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

FORM 10-Q

(Mark one)

☒QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period ended October 31, 2021
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, N.Y. (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**

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 pursuant to Section 13(a) of the Exchange Act. ☐

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

APPLICABLE ONLY TO CORPORATE ISSUERS:

The number of shares outstanding of registrant's Common Stock, par value $1.00 per share, as of December 6, 2021 – 9,264,590

FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES
Condensed Consolidated Balance Sheets
(In thousands except par value)
(Unaudited)

	October 31, 2021	April 30, 2021
ASSETS:		
Current assets:		
Cash and cash equivalents	$ 10,623	$ 9,807
Marketable securities	9,955	10,313
Accounts receivable, net of allowance for doubtful accounts of $111 at October 31, 2021 and April 30, 2021	8,743	5,515
Costs and estimated earnings in excess of billings, net	-	1,948
Inventories, net	19,477	19,661
Prepaid income taxes	453	444
Prepaid expenses and other	1,226	991
Total current assets	50,477	48,679
Property, plant and equipment, at cost, net of accumulated depreciation and amortization	9,403	9,612
Goodwill	617	617
Cash surrender value of life insurance	9,990	15,396
Other assets	1,804	1,939
Right-of-Use assets – operating leases	9,087	9,773
Total assets	**$ 81,378**	**$ 86,016**
LIABILITIES AND STOCKHOLDERS' EQUITY:		
Current liabilities:		
Accounts payable – trade	$ 970	$ 1,080
Accrued liabilities	3,710	5,245
Loss provision accrual	72	57
Operating lease liability	1,779	1,715
Billings in excess of costs and estimated earnings, net	3,479	-
Total current liabilities	10,010	8,097
Deferred compensation	9,007	14,017
Deferred taxes	8	8
Operating lease liability – non-current	7,605	8,366
Other liabilities	119	119
Total liabilities	26,749	30,607
Commitments and contingencies		
Stockholders' equity:		
Preferred stock - $1.00 par value; authorized 600 shares, no shares issued	-	-
Common stock - $1.00 par value; authorized 20,000 shares, 9,264 shares issued and 9,263 shares outstanding at October 31, 2021; 9,226 shares issued and 9,225 shares outstanding at April 30, 2021	9,264	9,226
Additional paid-in capital	57,693	57,355
Accumulated deficit	(12,535)	(11,457)
Common stock reacquired and held in treasury - at cost (1 share at October 31, 2021 and 1 share at April 30, 2021)	(6)	(6)
Accumulated other comprehensive income	213	291
Total stockholders' equity	54,629	55,409
Total liabilities and stockholders' equity	**$ 81,378**	**$ 86,016**

See accompanying notes to condensed consolidated financial statements.

FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES
Condensed Consolidated Statements of Operations and Comprehensive Income (Loss)
(In thousands except per share data)
(Unaudited)

	Three Months Ended October 31,		Six Months Ended October 31,	
	2021	2020	2021	2020
Condensed Consolidated Statements of Operations				
Revenues	$ 12,936	$ 13,990	$ 25,890	$ 26,940
Cost of revenues	8,845	8,668	17,738	17,530
Gross margin	4,091	5,322	8,152	9,410
Selling and administrative expenses	2,411	4,124	6,805	7,352
Research and development expenses	1,377	979	2,732	2,177
Operating income (loss)	303	219	(1,385)	(119)
Other income (expense):				
Investment income	98	50	191	157
Interest expense	(20)	(36)	(40)	(75)
Other income (expense), net	118	113	158	129
Income (loss) before provision for income taxes	499	346	(1,076)	92
Provision for income taxes	2	17	2	25
Net income (loss)	$ 497	$ 329	$ (1,078)	$ 67
Net income (loss) per common share:				
Basic and diluted income (loss) per share	$ 0.05	$ 0.04	$ (0.12)	$ 0.01
Weighted average shares outstanding:				
Basic	9,256	9,170	9,246	9,154
Diluted	9,302	9,236	9,246	9,206
Condensed Consolidated Statements of Comprehensive Income (Loss)				
Net income (loss)	$ 497	$ 329	$ (1,078)	$ 67
Unrealized (loss) gain on marketable securities:				
Change in market value of marketable securities before reclassification, net of tax	(157)	(176)	(72)	5
Reclassification adjustment for realized gains included in net income, net of tax	-	-	(6)	(10)
Total unrealized (loss) gain on marketable securities, net of tax	(157)	(176)	(78)	(5)
Comprehensive income (loss)	$ 340	$ 153	$ (1,156)	$ 62

See accompanying notes to condensed consolidated financial statements.

FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Six Months Ended October 31,	
	2021	**2020**
Cash flows from operating activities:		
Net (loss) income	$ (1,078)	$ 67
Non-cash charges to earnings	1,765	2,580
Net changes in operating assets and liabilities	974	(667)
Net cash provided by operating activities	1,661	1,980
Cash flows from investing activities:		
Proceeds on redemption of marketable securities	1,427	1,521
Purchase of marketable securities	(1,164)	(909)
Purchase of property, plant, and equipment, and other assets	(1,108)	(781)
Net cash used in investing activities	(845)	(169)
Net cash used in financing activities:		
Repayment of PPP Loan	-	(4,965)
Proceeds from UBS line of credit	-	3,000
Net cash used in financing activities	-	(1,965)
Net increase (decrease) in cash and cash equivalents	816	(154)
Cash and cash equivalents at beginning of period	9,807	3,808
Cash and cash equivalents at end of period	$ 10,623	$ 3,654
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	$ 40	$ 46
Income Taxes	$ 15	-
Cash refunded during the period for:		
Income Taxes	$ -	$ 477

See accompanying notes to condensed consolidated financial statements.

