriateness of the timing of the incorporation of changes to cost estimates, including evaluating the timeline of key events and knowledge points that led to management's determination that a change in estimate was necessary.
- We performed retrospective reviews when evaluating management's estimation process by comparing actual outcomes to previous estimates.
- We recalculated revenue and gross profit recognized during the year based on the Company's measurement of its progress towards completion.

/s/ GRANT THORNTON LLP

We have served as the Company's auditor since 2023.

Melville, New York

July 18, 2025

**FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES**

Consolidated Balance Sheets  
(In thousands, except par value)

	<u>April 30, 2025</u>	<u>April 30, 2024</u>
<b>ASSETS:</b>		
Current assets:		
Cash and cash equivalents . . . . .	\$ 4,720	\$ 18,320
Accounts receivable, net of allowances of \$110 at April 30, 2025 and at April 30, 2024 . . . . .	5,914	4,614
Contract assets . . . . .	17,914	10,523
Inventories . . . . .	23,487	23,431
Prepaid income taxes . . . . .	—	37
Prepaid expenses and other . . . . .	1,071	1,196
Total current assets . . . . .	53,106	58,121
Property, plant, and equipment, net . . . . .	6,188	6,438
Deferred taxes . . . . .	12,045	—
Goodwill . . . . .	617	617
Cash surrender value of life insurance and assets held in trust . . . . .	10,882	10,221
Right-of-use assets – operating leases . . . . .	8,659	6,036
Restricted cash . . . . .	1,365	945
Other assets . . . . .	875	875
<b>Total assets</b> . . . . .	<b>\$ 93,737</b>	<b>\$ 83,253</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY:</b>		
Current liabilities:		
Accounts payable – trade . . . . .	\$ 1,359	\$ 2,348
Accrued liabilities . . . . .	5,899	4,765
Loss provision accrual . . . . .	460	404
Income taxes payable . . . . .	103	—
Operating lease liability, current portion . . . . .	2,027	1,640
Contract liabilities . . . . .	13,607	21,639
Total current liabilities . . . . .	23,455	30,796
Deferred compensation . . . . .	7,933	8,088
Deferred taxes . . . . .	—	8
Operating lease liability, non-current portion . . . . .	6,729	4,545
Total liabilities . . . . .	38,117	43,437
Contingencies (Note 15) . . . . .		
Stockholders' equity:		
Preferred stock – \$1.00 par value; authorized 600 shares, no shares issued and outstanding . . . . .	—	—
Common stock – \$1.00 par value; authorized 20,000 shares, 9,717 shares issued and 9,704 shares outstanding at April 30, 2025; 9,512 shares issued and 9,511 shares outstanding at April 30, 2024 . . . . .	9,717	9,512
Additional paid-in capital . . . . .	42,475	50,334
Retained earnings (accumulated deficit) . . . . .	3,659	(20,027)
Common stock reacquired and held in treasury – at cost (13 shares at April 30, 2025 and 1 share at April 30, 2024) . . . . .	(231)	(3)
Total stockholders' equity . . . . .	55,620	39,816
<b>Total liabilities and stockholders' equity</b> . . . . .	<b>\$ 93,737</b>	<b>\$ 83,253</b>

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

**FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES**

Consolidated Statements of Operations

(In thousands, except per share data)

	<b>Years Ended April 30,</b>	
	<b>2025</b>	<b>2024</b>
<b><u>Consolidated Statements of Operations</u></b>		
Revenues . . . . .	\$ 69,811	\$ 55,274
Cost of revenues . . . . .	<u>39,714</u>	<u>36,691</u>
Gross margin . . . . .	30,097	18,583
Selling and administrative expenses . . . . .	12,289	10,184
Research and development expenses . . . . .	<u>6,076</u>	<u>3,380</u>
Operating income . . . . .	11,732	5,019
Other income (expense):		
Income on investments . . . . .	519	561
Interest expense . . . . .	(104)	(109)
Other expense, net. . . . .	<u>(3)</u>	<u>(7)</u>
Income before benefit from income taxes . . . . .	12,144	5,464
Benefit from income taxes . . . . .	<u>(11,542)</u>	<u>(130)</u>
Net income . . . . .	\$ 23,686	\$ 5,594
Net income per common share:		
Basic income per share . . . . .	\$ 2.46	\$ 0.59
Diluted income per share . . . . .	<u>\$ 2.46</u>	<u>\$ 0.59</u>
Weighted average shares outstanding:		
Basic . . . . .	<u>9,612</u>	<u>9,431</u>
Diluted . . . . .	<u>9,615</u>	<u>9,431</u>

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

# FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES

## Consolidated Statements of Cash Flows

(In thousands)

	<b>Years Ended April 30,</b>	
	<b>2025</b>	<b>2024</b>
Cash flows from operating activities:		
Net income	\$ 23,686	\$ 5,594
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization	2,055	2,124
Non-cash lease expense	(52)	(104)
Provision for losses on accounts receivable, other assets and warranty reserve	314	(171)
Provision for inventory reserve	1,248	912
Deferred taxes	(12,053)	—
Loss provision accrual	56	(1,140)
Loss on sale of fixed and other assets	3	23
Employee benefit plans expense	1,399	756
Stock-based compensation expense	1,161	822
Changes in operating assets and liabilities:		
Accounts receivable	(1,300)	10
Contract assets	(7,706)	(368)
Inventories	(1,303)	(3,817)
Prepaid expenses and other	125	(125)
Other assets	(661)	—
Accounts payable – trade	(989)	884
Accrued liabilities	1,135	856
Contract liabilities	(8,032)	3,054
Prepaid income taxes	140	(7)
Other liabilities	(654)	(595)
Net cash (used in) provided by operating activities	(1,428)	8,708
Cash flows from investing activities:		
Capital expenditures	(1,808)	(1,492)
Net cash used in investing activities	(1,808)	(1,492)
Cash flows from financing activities:		
Payment of dividend	(9,567)	—
Purchase of treasury stock	(377)	—
Net cash used in financing activities	(9,944)	—
Net (decrease) increase in cash and cash equivalents and restricted cash	(13,180)	7,216
Cash and cash equivalents and restricted cash at beginning of year	19,265	12,049
Cash and cash equivalents and restricted cash at end of year	<u>\$ 6,085</u>	<u>\$ 19,265</u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	<u>\$ 104</u>	<u>\$ 114</u>
Income taxes	<u>\$ 371</u>	<u>\$ 13</u>

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



# FREQUENCY ELECTRONICS, INC. AND SUBSIDIARIES

## Consolidated Statements of Changes in Stockholders' Equity

Years ended April 30, 2025 and 2024

(In thousands, except share data)

	Common Stock		Additional paid in capital	Retained earnings (accumulated deficit)	Treasury stock (at cost)		Accumulated other comprehensive Income (loss)	Total
	Shares	Amount			Shares	Amount		
Balance at April 30, 2023 . . . .	9,373,776	\$ 9,374	\$ 49,136	\$ (25,621)	741	\$ (3)	\$ —	\$ 32,886
Contribution of stock to 401(k) plan. . . . .	58,987	59	455	—	—	—	—	514
Stock-based compensation expense . . . . .	78,797	79	743	—	—	—	—	822
Net income . . . . .	—	—	—	5,594	—	—	—	5,594
Balance at April 30, 2024 . . . .	9,511,560	\$ 9,512	\$ 50,334	\$ (20,027)	741	\$ (3)	\$ —	\$ 39,816
Exercise of stock options . . . .	1,819	2	(151)	—	(11,917)	149	—	—
Contribution of stock to 401(k) plan. . . . .	70,100	70	831	—	—	—	—	901
Stock-based compensation expense. . . . .	133,520	133	1,028	—	—	—	—	1,161
Shares withheld on employee taxes on vested equity awards. . . . .	—	—	—	—	24,264	(377)	—	(377)
Dividends . . . . .	—	—	(9,567)	—	—	—	—	(9,567)
Net income . . . . .	—	—	—	23,686	—	—	—	23,686
Balance at April 30, 2025 . . . .	<u>9,716,999</u>	<u>\$ 9,717</u>	<u>\$ 42,475</u>	<u>\$ 3,659</u>	<u>13,088</u>	<u>\$ (231)</u>	<u>\$ —</u>	<u>\$ 55,620</u>

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

**FREQUENCY ELECTRONICS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
April 30, 2025 and 2024

1. Summary of Accounting Policies

**Organization**

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.

**Basis of Presentation and Principles of Consolidation:**

The consolidated financial statements include the accounts of Frequency Electronics, Inc. and its wholly-owned subsidiaries (the “Company” or “Registrant”). References to “FEI” are to the parent company alone and do not refer to any of its subsidiaries. See Note 13 for information regarding the Company’s business segments: (1) FEI-NY (which includes the subsidiaries FEI Government Systems, Inc., FEI Communications, Inc., and FEI-Elcom Tech, Inc. (“FEI-Elcom”)), and (2) FEI-Zyfer, Inc. (“FEI-Zyfer”). Intercompany accounts and transactions are eliminated in consolidation.

**Use of Estimates:**

These consolidated financial statements have been prepared in conformity with United States generally accepted accounting principles (“U.S. GAAP”) and require management to make estimates and assumptions that affect amounts reported and disclosed in the consolidated financial statements and related notes. Actual results could differ from these estimates. Significant estimates include, but are not limited to, accounting for revenue recognition using a cost-to-cost input model, inventory reserves, deferred compensation plans, impairment of goodwill and other long-lived assets, stock-based compensation, and income taxes including deferred income taxes.

**Cash Equivalents:**

The Company considers certificates of deposit and other highly liquid investments with maturities of three months or less when purchased to be cash equivalents. The Company places its temporary cash investments with high credit quality financial institutions. Such investments may at times be in excess of the Federal Deposit Insurance Corporation (“FDIC”) and Securities Investor Protection Corporation insurance limits. No losses have been experienced on such investments.

**Accounts Receivable and Allowance for Credit Losses:**

Accounts receivable, net, consists of amounts collectible from customers recorded at the original invoiced amount. Management analyzes accounts receivable and the potential for credit losses based on customer concentrations, credit worthiness, current economic trends and changes in customer payment terms. Accounts receivable are recorded at their stated amount, less allowance for credit losses. When it is determined amounts are not recoverable, the receivable is written off against the allowance.

**Property, Plant and Equipment:**

Property, plant and equipment is recorded at cost, net of accumulated depreciation and amortization. Expenditures for betterments are capitalized; maintenance and repairs are charged to operations 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 operations.

If events or changes in circumstances indicate that the carrying amount of a long-lived asset may not be recoverable, the Company estimates the future cash flows expected to result from the use of the asset and its eventual disposition. If the sum of the expected future cash flows (undiscounted and without interest charges) is less than the carrying amount of the long-lived asset, an impairment loss is recognized based on the excess of the carrying amount over the fair value of the long-lived asset. No impairment losses have been recognized in the years ended April 30, 2025 and 2024.

**FREQUENCY ELECTRONICS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
April 30, 2025 and 2024

1. Summary of Accounting Policies (cont.)

**Depreciation and Amortization:**

Depreciation of property, plant and equipment 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 lesser of the lease term or the estimated useful life of the asset.

**Inventories:**

Inventories, which consist of raw materials, work-in-process and finished goods are accounted for at the lower of cost (specific and average) and net realizable value. The cost of work-in-process and finished goods generally include the cost of materials, labor, overhead and other costs that are directly related to their production. The Company reviews its inventories quarterly to determine reserves for excess or obsolete inventory based upon historical sales trends, expected production usage, and other factors. Changes to inventory are charged to cost of revenues in the period when such changes are identified.

Inventories represent raw materials, work-in-process, and finished goods that relate to non-customized products sold to customers at a point in time. Inventories also represent raw materials and in-process and completed components parts that are used in multiple customer projects but have not been allocated to a specific customer project or incorporated in the creation of customized products that are sold to specific customers over a period of time.

**Goodwill:**

The Company records goodwill as the excess of purchase price over the fair value of identifiable net assets acquired. The Company performs a qualitative evaluation of events and circumstances impacting each reporting unit to determine the likelihood of goodwill impairment. Based on this evaluation, if it is determined that it is more likely than not that the fair value of a reporting unit exceeds its carrying amount, no further evaluation is necessary. Otherwise, the Company will perform a quantitative impairment test to compare the fair value of a reporting unit to its carrying value, including goodwill. If the fair value of a reporting unit exceeds its carrying value, goodwill of the reporting unit is not impaired. If the carrying value of the reporting unit, including goodwill, exceeds its fair value, a goodwill impairment loss will be recognized in an amount equal to that excess. Management has determined that goodwill was not impaired as of April 30, 2025 and 2024, based on its qualitative assessment of impairment for each period.

**Revenue and Cost Recognition:**

Revenue is recognized when or as performance obligations are satisfied, which is when control over goods or services are transferred to the customer, in an amount that reflects the consideration to which the Company expects to receive. A performance obligation is a distinct product or service that is transferred to the customer based on the contract. The transaction price is allocated to each performance obligation and is recognized as revenue upon satisfaction of that performance obligation.

The Company derives a majority of its revenue through contracts with customers that involve the sale of goods and services with specifications, frequencies and significant customization to address the requirements of a specific customer and contracts where the end user is the U.S. Government. These contracts generally include one performance obligation, which is typically a customized product or a series of distinct customized products. Control over this performance obligation transfers to the customer over time as the Company creates the customized product because such product does not have an alternative use to the Company and the contract provides the Company with an enforceable right to payment for performance completed to date. In certain cases, the customer also controls the product as it is being created by the Company. Accordingly, revenue is reported in operating results over time using the percentage-of-completion ("POC") cost-to-cost method. Under this method, revenue is recorded based on the ratio of costs incurred over total estimated contract costs. This method provides a faithful depiction of the transfer of the customized product to the customer because the costs incurred represent the Company's inputs towards satisfying the performance obligation. Each month management reviews estimated contract costs through a process of aggregating

## FREQUENCY ELECTRONICS, INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

April 30, 2025 and 2024

#### 1. Summary of Accounting Policies (cont.)

actual costs incurred and estimating additional costs to complete based on current available information, project status, historical experience with similar contracts, changes to product specifications, and other factors. The estimation of total costs through completion is complicated and subject to many variables. Total cost estimates can be affected by a number of factors such as changes in the assessment of the nature and complexity of the work; design challenges including changes to design specifications; technical challenges including those related to quality control; production challenges including those resulting from the timeliness of customer funding, and the unavailability or reduced productivity of qualified labor; supplier challenges including the cost, availability, and quality of raw materials and subcontractor services; changes in laws or regulations; actions necessary for long-term customer satisfaction; and natural disasters or other matters. Changes in these cost estimates could result in the recognition of unfavorable cumulative catch-up adjustments to the Company's operating results of the period when such changes are made. Costs to satisfy the performance obligation, which include direct materials, direct labor, manufacturing overhead and other direct costs, are expensed as incurred except when the Company determines that the total estimated costs through completion will exceed total revenue, resulting in a contract loss. Such contract loss is accrued for immediately in the period when the loss is identified.

The Company also derives its revenue through contracts or purchase orders from customers that involve the sale of goods and services that are not significantly customized and therefore, such goods and services have an alternative use to the Company because they can be resold to other customers. These contracts typically include one performance obligation, which is a non-customized product or service ordered by the customer. Control over this performance obligation transfers to the customer and revenue is recorded at a point time when passage-of-title ("POT") occurs as reflected by either (i) shipment of the product or (ii) performance of the services, which are generally completed within a very short period. When payment is contingent upon customer acceptance, revenue is deferred until such acceptance is received. Costs directly related to the production of a non-customized product are capitalized in inventory and are generally expensed when the product is shipped to or accepted by the customer. Cost of services are expensed as incurred.

Contract costs include all direct material costs, direct labor costs, manufacturing overhead and other direct costs related to contract performance. Selling, general and administrative costs are charged to expense as incurred.

#### *Practical Expedients*

The Company expenses sales commissions as sales and marketing expenses in the period they are incurred if the expected amortization period is one year or less.

The Company expenses costs, other than sales commissions, to obtain a contract in the period for which they are incurred as these amounts would have been incurred even if the contract had not been obtained.

The Company elected the practical expedient to account for shipping and handling activities that occur after the customer has obtained control of a good as fulfillment activities rather than as a promised service.

The Company elected the practical expedient not to disclose the transaction price allocated to the remaining performance obligations because the duration of the Company's contracts is typically one year or less in consideration of the customer's option to terminate its' contract for convince without incurring a substantive termination penalty.

Payments under long-term contracts may be received before or after revenue is recognized. The U.S. Government customer typically withholds payment of a small portion of the contract price until contract completion. Therefore, long-term contracts typically generate unbilled receivables (contract assets) but may generate advances and progress billings (contract liabilities). Long-term contracts are typically negotiated with a schedule of milestones, with criteria to be met, which are billed on completion. Long-term contract unbilled receivables and advances and progress billings are not considered a significant financing component because they are intended to protect either the customer or the Company in the event that some or all of the obligations under the contract are not completed. In addition, the Company does not assess whether a significant financing component exists if the period between when the Company performs its obligations under the contract and when the customer pays is one year or less.

# FREQUENCY ELECTRONICS, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

April 30, 2025 and 2024

### 1. Summary of Accounting Policies (cont.)

#### *Disaggregation of Revenue*

Total revenue recognized over time using the POC method was approximately \$65.8 million and \$52.1 million of the \$69.8 million and \$55.3 million reported for the years ended April 30, 2025 and 2024, respectively. The amounts by segment and product line were as follows:

<b>Fiscal Year Ended April 30, 2025</b>			
<b>(In thousands)</b>			
	<b>POC Revenue</b>	<b>POT Revenue</b>	<b>Total Revenue</b>
FEI-NY .....	\$ 49,585	\$ 3,684	\$ 53,269
FEI-Zyfer .....	16,206	2,454	18,660
Intersegment .....	—	(2,118)	(2,118)
Revenue .....	<u>\$ 65,791</u>	<u>\$ 4,020</u>	<u>\$ 69,811</u>

<b>Fiscal Year Ended April 30, 2024</b>			
<b>(In thousands)</b>			
	<b>POC Revenue</b>	<b>POT Revenue</b>	<b>Total Revenue</b>
FEI-NY .....	\$ 35,225	\$ 5,036	\$ 40,261
FEI-Zyfer .....	16,909	1,229	18,138
Intersegment .....	—	(3,125)	(3,125)
Revenue .....	<u>\$ 52,134</u>	<u>\$ 3,140</u>	<u>\$ 55,274</u>

<b>Fiscal Years Ended April 30,</b>			
<b>(in thousands)</b>			
	<b>2025</b>	<b>2024</b>	
Revenues by Product Line:			
Satellite revenue .....	\$ 40,897	\$ 23,223	
Government non-space revenue .....	26,549	28,981	
Other commercial & industrial revenue .....	2,365	3,070	
Consolidated revenues .....	<u>\$ 69,811</u>	<u>\$ 55,274</u>	

#### **Research and Development:**

The Company engages in R&D activities to identify new applications for its core technologies, to improve existing products and to improve manufacturing processes to achieve cost reductions and manufacturing efficiencies. R&D costs include basic research, applied research, concept formulation studies, design, development, related test activities, and all associated direct labor, manufacturing overhead, direct materials and contracted services. Such costs are expensed as incurred. The Company also, from time to time, engages in customer-funded R&D activity. Any customer funds received in connection therewith would appear in revenues and the associated expenses are included in cost of revenues and are included in R&D expenses. Additionally, some of our programs include engineering and development efforts which are incorporated in costs to complete the program and are recognized in revenues and costs of goods sold.