FREQUENCY ELECTRONICS, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Changes in Stockholders' Equity
Three and Six Months Ended October 31, 2021
(In thousands except share data)
(Unaudited)

	Common Stock		Additional paid in capital	Accumulated Deficit	Treasury stock (at cost)		Accumulated other comprehensive Income (loss)	Total
	Shares	Amount			Shares	Amount		
Balance at April 30, 2021	9,226,268	$ 9,226	$ 57,355	$ (11,457)	1,376	$ (6)	$ 291	$ 55,409
Contribution of stock to 401(k) plan	13,251	13	117	-	-	-	-	130
Stock-based compensation expense	7,500	8	61	-	-	-	-	69
Exercise of stock options and stock appreciation rights - net of shares tendered for exercise price	-	-	-	-	-	-	-	-
Other comprehensive income, net of tax	-	-	-	-	-	-	79	79
Net loss	-	-	-	(1,575)	-	-	-	(1,575)
Balance at July 31, 2021	9,247,019	$ 9,247	$ 57,533	$ (13,032)	1,376	$ (6)	$ 370	$ 54,112
Contribution of stock to 401(k) plan	10,779	11	100	-	-	-	-	111
Stock-based compensation expense	250	-	66	-	-	-	-	66
Exercise of stock options and stock appreciation rights - net of shares tendered for exercise price	6,278	6	(6)	-	-	-	-	-
Other comprehensive loss, net of tax	-	-	-	-	-	-	(157)	(157)
Net income	-	-	-	497	-	-	-	497
Balance at October 31, 2021	9,264,326	$ 9,264	$ 57,693	$ (12,535)	1,376	$ (6)	$ 213	$ 54,629

See accompanying notes to condensed consolidated financial statements.

FREQUENCY ELECTRONICS, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Changes in Stockholders' Equity
Three and Six Months Ended October 31, 2020
(In thousands except share data)
(Unaudited)

	Common Stock		Additional paid in capital	Accumulated Deficit	Treasury stock (at cost)		Accumulated other comprehensive Income (loss)	Total
	Shares	Amount			Shares	Amount		
Balance at April 30, 2020	9,163,940	$ 9,164	$ 56,914	$ (12,137)	42,696	$ (195)	$ 490	$ 54,236
Contribution of stock to 401(k) plan	-	-	68	-	(14,926)	68	-	136
Stock-based compensation expense	-	-	54	-	-	-	-	54
Exercise of stock options and stock appreciation rights - net of shares tendered for exercise price	-	-	(109)	-	(23,808)	109	-	-
Other comprehensive income, net of tax	-	-	-	-	-	-	171	171
Net loss	-	-	-	(262)		-	-	(262)
Balance at July 31, 2020	9,163,940	$ 9,164	$ 56,927	$ (12,399)	3,962	$ (18)	$ 661	$ 54,335
Contribution of stock to 401(k) plan	9,496	9	86	-	-	-	-	95
Stock-based compensation expense	-	-	73	-	-	-	-	73
Exercise of stock options and stock appreciation rights - net of shares tendered for exercise price	2,654	3	(15)	-	(2,586)	12	-	(0)
Other comprehensive loss, net of tax	-	-	-	-	-	-	(176)	(176)
Net income	-	-	-	329	-	-	-	329
Balance at October 31, 2020	9,176,090	$ 9,176	$ 57,071	$ (12,070)	1,376	$ (6)	$ 485	$ 54,656

See accompanying notes to condensed consolidated financial statements.

FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
(Unaudited)

NOTE A – CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

In the opinion of management of Frequency Electronics, Inc. (the "Company"), the accompanying unaudited condensed consolidated interim financial statements reflect all adjustments (which include only normal recurring adjustments) necessary to present fairly, in all material respects, the consolidated financial position of the Company as of October 31, 2021 and the results of its operations, changes in stockholders' equity for the three and six months ended October 31, 2021 and 2020, and cash flows for the six months ended October 31, 2021 and 2020. The April 30, 2021 condensed consolidated balance sheet was derived from audited financial statements. These financial statements are prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP'). Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted. These condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements included in the Company's Annual Report on Form 10-K for the fiscal year ended April 30, 2021, filed on June 30, 2021 with the Securities and Exchange Commission. The results of operations for such interim periods are not necessarily indicative of the operating results for the full fiscal year.

COVID-19 Pandemic

The full impact of the COVID-19 pandemic continues to evolve as of the date of this report. The current resurgence of COVID-19 variants may have additional, unforeseen, impacts. As such, it is uncertain as to the full magnitude that the pandemic may have on the Company's financial condition, liquidity, and future results of operations. For the six months ended October 31, 2021, the Company was impacted by employee absenteeism related to direct or indirect effects of the COVID-19 pandemic and delays in the receipt of anticipated new contracts from customers due to COVID-19 related administrative delays. Management has taken steps to minimize COVID-19 related impacts to our workforce. Given the changing dynamics of the pandemic, it is not possible for the Company to estimate potential future adverse effects on its operations, financial condition, or liquidity for fiscal year 2022. As of July 31, 2021, the Company had returned to normal operations, and the Company will continue to follow CDC and state guidelines with an emphasis on employee safety.