#### **Income Taxes:**

The Company recognizes deferred tax liabilities and assets based on 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

## FREQUENCY ELECTRONICS, INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

April 30, 2025 and 2024

#### 1. Summary of Accounting Policies (cont.)

using enacted tax rates in effect for the year in which the differences are expected to reverse. Valuation allowances are established and adjusted when necessary to increase or reduce deferred tax assets to the amount expected to be realized.

The Company analyzes its tax positions under accounting standards which prescribe recognition thresholds that must be met before a tax benefit is recognized in the financial statements and provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. Under these standards, the Company may only recognize or continue to recognize tax positions that meet a “more likely than not” threshold. Interest and penalties recognized on income taxes are recorded as income tax expense.

#### **Earnings (Loss) per Share:**

Basic earnings (loss) per share are computed by dividing net earnings (loss) by the weighted average number of shares of common stock outstanding. Diluted earnings (loss) per share are computed by dividing net earnings (loss) by the sum of the weighted average number of shares of common stock and the if-converted effect of unexercised stock options and stock appreciation rights (“SARs”). Diluted earnings (loss) per share are not computed where the if-converted effect of such items would be anti-dilutive.

#### **Fair Values of Financial Instruments:**

Cash and cash equivalents, restricted cash, accounts receivable, accounts payable, short-term credit obligations, and cash surrender value of life insurance are reflected in the accompanying consolidated balance sheets at amounts considered by management to reasonably approximate fair value based upon the nature of the instrument and current market conditions. Management is not aware of any factors that would significantly affect the value of these amounts. The Company also has an investment in a privately-held Russian company, Morion, Inc. (“Morion”), see Note 9 for additional information.

The fair value accounting framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities.

Level 2 Inputs to the valuation methodology include:

- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The business account and U.S. securities are valued on a Level 1 basis. The fixed income corporate debt securities are valued on a Level 2 basis. Level 2 securities are valued at the closing prices and are consistent with quoted prices of similar assets reported in active markets. See Note 11 for additional information.



# FREQUENCY ELECTRONICS, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

April 30, 2025 and 2024

### 1. Summary of Accounting Policies (cont.)

#### **Equity-based Compensation:**

The cost of employee services received in exchange for awards of equity instruments are based on the grant-date fair value of the award. We recognize the fair value of the award as compensation expense over the period during which an employee is required to provide service in exchange for the award. For awards with performance conditions, we recognize the fair value of the award as compensation expense when it is probable that the performance condition will be achieved. The Company has elected an accounting policy to account for award forfeitures as they occur, with no adjustment for estimated forfeitures.

#### **Concentration of Credit Risk:**

Financial instruments, which potentially subject the Company to concentration of credit risk, consist principally of cash and cash equivalents and trade receivables. The Company maintains cash accounts at several commercial banks at which the balances exceed FDIC limits. The Company has not experienced any losses on such amounts. Concentration of credit risk with respect to trade receivables is generally diversified due to the large number of entities comprising the Company's customer base and their dispersion across geographic areas, principally within the U.S. The Company routinely addresses the financial strength of its customers and, as a consequence, believes that its receivable credit risk exposure is limited. The Company does not require customers to post collateral.

#### **New Accounting Pronouncements:**

In November 2023, the Financial Accounting Standards Board ("FASB") issued ASU No. 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures* ("ASU 2023-07"), which expands on the required disclosure of incremental segment information. The new guidance is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. We adopted the new standard effective April 30, 2025. As a result, we have enhanced our segment disclosures to include the presentation of significant segment expenses and the disclosure of our Chief Operating Decision Maker ("CODM"). The adoption of this ASU has no material effect on its consolidated financial statements and only affects our disclosure.

In December 2023, the FASB issued ASU No. 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures* ("ASU 2023-09"), which requires companies to annually disclose categories in the effective tax rate reconciliation and additional information about income taxes paid. The new guidance is effective for annual periods beginning after December 15, 2024, and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. The Company is in the process of evaluating the impact that the adoption of ASU No. 2023-09 will have to the financial statements and related disclosures.

### 2. Earnings per Share

Reconciliations of the weighted average shares outstanding for basic and diluted earnings per share for the fiscal years ended April 30, 2025 and 2024, respectively, were as follows:

	<b>For the Fiscal Years Ended April 30,</b>	
	<b>2025</b>	<b>2024</b>
Weighted average shares outstanding:		
Basic EPS Shares outstanding (weighted average) . . . . .	9,611,914	9,431,264
Effect of Dilutive Securities . . . . .	2,622	**
Diluted EPS Shares outstanding . . . . .	<u>9,614,536</u>	<u>9,431,264</u>

\*\* Dilutive securities above exclude any such securities whose affect would be anti-dilutive. For the fiscal year ended April 30, 2024 all securities would be anti-dilutive because the current stock price is below the exercise price. There were no shares excluded for the fiscal year ended April 30, 2025. The anti-dilutive shares excluded in the above table for the fiscal year ended April 30, 2024 were 86,000.

**FREQUENCY ELECTRONICS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
April 30, 2025 and 2024

**3. Contract Assets and Liabilities**

Contract assets primarily relate to the Company's rights to consideration for work completed but not billed at the reporting date on contracts with customers. Contract assets are transferred to accounts receivable when the rights become unconditional. Contract liabilities primarily relate to contracts where advance payments or deposits have been received, but performance obligations have not yet been satisfied, and therefore, revenue has not been recognized. In fiscal year 2025, we recognized \$18.3 million of our contract liabilities at April 30, 2024 as revenue. In fiscal year 2024, we recognized \$15.8 million of our contract liabilities at April 30, 2023 as revenue. If contract losses are anticipated, a loss provision is recorded for the full amount of such losses when they are determinable. The liability for contract losses is presented as loss provision accrual within the consolidated balance sheets.

**4. Inventories**

Inventories at April 30, 2025 and 2024, consisted of the following (in thousands):

	April 30, 2025	April 30, 2024
Raw materials and component parts . . . . .	\$ 14,668	\$ 14,939
Work in progress . . . . .	8,444	8,035
Finished goods . . . . .	375	457
	<u>\$ 23,487</u>	<u>\$ 23,431</u>

Inventory reserves included in inventory were \$10.3 million and \$9.1 million for the fiscal years ended April 30, 2025 and 2024, respectively.

**5. Property, Plant and Equipment, net**

Property, plant and equipment, net, at April 30, 2025 and 2024, consisted of the following (in thousands):

	April 30, 2025	April 30, 2024
Buildings and building improvements . . . . .	\$ 2,923	\$ 2,616
Machinery, equipment and furniture. . . . .	63,347	61,943
	66,270	64,559
Less accumulated depreciation . . . . .	(60,082)	(58,121)
	<u>\$ 6,188</u>	<u>\$ 6,438</u>

Depreciation and amortization expense were \$2.1 million for both the fiscal years ended April 30, 2025 and 2024.

**6. Right-of-Use Assets and Lease Liabilities**

The Company's leases primarily represent offices, warehouses, vehicles, manufacturing and R&D facilities which expire at various times through 2030 and are operating leases. Contractual arrangements are evaluated at inception to determine if the agreement contains a lease. The leases contain renewal options, early termination, rent abatement, and escalation clauses that are factored into our determination of lease payments when appropriate. We include options to extend or terminate leases in the right-of-use ("ROU") operating lease asset and liability when it is reasonably certain we will exercise these options. As of April 30, 2025, lease options were not included in the calculation of the ROU operating lease asset and liability. ROU assets and lease liabilities are recorded based on the present value of future lease payments which will factor in certain qualifying initial direct costs incurred as well as any lease incentives that may have been received. Lease expenses for operating lease payments are recognized on a straight-line basis over the lease term.

# FREQUENCY ELECTRONICS, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

April 30, 2025 and 2024

### 6. Right-of-Use Assets and Lease Liabilities (cont.)

The Company elected the practical expedient for short-term leases which allows leases with terms of twelve months or less to be recorded on a straight-line basis over the lease term without being recognized on the consolidated balance sheet. The Company has also elected the practical expedient to account for lease and non-lease components as a single component.

The table below presents ROU assets and lease liabilities recorded on the consolidated balance sheets as follows:

		April 30, 2025	April 30, 2024
		(In thousands)	
Classification			
<b>Assets</b>			
Right-of-use assets – operating leases . . . . .	Right-of-use assets leases	\$ 8,659	\$ 6,036
<b>Liabilities</b>			
Operating lease liabilities, current portion . . . . .	Lease liability, current	2,027	1,640
Operating lease liabilities, non-current portion . . . . .	Lease liability, non-current	6,729	4,545
Total lease liabilities . . . . .		<u>\$ 8,756</u>	<u>\$ 6,185</u>

Total operating lease expense was approximately \$1.9 million, of which approximately \$0.4 million was attributable to variable lease expenses, for fiscal year ended April 30, 2025, the majority of which is included in cost of revenues and the remaining amount in selling and administrative expenses on the consolidated statements of operations. Total operating lease expense was approximately \$1.9 million, of which approximately \$0.4 million was attributable to variable lease expenses, for fiscal year ended April 30, 2024, the majority of which is included in cost of revenues and the remaining amount in selling and administrative expenses on the consolidated statements of operations. In addition, the Company made cash payments of \$1.9 million and \$1.8 million for operating leases during the fiscal years ended April 30, 2025 and 2024, respectively, which are included in cash flows from operating activities in our consolidated statements of cash flows. During the year ended April 30, 2025, the Company recorded incremental ROU assets and lease liabilities of approximately \$4.1 million arising from the third amendment to the FEI-Zyfer lease, which commenced in fiscal year 2025. During the year ended April 30, 2024, the Company did not record any incremental ROU assets and lease liabilities as there were no leases that commenced during the fiscal year ended April 30, 2024. There were no ROU assets or lease liabilities that were recorded for any leases that had not commenced as of April 30, 2025.

The table below reconciles the undiscounted cash flows for each of the next five fiscal years and total of the remaining fiscal years to the operating lease liabilities recorded on the consolidated balance sheet as of April 30, 2025:

Fiscal Year Ending April 30, (in thousands)		
2026. . . . .	\$	2,098
2027. . . . .		1,942
2028. . . . .		2,265
2029. . . . .		2,416
2030. . . . .		1,549
Thereafter . . . . .		—
Total lease payments . . . . .		10,270
Less imputed interest . . . . .		(1,514)
Present value of future lease payments . . . . .		8,756
Less current obligations under leases . . . . .		(2,027)
Long-term lease obligations . . . . .	\$	<u>6,729</u>

**FREQUENCY ELECTRONICS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
April 30, 2025 and 2024

**6. Right-of-Use Assets and Lease Liabilities (cont.)**

As of April 30, 2025 and 2024, the weighted-average remaining lease term for all operating leases was 4.5 years and 4.9 years, respectively. The Company does not generally have access to the rate implicit in the leases, therefore, we use a discount rate based on our incremental borrowing rate, which is determined using our credit rating and information available as of the commencement date. The weighted average discount rate for operating leases as of April 30, 2025 and 2024, was 6.85% and 6.31%, respectively.

**7. Debt Obligations**

As of April 30, 2025 and 2024, the Company neither had any borrowings nor any borrowing capacity pursuant to a credit facility.

**8. Accrued Liabilities**

Accrued liabilities at April 30, 2025 and 2024, respectively, consisted of the following (in thousands):

	<u>2025</u>	<u>2024</u>
Vacation and other compensation . . . . .	\$ 1,575	\$ 1,519
Incentive compensation . . . . .	1,347	978
Payroll taxes . . . . .	712	370
Warranty reserve . . . . .	567	542
Commissions . . . . .	24	85
Deferred compensation payable . . . . .	634	600
Other . . . . .	1,040	671
	<u>\$ 5,899</u>	<u>\$ 4,765</u>

**9. Investment in Morion, Inc.**

The Company has an investment in Morion, a privately-held Russian company, which manufactures high precision quartz resonators and crystal oscillators. The Company has also licensed certain technology to Morion.

The Company's investment consists of 4.6% of Morion's outstanding shares. However, due to the Russia-Ukraine conflict and resulting sanctions the future status of FEI's investment in Morion became uncertain and accordingly, such investment was written off in fiscal year 2022. The carrying value of this investment is \$0 as of April 30, 2025 and 2024

During the fiscal year ended April 30, 2025, the Company acquired no product from Morion. During the fiscal year ended April 30, 2024, the Company acquired product from Morion in the aggregate amount of approximately \$89,000. During the fiscal years ended April 30, 2025 and 2024, the Company sold no product and no training devices to Morion, and the Company received no dividends from Morion.

Prior purchases of materials from Morion consisted mainly of quartz crystal blanks, which were used in the fabrication of quartz resonators. However, on October 30, 2024, the U.S. Department of Treasury's Office of Foreign Assets Control designated Morion as a Specially Designated National, resulting in the blocking of all Morion property and property interests. As a result, the Company has terminated all commercial relationships with Morion, including the licensing of technology to Morion and the purchase of any products from Morion. The Company has established alternate sources of supply with respect to items previously acquired from Morion. The Company is also capable of fabricating the crystal blanks in-house.

**FREQUENCY ELECTRONICS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
April 30, 2025 and 2024

**10. Restricted Cash**

As of April 30, 2025 and 2024, restricted cash consisted of approximately \$1.4 million and \$0.9 million, respectively, related to a letter of credit required for contractual restrictions during the period of performance for one of the Company's contracts. Restricted cash is classified as current or non-current based on the remaining performance period of the contract.

A reconciliation of cash and cash equivalents and restricted cash from the condensed consolidated balance sheets to the condensed consolidated statements of cash flows is shown below (in thousands):

	April 30, 2025	April 30, 2024
Cash and cash equivalents. . . . .	\$ 4,720	\$ 18,320
Restricted cash . . . . .	1,365	945
Total cash and cash equivalents and restricted cash . . . . .	<u>\$ 6,085</u>	<u>\$ 19,265</u>

**11. Employee Benefit Plans**

**Profit Sharing Plan:**

The Company provides its U.S.-based employees with a profit-sharing plan and trust under § 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. For the fiscal years ended April 30, 2025 and 2024, the Company contributed 70,100 and 58,987 shares of common stock, respectively. The approximate value of these shares at the date of contribution was \$901,000 and \$514,000 in fiscal years 2025 and 2024, respectively. Contributed shares are drawn from the Company's common stock and during fiscal years 2025 and 2024, such transactions increased additional paid in capital by \$831,000 and \$455,000, respectively. As of April 30, 2025, the plan held a total of 504,734 shares, which were allocated to the accounts of the individual participants. As of April 30, 2024, the plan held a total of 495,395 shares, which were allocated to the accounts of the individual participants.

**Income Incentive Pool:**

The Company maintains incentive bonus programs for certain employees that are based on operating profits of the individual subsidiaries to which the employees are assigned. The Company also adopted a plan for the President and Chief Executive Officer of the Company for which the formula is based on consolidated pre-tax profits, bookings, and revenue. The incentive bonus recorded for the fiscal year ended April 30, 2025 was \$1.8 million. The incentive bonus recorded for the fiscal year ended April 30, 2024 was \$489,000.

**Employee Stock Plans:**

On October 11, 2024 the Company adopted the 2025 Stock Award Plan ("2025 Plan"), which replaced the 2005 Stock Award Plan. The 2025 Plan incorporates all previous grants under the previous plan, without changes to the original terms of the grants, and, additionally, adds an additional 700,000 shares for future grants which was approved by stockholder vote at the Company's annual meeting. The 2025 Plan is for key management employees, including officers and directors who are employees, certain consultants and independent members of the Board of Directors. Under the 2025 Plan equity compensation, such as nonqualified stock options, incentive stock options, stock appreciation rights ("SAR"), performance stock units ("PSU") and restricted stock units ("RSU"), are granted at the discretion of the Compensation Committee of the Board of Directors at an exercise price not less than the fair market value of the Company's common stock on the date of grant.

# FREQUENCY ELECTRONICS, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

April 30, 2025 and 2024

### 11. Employee Benefit Plans (cont.)

Typically, options and SARs vest over a four-year period from the date of grant. The options and SARs generally expire five or ten years after the date of grant (the most recent SARs awards, beginning in fiscal year 2017, expire in five years), at the Compensation Committee's discretion, and are subject to certain restrictions on transferability of the shares obtained on exercise. Under the 2025 Plan, instruments granted which expire, are canceled, or are tendered in the exercise of such instruments, increased the shares available for future grants under the 2025 Plan.

As of April 30, 2025, eligible employees and directors had been granted total SARs representing approximately 2,385,000 shares of the Company's common stock, of which no shares were outstanding and no shares were exercisable. There were no SARs granted during the fiscal year 2025. When the SARs become exercisable, the Company will settle the SARs by issuing to exercising recipients the number of shares of stock from common stock or treasury stock, if available, equal to the appreciated value of the Company's stock between the grant date and exercise date. At the time of exercise, the quantity of shares under the SARs grant equal to the exercise value divided by the then market value of the shares will be returned to the pool of available shares for future grant under the Plan. During the fiscal year ended April 30, 2025, employees exercised 20,000 SARs and were granted 4,556 shares of the Company's common stock. There were 15,444 shares returned to the pool of available shares. Forfeitures are recorded as they occur.

The excess of the consideration received over the par value of the common stock or cost of treasury stock issued under both types of option plans is recognized as an increase in additional paid-in capital.

The following table summarizes information about stock option and SARs activity for the years ended April 30, 2025 and 2024:

<b>Stock Options and Stock Appreciation Rights</b>					
	<b>Shares</b>	<b>Weighted-Average Exercise Price</b>	<b>Grant Date Fair Value</b>	<b>Weighted Average Remaining Contractual Term</b>	<b>Aggregate Intrinsic Value</b>
Outstanding – April 30, 2023 . . . .	243,625	\$ 10.77	\$ 2,624,779	0.8 years	\$ 1,592,089
Granted . . . . .	—	—	—		
Exercised . . . . .	—	—	—		
Expired or canceled . . . . .	(157,625)	9.56	(1,506,139)		
Outstanding – April 30, 2024 . . . .	86,000	\$ 13.01	\$ 1,118,640	0.9 years	\$ —
Granted . . . . .	—	—	—		
Exercised . . . . .	(20,000)	12.24	(244,800)		(127,200)
Expired or canceled . . . . .	(66,000)	13.24	(873,840)		
Outstanding – April 30, 2025 . . . .	—	\$ —	\$ —	0 years	\$ —
Available for future grants . . . . .	<u>1,347,114</u>				

As of April 30, 2025 and 2024, respectively, there were no unrecognized compensation cost related to non-vested options and SARs under the plans.