The Company faces various future COVID-19 related risks, including the possibility of impact from the Omicron variant and other future mutations. The Company is dependent on its workforce to design and manufacture its products. If significant portions of the Company's workforce are unable to work effectively, or if the U.S. Government, state and/or other customers or supplier operations are curtailed due to illness, quarantines, government actions, facility closures, or other restrictions, the Company's operations may be impacted. If so, the Company may be unable to perform fully on its contracts and costs may increase. These cost increases may not be fully recoverable or adequately covered by insurance. In the latter part of fiscal year 2021, the Company did experience some disruption due to the need to vacate certain areas of its facilities for cleaning and disinfecting as a result of employees potentially being exposed to COVID-19 or following positive COVID-19 test results. Also, certain of the Company's vendors have been unable to deliver materials on time due to COVID-19 related impacts to their workforces or their supply chains. These delays impacted the Company's production costs and schedules. Vendor delivery performance is being closely monitored and alternate sources of supply are generally available and, in some cases, are being established.

NOTE B – EARNINGS (LOSS) PER SHARE

Reconciliation of the weighted average shares outstanding for basic and diluted earnings (loss) per share for the three and six months ended October 31, 2021 and 2020, respectively, were as follows:

	Periods ended October 31,			
	Three months		Six months	
	2021	2020	2021	2020
Weighted average shares outstanding:				
Basic EPS Shares outstanding (weighted average)	9,256,255	9,169,758	9,246,240	9,154,434
Effect of Dilutive Securities	45,273	66,019	**	51,389
Diluted EPS Shares outstanding	9,301,528	9,235,777	9,246,240	9,205,823

** For the six-months ended October 31, 2021 dilutive securities are excluded from the calculation of earnings per share since the inclusion of such shares would be antidilutive due to the net loss for that period. The exercisable shares excluded for the three- and six-months ended October 31, 2021 was 198,000 and 223,000 options, respectively. The exercisable shares excluded for the three- and six-month periods ended October 31, 2020 was 303,000 and 436,000 options, respectively.

NOTE C – COSTS AND ESTIMATED EARNINGS IN EXCESS OF BILLINGS, NET

At October 31, 2021 and April 30, 2021, billings in excess of costs and estimated earnings and costs and estimated earnings in excess of billings, net, respectively, consisted of the following:

	October 31, 2021	April 30, 2021
	(In thousands)	
Costs and estimated earnings in excess of billings	$ 9,882	$ 12,640
Billings in excess of costs and estimated earnings	(13,361)	(10,692)
Net (liability) asset	$ (3,479)	$ 1,948

Such amounts represent revenue recognized on long-term contracts that had not been billed at the balance sheet dates or represent a liability for amounts billed in excess of the revenue earned. Amounts are billed to customers pursuant to contract terms. In general, the recorded amounts will be billed and collected and revenue recognized within twelve months of the balance sheet date. Revenue on these long-term contracts is accounted for on the percentage of completion ("POC") basis. During the three and six months ended October 31, 2021, revenue recognized under POC contracts was approximately $12.2 million and $24.6 million, respectively. During the three and six months ended October 31, 2020, revenue recognized under POC contracts was approximately $12.9 million and $24.6 million, respectively. Anticipated contract losses, if any, are accrued for in the period such determination is made. Contract losses of approximately $31,000 and $47,000 were recorded for the three and six months ended October 31, 2021, respectively. Contract losses of approximately $121,000 and $731,000 were recorded for the three and six months ended October 31, 2020, respectively.

NOTE D –STOCK TRANSACTIONS

During the three and six-month periods ended October 31, 2021, the Company made contributions of 10,779 and 24,030 shares of its common stock, respectively, to the Company's profit-sharing plan and trust under Section 401(k) of the Internal Revenue Code. Such contributions are in accordance with the Company's discretionary match of employee voluntary contributions to this plan.

NOTE E – INVENTORIES, NET

Inventories, which are reported at the lower of cost and net realizable value, consisted of the following:

	October 31, 2021	April 30, 2021
	(In thousands)	
Raw Materials and Component Parts	$ 12,288	$ 12,386
Work in Progress	6,689	6,259
Finished Goods	500	1,016
	$ 19,477	$ 19,661

The amounts above are net of reserves of $7.0 million and $7.3 million as of October 31, 2021 and April 30, 2021, respectively.

NOTE F – RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Company's leases primarily represent offices, warehouses, vehicles, and manufacturing and research and development facilities which expire at various times through 2029 and are operating leases. Contractual arrangements are evaluated at inception to determine if the agreement contains a lease. Certain lease agreements contain renewal options, rent abatement, and escalation clauses that are factored into our determination of lease payments when appropriate. Right-of-use ("ROU") assets and lease liabilities are recorded based on the present value of future lease payments which 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. Lease terms may factor in options to extend or terminate the lease.

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 balance sheet.

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

	Classification	October 31, 2021	April 30, 2021
		(in thousands)	
Assets			
Operating lease ROU assets	Right-of-Use assets leases	$ 9,087	$ 9,773
Liabilities			
Operating lease liabilities (short-term)	Lease liability, current	1,779	1,715
Operating lease liabilities (long-term)	Lease liability, non-current	7,605	8,366
Total lease liabilities		$ 9,384	$ 10,081

Total operating lease expense was $500,000 and $1.0 million for the three and six months ended October 31, 2021, respectively, the majority of which is included in cost of revenues and the remaining amount in selling and administrative expenses in the condensed consolidated statements of operations. Total operating lease expense was $500,000 and $1.2 million for the three and six months ended October 31, 2020, respectively, the majority of which is included in cost of revenues and the remaining amount in selling and administrative expenses in the condensed consolidated statements of operations.

The table below reconciles the undiscounted cash flows for each of the first five fiscal years and total of the remaining fiscal years to the operating lease liabilities recorded on the unaudited condensed consolidated balance sheet as of October 31, 2021:

Fiscal Year Ending April 30, (in thousands)	
Remainder of 2022	$ 766
2023	1,837
2024	1,849
2025	1,723
2026	1,317
Thereafter	4,174
Total lease payments	11,666
Less imputed interest	(2,282)
Present value of future lease payments	9,384
Less current obligations under leases	(1,779)
Long-term lease obligations	7,605

As of October 31, 2021, the weighted-average remaining lease term for all operating leases was 7.0 years. The Company does not generally have access to the rate implicit in the leases and therefore utilized the Company's borrowing rate as the discount rate. The weighted average discount rate for operating leases as of October 31, 2021 was 6.22%.

FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
(Unaudited)

NOTE G – 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: 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. FEI-Zyfer's products also incorporate precision time references for terrestrial secure communications and command and control, and frequency products that incorporate GPS. 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 ("SAASM") applications.

The Company measures segment performance based on total revenues and profits generated by each geographic location 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 the "Summary of Significant Accounting Policies" in the fiscal year-end financial statements included in the Company's Annual Report on Form 10-K for the fiscal year ended April 30, 2021, filed on June 30, 2021 with the Securities and Exchange Commission. The Company evaluates the performance of its segments and allocates resources to them based on operating profit which is defined as income before investment income, interest expense and taxes. All acquired assets, including intangible assets, are included in the assets of both reporting segments.

FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
(Unaudited)

The tables below present information about reported segments with reconciliation of segment amounts to consolidated amounts as reported in the condensed consolidated statements of operations or the condensed consolidated balance sheets for each of the periods (in thousands):

	Periods ended October 31,			
	Three months		Six months	
	2021	2020	2021	2020
Revenues:				
FEI-NY	$ 10,381	$ 11,156	$ 20,543	$ 20,996
FEI-Zyfer	2,648	3,430	5,783	7,353
less intersegment revenues	(93)	(596)	(436)	(1,409)
Consolidated revenues	$ 12,936	$ 13,990	$ 25,890	$ 26,940
Operating income (loss):				
FEI-NY	$ (64)	$ 41	$ (1,075)	$ (582)
FEI-Zyfer	(132)	306	(99)	667
less intersegment revenues	-		(20)	
Corporate	499	(128)	(191)	(204)
Consolidated operating income (loss)	$ 303	$ 219	$ (1,385)	$ (119)

	October 31, 2021	April 30, 2021
Identifiable assets:		
FEI-NY	$ 36,839	$ 34,869
FEI-Zyfer	11,060	12,888
less intersegment balances	-	-
Corporate	33,479	38,259
Consolidated identifiable assets	$ 81,378	$ 86,016

Total revenue recognized over time as POC and Passage of Title (“POT”) were approximately $12.2 million and $0.7 million, respectively, of the $12.9 million reported for the three months ended October 31, 2021. Total revenue recognized over time as POC and POT were approximately $24.6 million and $1.3 million, respectively, of the $25.9 million reported for the six months ended October 31, 2021. The amounts recognized over time as POC and POT were approximately $12.9 million and $1.1 million, respectively, of the $14.0 million reported for the three months ended October 31, 2020. The amount recognized over time as POC and POT were approximately $24.6 million and $2.3 million, respectively, of the $26.9 million for the six months ended October 31, 2020. The amounts by segment and product line were as follows:

	Three Months Ended October 31,					
	2021 (In thousands)			2020 (In thousands)		
	POC Revenue	POT Revenue	Total Revenue	POC Revenue	POT Revenue	Total Revenue
FEI-NY	$ 9,928	$ 453	$ 10,381	$ 10,235	$ 921	$ 11,156
FEI-Zyfer	2,300	348	2,648	2,706	724	3,430
Intersegment	-	(93)	(93)	(1)	(595)	(596)
Revenue	$ 12,228	$ 708	$ 12,936	$ 12,940	$ 1,050	$ 13,990

FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
(Unaudited)

	Six Months Ended October 31,					
	2021 (In thousands)			2020 (In thousands)		
	POC Revenue	POT Revenue	Total Revenue	POC Revenue	POT Revenue	Total Revenue
FEI-NY	$ 19,529	$ 1,014	$ 20,543	$ 18,857	$ 2,139	$ 20,996
FEI-Zyfer	5,100	683	5,783	5,744	1,609	7,353
Intersegment	-	(436)	(436)	(10)	(1,399)	(1,409)
Revenue	$ 24,629	$ 1,261	$ 25,890	$ 24,591	$ 2,349	$ 26,940

	Periods ended October 31, (in thousands)			
	Three months		Six months	
	2021	2020	2021	2020
Revenues by Product Line:				
Satellite Revenue	$ 6,603	$ 7,576	$ 13,343	$ 14,228
Government Non-Space Revenue	5,099	5,520	10,590	10,855
Other Commercial & Industrial Revenue	1,234	894	1,957	1,857
Consolidated revenues	$ 12,936	$ 13,990	$ 25,890	$ 26,940

NOTE H – INVESTMENT IN MORION, INC.

The Company has an investment in Morion, Inc. (“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 the cost basis. This investment of approximately $800,000 is included in other assets in the accompanying consolidated balance sheets. During the three and six months ended October 31, 2021, the Company acquired product from Morion in the aggregate amount of approximately $34,000 and $120,000, respectively. During the three and six months ended October 31, 2020, the Company acquired product from Morion in the aggregate amount of approximately $118,000 and $268,000, respectively. During the six months ended October 31, 2021 and 2020, the Company received dividends from Morion in the amount of approximately $123,000 and $105,000, respectively, which is included in other income, net in the consolidated statements of operations as part of the FEI-NY segment.