During the fiscal year ended April 30, 2025 and 2024, there were no shares that vested.

There were no stock-based compensation costs, for options and SARs, included in the cost of revenues of programs on which the Company recognizes revenue under the POC method for the fiscal years ended April 30, 2025 and 2024. There was no stock-based compensation expense included in selling and administrative expenses related to options and SARs during the fiscal years ended April 30, 2025 and 2024, respectively.

The Company classifies cash flows resulting from the tax benefits from tax deductions recognized upon the exercise of stock options or SARs (tax benefits) as operating cash flows. The Company did not recognize any tax benefits from the exercise of stock options and SARs for the fiscal years presented.



**FREQUENCY ELECTRONICS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
April 30, 2025 and 2024

11. Employee Benefit Plans (cont.)

**Restricted Stock Plan and Other Issuances:**

The Company began issuing RSUs to eligible employees in fiscal year 2020. The fair value of these awards is equivalent to the market value of the Company's common stock on the grant date and vests over a period of time. RSUs are not shares of the Company's common stock and do not have any rights or privileges thereof, including voting or dividend rights. On the applicable vesting date, the holder of an RSU becomes entitled to share of the Company's common stock. A portion of the RSUs awarded will vest annually until fiscal year 2029, the remaining represent awards that cliff vest in fiscal year 2029.

During the fiscal year ended April 30, 2025 and 2024, the Company issued 1,550 shares of common stock and 3,300 shares of common stock, respectively, to select employees for milestone years of service to the Company. These shares were issued under the 2025 Stock Award Plan, are shares of the Company's common stock, and are fully vested at time of issuance.

In fiscal year 2021 the Company elected to issue PSUs. The fair value of these awards is equivalent to the market value of the Company's common stock on the grant date and requires an assessment of the probability that the specified performance criteria will be achieved, which is updated at each reporting date. PSUs are not shares of the Company's common stock and do not have any rights or privileges thereof, including voting or dividend rights. On the applicable vesting date, subject to the attainment of the specified performance criteria, the holder of a PSU becomes entitled to a share of the Company's common stock. PSUs are subject to certain restrictions and forfeiture provisions, in addition to performance vesting conditions, prior to vesting, and are evaluated as of each reporting date to determine if performance criteria will be met. The PSUs awarded will vest, subject to specified performance criteria, annually until fiscal year 2029.

Stock-based compensation costs, related to RSUs and PSUs, included in the cost of revenues of programs on which the Company recognizes revenue under the POC method were approximately \$357,000 and \$487,000 for the fiscal years ended April 30, 2025 and 2024, respectively. Stock-based compensation expense, for RSUs and PSUs, included in selling and administrative expenses was approximately \$776,000 and \$301,000 for the fiscal years ended April 30, 2025 and 2024, respectively. Unrecognized stock compensation was \$4.2 million and \$2.9 million for the fiscal years ended April 30, 2025 and 2024, respectively. The grant date fair value of vested RSUs and PSUs was approximately \$918,000 and \$521,000 for the fiscal years ended April 30, 2025 and 2024, respectively.

The following table summarizes activity for the RSUs and PSUs awards that reduce available capacity under the 2005 Stock Award Plan for the fiscal years ended April 30, 2025 and 2024:

	<b>Shares</b>	<b>Weighted-Average Grant Date Fair Value</b>
Balance – April 30, 2023 .....	293,396	\$ 6.64
Granted .....	309,232	7.18
Vested .....	(75,497)	6.90
Forfeited .....	(52,562)	<u>6.58</u>
Balance – April 30, 2024 .....	474,569	\$ 6.94
Granted .....	187,250	13.13
Vested .....	(131,970)	6.95
Forfeited .....	—	—
Balance – April 30, 2025 .....	<u>529,849</u>	<u>\$ 9.12</u>

As of April 30, 2025, performance conditions related to the majority of outstanding PSUs are anticipated to be achieved. The PSUs will continue to vest, the same as RSUs, annually over a four year period.

**FREQUENCY ELECTRONICS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
April 30, 2025 and 2024

11. Employee Benefit Plans (cont.)

**Deferred Compensation Agreements:**

The Company has a series of agreements with key employees providing for the payment of benefits upon retirement or death. Annual amounts relating to these plans are recorded based on actuarial projections, which include various actuarial assumptions, including discount rates, mortality rates, assumed rates of return compensation increases, and turnover rates. The actuarial assumptions used to determine deferred compensation liabilities and expense are reviewed annually and modified based on current economic conditions and trends. The discount rate used to measure obligations is based on a corporate bond rate yield curve that matches projected future benefit payments.

Under these agreements, each key employee receives specified retirement payments for the remainder of the employee's life with a minimum payment of ten years' benefits to either the employee or his or her beneficiaries. The agreements also provide for lump sum payments upon termination of employment without cause and reduced benefits upon early retirement. The Company pays the benefits out of its working capital but has also purchased whole life or term life insurance policies on the lives of certain of the participants to cover the optional lump sum obligations of the agreements upon the death of the participant. Deferred compensation expense charged to selling and administrative expenses during the fiscal year ended April 30, 2025 was approximately \$504,000. Deferred compensation expense charged to selling and administrative expenses during the fiscal year ended April 30, 2024 was approximately \$219,000.

**Life Insurance Policies and Assets Held in Trust:**

The whole-life insurance policies on the lives of certain participants covered by deferred compensation agreements have been placed in a Trust. Upon the death of any insured participant, cash received from life insurance policies in excess of the Company's deferred compensation obligations to the estate or beneficiaries of the deceased, are also placed in the Trust. These assets belong to the Company until a change of control event, as defined in the Trust agreement, should occur. At that time, the Company is required to add sufficient cash to the Trust so as to match the deferred compensation liability described above. Such funds will be used to continue the deferred compensation arrangements following a change of control. The Life Insurance Policies amounted to \$7.0 million and \$6.6 million at April 30, 2025 and 2024, respectively. The business account and U.S. securities within the Trust are valued on a Level 1 basis and amounted to \$3.5 million and \$2.8 million at April 30, 2025 and 2024, respectively. The fixed income corporate debt securities within the Trust are valued on a Level 2 basis and amounted to \$0.4 million and \$0.9 million at April 30, 2025 and 2024, respectively. Level 2 securities are valued at the closing prices and are consistent with quoted prices of similar assets reported in active markets.

12. Income Taxes

The benefit from income taxes consisted of the following (in thousands):

	<b>Fiscal Year Ended April 30,</b>	
	<b>2025</b>	<b>2024</b>
Current:		
Federal .....	\$ 137	\$ (127)
State .....	374	(3)
Current provision (benefit) .....	511	(130)
Deferred:		
Federal .....	(9,634)	—
State .....	(2,419)	—
Deferred tax benefit .....	(12,053)	—
Total benefit .....	<u>\$ (11,542)</u>	<u>\$ (130)</u>

**FREQUENCY ELECTRONICS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
April 30, 2025 and 2024

12. Income Taxes (cont.)

The following table reconciles the reported income tax provision with the amount computed using the federal statutory income tax rate (in thousands):

	<b>Fiscal Year Ended April 30,</b>	
	<b>2025</b>	<b>2024</b>
Statutory rate . . . . .	\$ 2,550	\$ 1,147
State and local tax . . . . .	223	167
Valuation allowance on deferred tax assets . . . . .	(13,874)	(1,060)
Nondeductible expenses . . . . .	5	4
FDII . . . . .	(81)	—
Uncertain tax positions . . . . .	—	(127)
Nontaxable life insurance cash value increase . . . . .	(65)	(63)
Taxable life insurance gain . . . . .	—	—
Capital loss . . . . .	—	(8)
Stock compensation . . . . .	(153)	106
Tax credits . . . . .	(319)	(16)
Change in tax rate . . . . .	173	(244)
Other items . . . . .	(1)	(36)
Total benefit . . . . .	<u>\$ (11,542)</u>	<u>\$ (130)</u>

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

	<b>Fiscal Year Ended April 30,</b>	
	<b>2025</b>	<b>2024</b>
Deferred tax assets:		
Employee benefits . . . . .	\$ 2,810	\$ 2,826
Inventory . . . . .	2,876	2,536
Accounts receivable . . . . .	144	70
Tax credits . . . . .	1,945	2,173
Other assets . . . . .	301	303
Deferred costs . . . . .	1,511	681
Lease liability . . . . .	2,128	1,547
Capital loss carry-forward . . . . .	194	212
Research & development . . . . .	2,247	1,104
Net operating loss carryforwards . . . . .	2,276	6,320
Total deferred tax asset . . . . .	<u>16,432</u>	<u>17,772</u>
Deferred tax liabilities:		
Property, plant and equipment . . . . .	(74)	(191)
Right of use asset . . . . .	(2,104)	(1,510)
Other liabilities . . . . .	(77)	(61)
Deferred state income tax . . . . .	(779)	(791)
Net deferred tax asset . . . . .	<u>13,398</u>	<u>15,219</u>
Valuation allowance . . . . .	(1,353)	(15,227)
Net deferred tax asset (liability) . . . . .	<u>\$ 12,045</u>	<u>\$ (8)</u>

**FREQUENCY ELECTRONICS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
April 30, 2025 and 2024

**12. Income Taxes (cont.)**

In assessing the potential for realization of deferred tax assets, the Company considers whether it is more-likely-than-not that some portion or all of the deferred tax assets will be realized. A valuation allowance, if needed, reduces the deferred tax assets to the amounts expected to be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income in those periods in which temporary differences become deductible and/or net operating loss carryforwards can be utilized. We assess all positive and negative evidence when determining the amount of the net deferred tax assets that are more likely than not to be realized. This evidence includes, but is not limited to, prior earnings history, scheduled reversal of taxable temporary differences, tax planning strategies and projected future taxable income. Significant weight is given to positive and negative evidence that is objectively verifiable. Concluding that a valuation allowance is not needed is difficult when there is significant negative evidence such as cumulative losses in recent years.