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.

FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
(Unaudited)

NOTE I – FAIR VALUE OF FINANCIAL INSTRUMENTS

The cost, gross unrealized gains, gross unrealized losses, and fair market value of available-for-sale securities at October 31, 2021 and April 30, 2021, respectively, were as follows (in thousands):

	October 31, 2021			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Market Value
Fixed income securities	$ 9,746	$ 313	$ (104)	$ 9,955

	April 30, 2021			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Market Value
Fixed income securities	$ 10,022	$ 393	$ (102)	$ 10,313

The following table presents the fair value and unrealized losses, aggregated by investment type and length of time that individual securities have been in a continuous unrealized loss position (in thousands):

	Less than 12 months		12 Months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
October 31, 2021						
Fixed Income Securities	$ 1,913	$ (22)	$ 1,325	$ (82)	$ 3,238	$ (104)
April 30, 2021						
Fixed Income Securities	$ 1,793	$ (52)	$ 614	$ (50)	$ 2,407	$ (102)

The Company regularly reviews its investment portfolio to identify and evaluate investments that have indications of possible impairment. The Company does not believe that its investments in marketable securities with unrealized losses at October 31, 2021 were other-than-temporary due to market volatility of the security's fair value, analysts' expectations and the Company's ability to hold the securities for a period of time sufficient to allow for any anticipated recoveries in market value.

During the three and six months ended October 31, 2021, the Company sold or redeemed available-for-sale securities of approximately $325,000 and $1.4 million, respectively, realizing gains of approximately $7,000 for the six months ended October 31, 2021.

Maturities of fixed income securities classified as available-for-sale at October 31, 2021 were as follows, at cost (in thousands):

Current	$ 3,154
Due after one year through five years	4,154
Due after five years	2,438
	$ 9,746

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).

FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
(Unaudited)

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 in active markets that the Company has the ability to access.

Level 2 Inputs to the valuation methodology include:
-Quoted prices for similar assets or liabilities in active markets;
-Quoted prices for identical or similar assets or liabilities in inactive markets;
-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 Company's money market, business account, and U.S. securities are valued on a Level 1 basis. The Company's fixed income corporate debt securities and certificates of deposit are valued on a Level 2 basis.

NOTE J – RECENT ACCOUNTING PRONOUNCEMENTS

In January 2017, the Financial Accounting Standards Board ("FASB") issued ASU No. 2017-04, *Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment* ("ASU 2017-04"), which simplifies how an entity is required to test goodwill for impairment by eliminating Step 2 from the goodwill impairment test. Under ASU 2017-04, goodwill impairment will be tested by comparing the fair value of a reporting unit with its carrying amount, and recognizing an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value. The new guidance must be applied on a prospective basis and is effective for periods beginning after December 15, 2022, with early adoption permitted. The Company will not be adopting ASU 2017-04 early, and is in the process of determining the effect that ASU 2017-04 may have. However, the Company expects the new standard to have an immaterial effect on its consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13"), which replaces the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The new guidance is effective for fiscal years beginning after December 15, 2022. The Company is evaluating the effect, if any, the update will have on its consolidated financial statements when adopted in fiscal year 2023.

NOTE K – CREDIT FACILITY

As of October 31, 2021, the Company had available credit with UBS Bank USA at variable terms based on its securities holdings under an advisory arrangement. On April 12, 2020, the Company received proceeds from a loan under the Paycheck Protection Program (the "PPP Loan") in the amount of $4,964,810 from JPMorgan Chase Bank, N.A. as the Lender, pursuant to the Small Business Administration Paycheck Protection Program under the Coronavirus Aid Relief, and Economic Security ("CARES") Act. The PPP Loan was repaid in full on May 6, 2020.

NOTE L – VALUATION ALLOWANCE ON DEFERRED TAX ASSETS

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.

As required by the authoritative guidance on accounting for income taxes, we evaluate the realization of deferred tax assets on a jurisdictional basis at each reporting date. 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. 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 circumstances where there is sufficient negative evidence indicating that the deferred tax assets will not be realizable, we establish a valuation allowance. As of October 31, 2021, and April 30, 2021, the Company maintained a full valuation allowance against its deferred tax assets. If these estimates and assumptions change in the future, the Company may be required to adjust its existing valuation allowance resulting in changes to deferred income tax expense.

FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
(Unaudited)

NOTE M – COMMITMENTS AND CONTINGENCIES

On January 28, 2020, Martin B. Bloch, the former Chief Scientist of the Company and a former member of the Company's Board of Directors (the "Board"), filed a complaint against the Company and Jonathan Brolin, Lance W. Lord, Russell M. Sarachek, Richard Schwartz and Stanton D. Sloane, each in their capacity as members of the Board (collectively, the "Director Defendants"), in the Supreme Court of the State of New York, County of Nassau (*Bloch v. Frequency Electronics, Inc., et al*., Index No. 601369/2020 (N.Y. Sup. Ct. filed Jan. 28, 2020)). Mr. Bloch sought compensatory damages and costs and attorney's fees, among other things, based on allegations that he was wrongfully terminated "for cause" pursuant to his employment agreement, dated March 17, 2008, and that the Company and the Director Defendants discriminated against him based on his age. Mr. Bloch had originally also sought a declaratory judgment and claims for damage to his reputation and a derivative claim on behalf of the Company alleging that the Director Defendants breached their fiduciary duty in rendering their decision to terminate Mr. Bloch's employment with the Company. However, Mr. Bloch removed those claims from a subsequently filed amended complaint after the Company and the Director Defendants moved to dismiss them. On June 11, 2020, the Company and the Director Defendants filed their answer to the amended complaint. Mr. Bloch filed a motion for summary judgment on June 23, 2020, which the Company and the Director Defendants opposed on July 10, 2020. Mr. Bloch's motion sought an order that the Company was liable for breach of his employment agreement because he purportedly resigned from the Company before he was terminated. On July 10, 2020, the Company and the Director Defendants opposed Mr. Bloch's motion and also filed a motion for summary judgment seeking the dismissal of all claims in Mr. Bloch's amended complaint. On September 23, 2020, the Court denied Mr. Bloch's motion for summary judgment. It also granted the Company and the Director Defendants' motion for summary judgment as to all claims, except for one claim for breach of contract against the Company. On October 23, 2020, the Company filed a brief with the Appellate Division, Second Department, seeking a reversal of the lower court's order to the extent that it denied the Company's summary judgment motion on the breach of contract claim. Mr. Bloch filed its responsive brief on November 20, 2020.

In addition, Mr. Bloch sought to initiate two arbitration proceedings under the AAA Rules (*Bloch v. Frequency Electronics, Inc., the Compensation Committee of the Board of Directors of Frequency Electronics, Inc., and the Deferred Compensation Plan Agreement Dated March 7, 2008*). One arbitration was brought under a deferred compensation agreement dated March 27, 1980 and the other under a second amended and restated deferred compensation agreement, dated March 7, 2008. Bloch submitted his Statements of Claim in both arbitrations on May 4, 2020. In both proceedings, Mr. Bloch claimed that defendants violated ERISA rules by denying him deferred compensation benefits. He sought an award for allegedly past due deferred compensation benefits plus interest, clarification as to his future rights to deferred compensation benefits, and attorneys' fees and costs.

On June 2, 2020, the Company filed a petition for a stay of arbitration and related declaratory relief against Mr. Bloch, in the Supreme Court of the State of New York, New York County (*Frequency Electronics, Inc. v. Martin B. Bloch*, Index No. 652191/2020 (N.Y. Sup. Ct. filed June 2, 2020)). The Company claimed that Mr. Bloch could not arbitrate his claims for deferred compensation because he did not timely appeal the Company's denial of those claims, and because he failed to comply with the arbitration procedures in the applicable deferred compensation agreement. Mr. Bloch filed a motion on June 16, 2020 seeking a change of venue to the County of Nassau, which the Company opposed on July 7, 2020. The Court granted Mr. Bloch's motion on September 8, 2020. The case was therefore transferred to the County of Nassau, and assigned to the same Judge hearing the other cases between the parties (*Frequency Electronics, Inc. v. Martin B. Bloch*, Index No. 611405/2020). In its order dated February 10, 2021 and entered on February 16, 2021, the Court denied the Company's petition for a stay of arbitration and ordered the parties to proceed to arbitration. On February 16, 2021, the Company filed a Notice of Appeal of that order.

On June 5, 2020, Mr. Bloch filed a petition against the Company, the Compensation Committee of the Company's Board, and the Deferred Compensation Plan Agreement Dated March 7, 2008, as amended ("Respondents"), for the appointment of an arbitrator in one of the arbitration proceedings that Mr. Bloch sought to initiate. The petition was filed in the Supreme Court of the State of New York, County of Nassau *(Bloch v. Frequency Electronics, Inc. et al.*, Index No. 605380/2020 (N.Y. Sup. Ct. filed June 5, 2020)). On June 22, 2020, Respondents moved to dismiss Mr. Bloch's petition, and he opposed the motion on July 2, 2020. In its orders dated February 10, 2021 and entered on February 16, 2021, the Court granted Mr. Bloch's petition for the appointment of an arbitrator, denied the Company's motion to dismiss that petition, and denied a motion previously filed by the Company for an interim stay of arbitration. On February 16, 2021, the Company filed a Notice of Appeal of those orders.

The arbitration panel in the arbitrations initiated by Mr. Bloch was constituted in March 2021. The same panel served in both arbitrations. On May 6, 2021, Respondents submitted a motion to dismiss the arbitrations on the grounds that Mr. Bloch's claims are not arbitrable.

On August 25, 2021, the Company settled the aforementioned disputes with Mr. Bloch. Under the Agreement on Material Terms of Settlement (the “Settlement Terms”), dated August 25, 2021, between and among the Company, the Director Defendants, and the Compensation Committee, in its capacity as administrator under the deferred compensation agreements, and Mr. Bloch and certain members of Mr. Bloch’s family, in full and complete settlement of all claims asserted and all sums sought by Mr. Bloch in the litigation and arbitration proceedings, the Company has agreed to pay Mr. Bloch $6 million on or before September 24, 2021. Prior to the termination of Mr. Bloch’s employment and commencement of the litigation and arbitration proceedings, the Company had been regularly accruing amounts pertaining to Mr. Bloch’s post-employment deferred compensation retirement benefits. As of July 31, 2021, the Company had accrued $6 million for deferred compensation and contingent liability in connection with the settlement with Mr. Bloch. The settlement resulted in a net expense of $650,000 to the Company and will eliminate further legal expenses with respect to the dispute between Mr. Bloch and the Company. This net expense for financial statement purposes has been recognized in selling and administrative expenses on the Condensed Consolidated Statements of Operations for the three months ended July 31, 2021.