For the fiscal year ended April 30, 2025, the valuation allowance decreased by approximately \$13.9 million from the prior fiscal year primarily due to releasing the majority of the valuation allowance recorded against the deferred tax asset. The change in estimate occurred in the third quarter of fiscal year 2025 because Frequency no longer had cumulative losses in recent years due to significant earnings in the third quarter of fiscal year 2025. The positive evidence that led to the release of the valuation allowance in the third quarter included (i) objectively verifiable cumulative earnings as of January 31, 2025, (ii) utilization of net operating loss carryforwards and a reduction of the net deferred tax asset, (iii) a backlog of \$73 million, and (iv) sufficient projections of future taxable income that supported the more-likely-than-not realization of the existing deferred tax asset and the remaining net operating loss carryforward. The projections of future taxable income were considered objectively verifiable positive evidence because the Company demonstrated a sustained return to profitability as of the third quarter of fiscal year 2025.

The Company maintains a valuation allowance of approximately \$1.4 million against certain deferred tax assets including state tax credits and capital loss carryforwards because the realization of these tax attributes requires sufficient taxable income be sourced to the respective state jurisdiction and capital gain income is required to utilize capital losses. The Company will continue to evaluate the realizability of its deferred tax assets quarterly. Any further increases or decreases in the valuation allowance could have an unfavorable or favorable impact on the Company's income tax provision and net income in the period in which such determination is made. As of April 30, 2025, the deferred tax asset is recorded at its more-likely-than-not realizable amount.

As of April 30, 2025, the Company has U.S. federal net operating losses of \$5 million of which \$1.7 million begins to expire in fiscal year 2026 through fiscal year 2031. The U.S. federal net operating losses of \$5 million includes \$1.7 million which is subject to an annual limitation under Internal Revenue Code Section 382. The remaining U.S. federal net operating losses of \$3.3 million have an indefinite carry-forward period. The U.S. federal capital loss carry-forward of \$0.8 million expires in fiscal years 2028. U.S. federal R&D credits of \$0.7 million begin to expire in fiscal year 2038 through fiscal year 2045. The Company also has state net operating loss carryforwards, and state tax credits that expire in various years and amounts.

A reconciliation of the beginning and ending amounts of unrecognized tax benefits, is as follows (in thousands):

	<u>2025</u>	<u>2024</u>
Balance at the beginning of the fiscal year . . . . .	\$ 111	\$ 230
Additions based on positions taken in the current year . . . . .	—	—
Additions based on positions taken in prior years . . . . .	45	—
Decreases based on positions taken in prior years . . . . .	(12)	—
Lapse in statute of limitations . . . . .	—	(119)
Balance at the end of the fiscal year . . . . .	<u>\$ 144</u>	<u>\$ 111</u>

# FREQUENCY ELECTRONICS, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

April 30, 2025 and 2024

### 12. Income Taxes (cont.)

The entire amount reflected in the above table at April 30, 2025, if recognized, would reduce our effective tax rate. As of April 30, 2025 and 2024, the Company had \$0, in both periods, accrued for the payment of interest and penalties. For the fiscal years ended April 30, 2025 and 2024, the Company recognized interest of \$(0) and \$(8,325), respectively. Although it is difficult to predict or estimate the change in the Company's unrecognized tax benefits over the next twelve months, the Company believes \$0 will be recognized in the next twelve months.

The Company is subject to taxation in the U.S. federal, and various state and local, jurisdictions. The Company is no longer subject to examination of its U.S. federal income tax returns by the Internal Revenue Service for fiscal years 2021 and prior. Net operating losses and tax attributes generated in closed years and utilized in open years are subject to adjustment by the tax authorities.

### 13. Segment Information

The Company operates under two reportable segments based on the geographic locations of its subsidiaries:

- (1) FEI-NY — operates out of New York and its operations consist principally of precision time and frequency control products used in three principal markets — communication satellites (both commercial and U.S. Government-funded); terrestrial cellular telephone or other ground-based telecommunication stations; and other components and systems for the U.S. military.

The FEI-NY segment also includes the operations of the Company's wholly-owned subsidiary, FEI-Elcom. FEI-Elcom, in addition to its own product line, provides design and technical support for the FEI-NY segment's satellite business.

- (2) FEI-Zyfer — operates out of California and its products incorporate Global Positioning System (GPS) technologies into systems and subsystems for secure communications, both government and commercial, and other locator applications. This segment also provides sales and support for the Company's wireline telecommunications family of products, including US5G, which are sold in the U.S. market.

The Company measures segment performance based on the operating income generated by the geographic location of its subsidiaries rather than on the specific types of customers or end-users. Consequently, the Company determined that the segments indicated above most appropriately reflect the way the Company's management views the business.

The accounting policies of the two segments are the same as those described in Note 1. Our Chief Executive Officer ("CEO") serves as our CODM who evaluates the segment performance and allocates resources to them based on operating income which is defined as income before investment income, interest expense, other expenses, and income taxes. Operating income by segment is used to monitor segment results compared to prior periods, forecasted results, and the annual plan. All acquired assets, including intangible assets, are included in the assets of both reporting segments.

The tables below present segment revenue, significant segment expenses which consist of segment cost of revenue and segment research and development costs, and segment operating income for each reportable segment and on a consolidated basis as reported in the consolidated statements of operations for the fiscal years ended April 30, 2025 and 2024 (in thousands):

	For the Fiscal Years Ended	
	April 30,	
	2025	2024
Revenues:		
FEI-NY .....	\$ 53,269	\$ 40,261
FEI-Zyfer .....	18,660	18,138
Less intersegment revenues .....	(2,118)	(3,125)
Consolidated revenues .....	<u>\$ 69,811</u>	<u>\$ 55,274</u>

**FREQUENCY ELECTRONICS, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

April 30, 2025 and 2024

13. Segment Information (cont.)

	<b>For the Fiscal Years Ended April 30,</b>	
	<b>2025</b>	<b>2024</b>
Cost of revenues:		
FEI-NY .....	\$ 29,331	\$ 27,225
FEI-Zyfer .....	12,598	12,414
Less intersegment cost of revenues .....	(2,215)	(2,948)
Consolidated cost of revenues .....	<u>\$ 39,714</u>	<u>\$ 36,691</u>
Research and development expenses:		
FEI-NY .....	\$ 3,374	\$ 2,678
FEI-Zyfer .....	2,702	702
Consolidated research and development expenses .....	<u>\$ 6,076</u>	<u>\$ 3,380</u>
Operating income:		
FEI-NY .....	\$ 11,514	\$ 2,410
FEI-Zyfer .....	743	3,295
Less intersegment .....	98	(179)
Corporate .....	(623)	(507)
Consolidated operating income .....	<u>\$ 11,732</u>	<u>\$ 5,019</u>

Other segment items included in the determination of operating income includes SG&A of \$9.1 million and \$8.0 million for the fiscal years ended April 30, 2025 and 2024, respectively, for the FEI-NY segment, and \$2.6 million and \$1.7 million for the fiscal years ended April 30, 2025 and 2024, respectively, for the FEI-Zyfer segment.

The tables below present the identifiable assets of each reportable segment and on a consolidated basis as reported in the consolidated balance sheets as of April 30, 2025 and 2024 and the depreciation and amortization charges related to these identifiable assets for the fiscal years ended then ended (in thousands):

	<b>April 30, 2025</b>	<b>April 30, 2024</b>
Identifiable assets:		
FEI-NY .....	\$ 39,125	\$ 36,512
FEI-Zyfer .....	23,865	15,696
less intersegment balances .....	(140)	(237)
Corporate .....	30,887	31,282
Consolidated identifiable assets .....	<u>\$ 93,737</u>	<u>\$ 83,253</u>

	<b>For the Fiscal Years Ended April 30,</b>	
	<b>2025</b>	<b>2024</b>
Depreciation and amortization:		
FEI-NY .....	\$ 1,932	\$ 1,944
FEI-Zyfer .....	123	180
Corporate .....	—	—
Consolidated depreciation and amortization expense .....	<u>\$ 2,055</u>	<u>\$ 2,124</u>



# FREQUENCY ELECTRONICS, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

April 30, 2025 and 2024

### 13. Segment Information (cont.)

#### Major Customers

The Company's products are sold to both commercial and governmental customers. For the fiscal years ended April 30, 2025 and 2024, approximately 94% and 98%, respectively, of the Company's sales were made under contracts to the U.S. Government or subcontracts for U.S. Government end-use.

In the fiscal year ended April 30, 2025, revenues from one customer of the FEI-NY segment, which accounted for more than 10% of that segment's revenues, was \$26.9 million. In the fiscal year ended April 30, 2024, revenues from four customers of the FEI-NY segment, which each accounted for more than 10% of that segment's revenues, were \$7.5 million, \$10.9 million, \$4.7 million, and \$4.5 million. In the FEI-Zyfer segment, two customers, which each accounted for more than 10% of that segment's revenues, were \$2.9 million and \$3.4 million in the fiscal year ended April 30, 2025. In the FEI-Zyfer segment, two customers, which each accounted for more than 10% of that segment's revenues, were \$4.2 million and \$5.2 million in the fiscal year ended April 30, 2024.

The loss by the Company of any one of these customers would have a material adverse effect on the Company's business. The Company believes its relationship with these customers is mutually satisfactory. Sales to the major customers referenced above can include commercial and governmental end users.

#### Foreign Sales

Revenues in each of the Company's segments include sales to foreign governments or to companies located in foreign countries. For the fiscal years ended April 30, 2025 and 2024, revenues, based on the location of the procurement entity were derived from the following locations (in thousands):

	For the Fiscal Years Ended April 30,	
	2025	2024
Domestic . . . . .	\$ 65,362	\$ 53,185
Foreign . . . . .	4,449	2,089
	<u>\$ 69,811</u>	<u>\$ 55,274</u>

During the fiscal year ended April 30, 2025, material foreign sales to one Asian country amounted to approximately \$3.5 million. During the fiscal year ended April 30, 2024, there were no material foreign sales to one specific foreign country.

### 14. Product Warranties

The Company generally provides its customers with a one-year warranty regarding the manufactured quality and functionality of its products. The Company establishes warranty reserves based on its product history, current information on repair costs and annual sales levels. As of April 30, 2025 and 2024, respectively, changes in the carrying amount of accrued product warranty costs, reported in accrued expenses on the consolidated balance sheets, were as follows (in thousands):

	2025	2024
Balance at beginning of year. . . . .	\$ 542	\$ 529
Warranty costs incurred . . . . .	(253)	(390)
Product warranty accrual . . . . .	278	403
Balance at end of year. . . . .	<u>\$ 567</u>	<u>\$ 542</u>

### 15. Contingencies

In the normal course of its business, the Company may be involved in various claims, negotiations and legal actions. As of April 30, 2025, the Company was not a party to any litigation in which an unfavorable outcome or material claim is probable or in which losses associated with the litigation can be reasonably estimated.

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

None.

### Item 9A. Controls and Procedures

#### Evaluation of Disclosure Controls and Procedures.

We maintain disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) designed to provide reasonable assurance the information required to be disclosed by us in reports we file or submit under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in SEC rules and forms; and (ii) accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosures.

In connection with the filing of this Annual Report on Form 10-K, the Company’s management, with the participation of the Company’s Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of the Company’s disclosure controls and procedures as of the end of the period covered by this report. Based on their evaluation, the Company’s Chief Executive Officer and Chief Financial Officer have concluded that, as of April 30, 2025, the Company’s disclosure controls and procedures were effective at a reasonable assurance level.

There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives.

#### Remediation of Previously Reported Material Weakness

In the course of preparing the Company’s consolidated financial statements as of April 30, 2024 and for the year then ended, management identified a material weakness in internal control over the calculation of loss provision accruals in contracts with customers. The Company’s controls over loss provision accruals were not sufficiently designed to capture previously recognized contract losses when calculating the required balance of loss provision accruals as of the end of the reporting period. In response, the Company implemented the following remediation steps to address the underlying causes of the material weaknesses including improving controls over the calculation of loss accruals:

- The Company has updated its method of calculating loss provision accruals by considering previously recognized contract losses.
- The Company has implemented enhanced review, reconciliation, and monitoring controls over loss provision accruals and its underlying calculations.

As of April 30, 2025, the Company’s management believes the identified material weakness has been remediated.

#### Management’s Annual Report on Internal Control Over Financial Reporting

The Company’s management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. The Company’s internal control system is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP. Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Company’s internal control over financial reporting as of April 30, 2024. In making this assessment, management used the criteria established in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, the Company’s management concluded that the Company’s internal control over financial reporting was effective as of April 30, 2025.

### Financial Reporting

This Annual Report on Form 10-K does not include an attestation report of our registered public accounting firm regarding our internal control over financial reporting. Management's report on internal control over financial reporting is not subject to attestation by our registered public accounting firm.

### Changes in Internal Control over Financial Reporting.

Except as described above, there has been no changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter ended April 30, 2025 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.]

### Item 9B. Other Information

During the three months ended April 30, 2025, no director or officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

### Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections.

Not applicable.

## PART III

### Item 10. Directors, Executive Officers and Corporate Governance

The information required pursuant to this item with respect to Directors of the Company, compliance with Section 16(a) of the Exchange Act, the Company's code of ethics and certain corporate governance matters is incorporated herein by reference from the Company's definitive proxy statement to be filed no later than 120 days after April 30, 2025, for the annual meeting of stockholders to be held on or about October 8, 2025 (the "2025 Proxy Statement"). See "Election of Directors," "Delinquent Section 16(a) Reports," "Corporate Governance Matters — Code of Ethics," and "Certain Information as to Committees and Meetings of the Board" from the Company's 2025 Proxy Statement. The information required to be furnished pursuant to this item with respect to Executive Officers is set forth, pursuant to General Instruction G(3) of Form 10-K, under Part I of this Annual Report on Form 10-K.

We have adopted an insider trading policy governing the purchase, sale, and other disposition of our securities by our directors, officers, and employees, and by the Company. We believe this policy is reasonably designed to promote compliance with insider trading laws, rules, and regulations and listing standards applicable to the Company. A copy of our insider trading policy is filed as Exhibit 19 to this Form 10-K.

### Item 11. Executive Compensation

The information required pursuant to this item is incorporated herein by reference from the Company's 2025 Proxy Statement under "Election of Directors" and "Executive Compensation."

### Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required pursuant to this item is incorporated herein by reference from the Company's 2025 Proxy Statement under "Executive Compensation" and "Stock Ownership of Certain Beneficial Owners and Management."

### EQUITY COMPENSATION PLAN INFORMATION

<u>Plan Category</u>	<b>Number of securities to be issued upon exercise of outstanding options, warrants and rights of RSU's and PSU's</b>	<b>Weighted-average exercise price of outstanding options, warrants and rights</b>	<b>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column<sup>(a)</sup>)</b>
	<b>(a)</b>	<b>(b)</b>	<b>(c)</b>
Equity Compensation Plans			
Approved by Security Holders <sup>(1)</sup> . . . . .	529,849	\$ —	1,347,114

(1) The Company's equity compensation plans are described in Note 11 to the Consolidated Financial Statements.

### Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required pursuant to this item is incorporated herein by reference from the Company's 2025 Proxy Statement under "Election of Directors."

### Item 14. Principal Accountant Fees and Services

The information required pursuant to this item is incorporated herein by reference from the Company's 2025 Proxy Statement under "Appointment of Independent Registered Public Accounting Firm" and "Report of the Audit Committee."

## PART IV

### Item 15. Exhibits and Financial Statement Schedules

#### (a) Index to Financial Statements and Exhibits

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

#### (1) FINANCIAL STATEMENTS

Included in Part II of this report:

	Page(s)
Report of Independent Registered Public Accounting Firm (GRANT THORNTON LLP.; Melville, NY; PCAOB ID#248) .....	F-1-F-2
Consolidated Balance Sheets – April 30, 2025 and 2024 .....	F-3
Consolidated Statements of Operations and Comprehensive Income – Years ended April 30, 2025 and 2024 .....	F-4
Consolidated Statements of Cash Flows – Years ended April 30, 2025 and 2024 .....	F-5
Consolidated Statements of Changes in Stockholders' Equity – Years ended April 30, 2025 and 2024 .....	F-6
Notes to Consolidated Financial Statements. ....	F-7-F-24

#### (2) EXHIBITS

Exhibit No. in this Form 10-K	Description of Exhibit	NOTE
2.1	Stock Purchase Agreement, dated as of February 21, 2012, by and among the Registrant, Elcom Technologies Inc. and the stockholders of Elcom Technologies Inc. identified on the signature pages thereto	(11)
3.1	Copy of Certificate of Incorporation of the Registrant filed with the Secretary of State of Delaware	(1)
3.2	Amendment to Certificate of Incorporation of the Registrant filed with the Secretary of State of Delaware on March 27, 1981	(2)
3.3	Amendment to Certificate of Incorporation of the Registrant filed with Secretary of State of Delaware on October 26, 1984	(5)
3.4	Amendment to Certificate of Incorporation of the Registrant filed with the Secretary of State of Delaware on October 22, 1986	(7)
3.5	Amended and Restated Certificate of Incorporation of the Registrant filed with the Secretary of State of Delaware on October 26, 1987	(9)
3.6	Amended Certificate of Incorporation of the Company filed with the Secretary of State of Delaware on November 2, 1989	(9)
3.7	Amended and Restated By-Laws of the Registrant, as amended	(13)
4.1	Specimen of Common Stock certificate	(1)
4.2	Description of Capital Stock	(24)
10.1	Settlement Agreement dated as of September 13, 2016, by and among Registrant, Privet Fund LP, Privet Fund Management LLC, Ryan J. Levenson and General Lance W. Lord	(14)
10.2*	Frequency Electronics, Inc. 2005 Stock Plan	(16)
10.3	Lease Agreement between Registrant and Reckson Operating Partnership, L.P. dated January 6, 1998	(15)
10.4	First Amendment to Lease Amendment between Registrant and RA 55 CLB LLC (as successor-in-interest to Reckson Operating Partnership, L.P.) dated July 25, 2018	(17)
10.5*	Registrant's Cash or Deferral Profit Sharing Plan and Trust under Internal Revenue Code Section 401, dated April 1, 1985	(6)
10.6	Amendment dated Jan. 1, 1988 to Registrant's Cash or Deferred Profit Sharing Plan and Trust under Section 401 of Internal Revenue Code	(8)

<b>Exhibit No. in this Form 10-K</b>	<b>Description of Exhibit</b>	<b>NOTE</b>
10.7*	Form of Deferred Compensation Agreement	(18)
10.8*	Form of Stock Appreciation Rights Agreement	(19)
10.11*	Frequency Electronics, Inc. Stock Award Plan.	(25)
19	Frequency Electronics, Inc. Insider Trading Policy	Filed herewith
21	List of Subsidiaries of Registrant	Filed herewith
23.1	Consent of GRANT THORNTON LLP	Filed herewith
31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
32	Certifications of the Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Filed herewith
97	Frequency Electronics, Inc. Clawback Policy	(26)
101	The following materials from the Frequency Electronics, Inc. Annual Report on Form 10-K for the fiscal year ended April 30, 2025 formatted in Inline eXtensible Business Reporting Language (XBRL): (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations and Comprehensive Income (loss), (iii) Consolidated Statements of Cash Flows, (iv) Consolidated Statements of Changes in Stockholders' Equity and (v) Notes to Consolidated Financial Statements	
104	Cover Page Interaction Data File (formatted as inline XBRL and contained in Exhibit 101)	

\* Denoted compensatory plans or arrangements or management contracts

**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 Exhibit 3.2 to the registration statement of Registrant on Form S-1, File No. 2-71727, which exhibit is incorporated herein by reference.
- (3) [Intentionally Omitted]
- (4) [Intentionally Omitted]
- (5) Filed with the SEC as Exhibit 3.3 to the annual report of Registrant on Form 10-K, File No. 1-8061, for the fiscal year ended April 30, 1985, which exhibit is incorporated herein by reference.
- (6) Filed with the SEC as Exhibit 10.16 to the annual report of Registrant on Form 10-K, File No. 1-8061, for the fiscal year ended April 30, 1986, which exhibit is incorporated herein by reference.
- (7) Filed with the SEC as Exhibit 3.4 to the annual report of Registrant on Form 10-K, File No. 1-8061, for the fiscal year ended April 30, 1987, which exhibit is incorporated herein by reference.
- (8) Filed with the SEC as Exhibit 10.24 to the annual report of Registrant on Form 10-K, File No. 1-8061, for the fiscal year ended April 30, 1988, 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 10-K, File No. 1-8061, for the fiscal year ended April 30, 1990, which exhibit is incorporated herein by reference.
- (10) [Intentionally Omitted]
- (11) Filed with the SEC as Exhibit 2.1 to the current report of Registrant on Form 8-K, File No. 1-8061, on February 27, 2012, which exhibit is incorporated herein by reference.
- (12) [Intentionally Omitted]
- (13) Filed with the SEC as Exhibit 3.1 to a current report of the Registrant on Form 8-K, File No. 1-8061, on June 25, 2020, which exhibit is incorporated herein by reference.
- (14) Filed with the SEC as Exhibit 10.1 to a current report of the Registrant on Form 8-K, File No. 1-8061, on September 16, 2016, which exhibit is incorporated herein by reference.
- (15) Filed with the SEC as Exhibit 10.13 to the annual report of Registrant on Form 10-K, File No. 1-8061, for the fiscal year ended April 30, 1998, which exhibit is incorporated herein by reference.
- (16) Filed with the SEC as Exhibit 10.1 to a current report of the Registrant on Form 8-K, File No. 1-8061, on October 4, 2005, which exhibit is incorporated herein by reference.
- (17) Filed with the SEC as Exhibit 10.13 to the annual report of Registrant on Form 10-K, File No. 1-8061, for the fiscal year ended April 30, 2018, which exhibit is incorporated herein by reference.
- (18) Filed with the SEC as Exhibit 10.17 to Amendment No. 1 on Form 10-K/A to the annual report of Registrant on Form 10-K, File No. 1-8061, for the fiscal year ended April 30, 2018, which exhibit is incorporated herein by reference.

- (19) Filed with the SEC as Exhibit 10.18 to Amendment No. 1 on Form 10-K/A to the annual report of Registrant on Form 10-K, File No. 1-8061, for the fiscal year ended April 30, 2018, which exhibit is incorporated herein by reference.
- (20) [Intentionally Omitted]
- (21) Filed with the SEC as Exhibit 10.11 to the annual report of the Registrant on Form 10-K, File No. 1-8061, for the year ended April 30, 2019, which exhibit is incorporated herein by reference.
- (22) [Intentionally Omitted]
- (23) Filed with the SEC as Exhibit 10.11 to the annual report of the Registrant on Form 10-K, File No. 1-8061, for the fiscal year ended April 30, 2020, which exhibit is incorporated herein by reference.
- (24) Filed with the SEC as Exhibit 4.2 to the annual report of the Registrant on Form 10-K, File No. 1-8061, for the fiscal year ended April 30, 2021, which exhibit is incorporated herein by reference.
- (25) Filed with the SEC as Exhibit 10.1 to a current report of the Registrant on Form 8-K, File No. 1-8061, on October 9, 2024, which exhibit is incorporated herein by reference.
- (26) Filed with the SEC as Exhibit 97 to the annual report of the Registrant on Form 10-K, File No. 1-8061, for the year ended April 30, 2024, which exhibit is incorporated herein by reference.

Item 16. Form 10-K Summary.

None.



## 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.**

By: /s/ Thomas McClelland  
Thomas McClelland  
President and Chief Executive Officer  
(Principal Executive Officer)

By: /s/ Steven L. Bernstein  
Steven L. Bernstein  
Chief Financial Officer,  
Secretary and Treasurer  
(Principal Financial and Accounting Officer)

Dated: July 18, 2025

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:

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Jonathan Brolin</u> Jonathan Brolin	Lead Independent Director	July 18, 2025
<u>/s/ Richard Schwartz</u> Richard Schwartz	Director	July 18, 2025
<u>/s/ Russell M. Sarachek</u> Russell M. Sarachek	Chairman of the Board	July 18, 2025
<u>/s/ GEN Lance W. Lord, USAF, ret</u> Lance W. Lord	Director	July 18, 2025
<u>/s/ Thomas McClelland</u> Thomas McClelland	Director, President and Chief Executive Officer	July 18, 2025

# FREQUENCY ELECTRONICS, INC. & SUBSIDIARIES



**Corporate Headquarters:**

55 Charles Lindbergh Blvd  
Mitchel Field, NY 11553

Subsidiary	Location	Primary Function
FEI Communications, Inc.	Mitchel Field, NY	Commercial communication systems and products
FEI Government Systems, Inc.	Mitchel Field, NY	U.S. Government systems and products
FEI-Elcom Tech, Inc.	Northvale, NJ	RF Microwave products
FEI Realty, Inc.	Mitchel Field, NY	Corporate property holdings
FEI-Zyfer, Inc.	Garden Grove, CA	GPS time and frequency receivers, synchronization systems and secure communication products

# CORPORATE INFORMATION



## BOARD OF DIRECTORS

### **Jonathan Brolin** <sup>(1)</sup>

Founder and Managing Partner of Edenbrook Capital, LLC

### **Lance W. Lord** <sup>(3)</sup>

General, U.S. Air Force (retired)

### **Russell Sarachek** <sup>(2)</sup>

Managing Director of Contra Capital Management

### **Richard Schwartz**

Former Chairman and CEO of ATK (retired)

### **Thomas McClelland**

President, Chief Executive Officer

## OFFICERS

### **Thomas McClelland**

President, Chief Executive Officer

### **Oleandro Mancini**

Senior Vice President, Business Development

### **Steven L. Bernstein**

Chief Financial Officer

<sup>(1)</sup> Chairman—Audit Committee

<sup>(2)</sup> Chairman—Compensation Committee

<sup>(3)</sup> Chairman of the Board of Directors

## Counsel

McGuire Woods LLP  
800 E. Canal Street  
Richmond, VA 23219

## Auditors

Grant Thornton, LLP  
171 N. Clark Street  
Chicago, IL 60601

## Website

[www.frequelec.com](http://www.frequelec.com)

## Transfer Agent and Registrar

Equiniti Trust Company, LLC  
48 Wall Street, Floor 23  
New York, NY 10005

## Exchange Listing

NASDAQ Global Market  
Common Stock  
Stock Symbol: FEIM

## Annual Meeting

October 8, 2025, 10:00 AM  
Frequency Electronics, Inc.  
55 Charles Lindbergh Blvd.  
Mitchel Field, NY 11553

## Form 10-K

The Form 10-K report included in this Annual Report to Stockholders has been filed with the Securities and Exchange Commission ("SEC"). Additional copies of the Form 10-K as filed with the SEC may be obtained by request from the Company or through the Company's website.



**FREQUENCY ELECTRONICS, INC.**

55 Charles Lindbergh Blvd.

Mitchel Field, NY 11553

Tel: 516.794.4500 • Fax: 516.794.4340

E-mail: [sales@frequelec.com](mailto:sales@frequelec.com)

Visit us at [www.frequelec.com](http://www.frequelec.com)