Item 2. 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 quarterly report on Form 10-Q 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 health epidemics and pandemics, including the COVID-19 pandemic and similar outbreaks, such as their impact on our financial condition and results of operations and on our ability to continue manufacturing and distributing our products, and the impact of health epidemics and pandemics on general economic conditions, including any resulting recession, our inability to integrate operations and personnel, actions by significant customers or competitors, general domestic and international economic conditions, reliance on key customers, continued acceptance of the Company's products in the marketplace, competitive factors, new products and technological changes, product prices and raw material costs, dependence upon third-party vendors, competitive developments, changes in manufacturing and transportation costs, the availability of capital, and the outcome of any litigation and arbitration proceedings. The factors listed above are not exhaustive. Other sections of this Form 10-Q and in the Company's Annual Report on Form 10-K for the fiscal year ended April 30, 2021, filed on June 30, 2021 with the Securities and Exchange Commission 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-Q 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 Policies and Estimates

The Company's significant accounting policies are described in Note 1 to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the fiscal year ended April 30, 2021, filed on June 30, 2021 with the Securities and Exchange Commission. 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 and the market value of its products. Changes in estimates can have a material impact on the Company's financial position and results of operations. The Company's significant accounting policies did not change during the three and six months ended October 31, 2021.

Revenue Recognition

Revenue is recognized when a performance obligation is satisfied, which is when the expected 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 revenue from contracts with customers by units sold with specific specifications and frequencies that are used by a specific customer and contracts where the end user is the government. The Company's contracts typically include one performance obligation which is satisfied by shipped projects and completed services/reports required in the contract. Control over these performance obligations passes to the customer over time and therefore these revenues 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 and status of the contract. The effect of any change in the estimated gross margin rate ("GM 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.

For smaller contracts or orders, sales of products and services to customers are reported in operating results based upon (i) shipment of the product or (ii) performance of the services pursuant to terms of the customer order. When payment is contingent upon customer acceptance of the installed system, revenue is deferred until such acceptance is received and installation completed. The Company's products generally carry a one-year warranty, but may vary based on the contract terms.

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. The Company evaluates the amount of development risk associated with new contracts which entail the development of new or significantly modified products and incorporates additional costs to cover these risks. These are estimates based on the company's best judgement, but because this entails estimations based on products not heretofore developed, there is risk that the estimates may ultimately prove to be incorrect and that costs are impacted.

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

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. Any changes arising from revised expectations are reflected in cost of revenues in the period the revision is made.

COVID-19 Pandemic Update and CARES Act

The Company's priority during the COVID-19 pandemic has been to protect the health and safety of its employees while remaining operational. Within the limitations imposed by governmental health and safety procedures, the Company has continued to manufacture its full range of products at its facilities. The Company has educated employees about COVID-19 symptoms and hygiene best practices. The Company's policies also include taking an employee's temperature before entering facilities; mandating handwashing and use of hand sanitizer; requiring social distancing and face coverings; encouraging, and in some cases, requiring remote work for those employees who can work from home; and disinfecting facilities. In addition, unvaccinated employees are required to be tested weekly and show negative results in order to work in the facility. Visitors, contractors, customers and other personnel are required to show proof of vaccination in order to be admitted.

As of October 31, 2021, the Company was aware of fifteen employees that have had confirmed cases of COVID-19 since the pandemic began, with one fatality. Additional employees have been absent or self-quarantined due to possible COVID-19 exposure, although not having tested positive. Since the COVID-19 pandemic began, facilities have remained open except for needing to temporarily vacate certain areas for cleaning and disinfecting following employees either testing positive for COVID-19 or because they had been exposed or possibly exposed to third parties who were positive. Certain Company vendors have been unable to deliver materials on time due to COVID-19 related impacts to their workforces or their supply chains. These delays have impacted the Company's production schedules and increased costs associated with procurement of materials and services. The Company continues to monitor these and its other vendors and seek alternative sources of supply, which, in some cases, are being established. The Company also believes the pandemic has impacted customers, resulting in delays with respect to anticipated new orders due to COVID-19 related administrative delays.

The full impact of the COVID-19 pandemic continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic may have on the Company's financial condition, liquidity, and future results of operations. Management is actively monitoring the impact of the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the changing dynamics of the pandemic, it is not possible for the Company to estimate potential future effects on its operations, financial condition, or liquidity.

On March 27, 2020, President Trump signed into law the "Coronavirus Aid, Relief, and Economic Security (CARES) Act." The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions, and technical corrections to tax depreciation methods for qualified improvement property. The CARES Act also appropriated funds for the Small Business Administration (SBA) Paycheck Protection Program loans that are forgivable in certain situations to promote continued employment, as well as Economic Injury Disaster Loans to provide liquidity to small businesses harmed by the COVID-19 pandemic. The Company received a PPP Loan in April 2020, which it repaid in full in May 2020. For more detail regarding the Company's PPP Loan, see Note 8 in Part II, Item 8 of the Annual Report on Form 10-K for the fiscal year ended April 30, 2021.

FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES
(Continued)

RESULTS OF OPERATIONS

The table below sets forth for the three and six months ended October 31, 2021 and 2020, respectively, the percentage of consolidated revenues represented by certain items in the Company's condensed consolidated statements of operations or notes to the condensed consolidated financial statements:

	Three months		Six months	
	Periods ended October 31,			
	2021	2020	2021	2020
Revenues				
FEI-NY	80.2%	79.7%	79.3%	77.9%
FEI-Zyfer	20.5	24.5	22.3	27.3
Less intersegment revenues	(0.7)	(4.2)	(1.6)	(5.2)
	100.0	100.0	100.0	100.0
Cost of revenues	68.4	62.0	68.5	65.1
Gross margin	31.6	38.0	31.5	34.9
Selling and administrative expenses	18.6	29.5	26.3	27.3
Research and development expenses	10.7	7.0	10.6	8.1
Operating income (loss)	2.3	1.5	(5.4)	(0.5)
Other income (loss), net	1.5	0.9	1.2	0.8
Provision for income taxes	0.0	0.1	-	0.1
Net income (loss)	3.8%	2.5%	(4.2)%	0.4%

Revenues

	Three months				Six months			
	Periods ended October 31, (in thousands)							
Segment	2021	2020	Change		2021	2020	Change	
FEI-NY	$ 10,381	$ 11,156	$ (775)	(6.9)%	$ 20,543	$ 20,996	$ (453)	(2.2)%
FEI-Zyfer	2,648	3,430	(782)	(22.8)	5,783	7,353	(1,570)	(21.4)
Intersegment revenues	(93)	(596)	503	(84.4)	(436)	(1,409)	973	(69.1)
	$ 12,936	$ 13,990	$ (1,054)	(7.5)%	$ 25,890	$ 26,940	$ (1,050)	(3.9)%

For the three months ended October 31, 2021 revenues from commercial and U.S. Government satellite programs accounted for approximately 51% of consolidated revenues compared to approximately 54% of consolidated revenues during this same period in fiscal year 2021. Revenues on these contracts are recognized primarily under the POC method. Revenues from the satellite market are recorded in the FEI-NY segment. Revenues from non-space U.S. Government/Department of Defense customers, which are recorded in both the FEI-NY and FEI-Zyfer segments, accounted for approximately 39% of consolidated revenues for both the three months ended October 31, 2021 and 2020. Other commercial and industrial revenues for the three months ended October 31, 2021 were $1.2 million and represented approximately 10% of consolidated revenues compared to $0.9 million, or 6% of consolidated revenues, in the same period of the prior fiscal year.

For the six months, ended October 31, 2021 revenues from commercial and U.S. Government satellite programs accounted for approximately 52% of consolidated revenues compared to approximately 53% of consolidated revenues during this same period in fiscal year 2021. Revenues on these contracts are recognized primarily under the POC method. Revenues from the satellite market are recorded in the FEI-NY segment. Revenues from non-space U.S. Government/Department of Defense ("DOD") customers, which are recorded in both the FEI-NY and FEI-Zyfer segments accounted for approximately 40% of consolidated revenues for the six months ended October 31, 2021 and 2020. Other commercial and industrial revenues for the six months ended October 31, 2021 were $2.0 million and represented approximately 8% of consolidated revenues compared to $1.9 million, or 7% of consolidated revenues, in the same period of the prior fiscal year.

FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES
(Continued)

Gross Margin

	Three months				Six months			
	Periods ended October 31, (in thousands)							
	2021	2020	Change		2021	2020	Change	
	$ 4,091	$ 5,322	$ (1,231)	(23.1)%	$ 8,152	$ 9,410	$ (1,258)	(13.4)%
GM Rate	31.6%	38.0%			31.5%	34.9%		

For the three and six-month periods ended October 31, 2021, gross margin and GM Rate decreased as compared to the same periods in fiscal year 2021. The decrease in gross margin and GM Rate was due to increased engineering costs on development phase programs that experienced particularly complex technical challenges, as well as cost impacts on several programs resulting from supply chain problems. Lack of availability of parts and materials and/or quality problems with traditional vendors resulted in the need to redesign certain electronic units to replace unavailable parts with different parts that were available in order to maintain contract delivery schedules. In several cases, re-procurement of circuit boards and mechanical parts was necessitated by quality issues in the supply chain, further contributing to increased costs.

Selling and Administrative Expenses

Three months				Six months			
Periods ended October 31, (in thousands)							
2021	2020	Change		2021	2020	Change	
$ 2,411	$ 4,124	$ (1,713)	(41.5)%	$ 6,805	$ 7,352	$ (547)	(7.4)%

For the three months ended October 31, 2021 and 2020, SG&A expenses were approximately 19% and 30%, respectively, of consolidated revenues. For the six months ended October 31, 2021 and 2020, selling and administrative ("SG&A") expenses were approximately 26% and 27%, respectively, of consolidated revenues. The decrease in SG&A expenses is mainly due to the decrease in professional fees. With the previously announced settlement of litigation with the Company's former Chief Scientist and former members of the Board of Directors, we expect this trend to continue as expenses normalize.

Research and Development Expenses

Three months				Six months			
Periods ended October 31, (in thousands)							
2021	2020	Change		2021	2020	Change	
$ 1,377	$ 979	$ 398	40.7%	$ 2,732	$ 2,177	$ 555	25.5%

Research and development ("R&D") expenditures represent investments intended to keep the Company's products at the leading edge of time and frequency technology and enhance future competitiveness. The R&D rate for the three-month period ended October 31, 2021 was 11% of sales compared to 7% of sales for the same period of the previous fiscal year. The R&D rate for the six-month period ended October 31, 2021 was 11% of sales compared to 8% of sales for the same period of the previous fiscal year. R&D increases in the first and second quarters of fiscal 2022 were due to higher than usual level of internal R&D associated with investments the Company is making in new technology developments related to atomic clocks and low-noise oscillators that are intended to produce long-term increases in revenue and position the Company to compete in the market place with next generation products. The Company plans to continue to invest in R&D to keep its products at the state of the art.

FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES
(Continued)

Operating Income (Loss)

Three months				Six months			
Periods ended October 31, (in thousands)							
2021	2020	Change		2021	2020	Change	
$ 303	$ 219	$ 84	38.4%	$ (1,385)	$ (119)	$ (1,266)	NM

During the three-month period ended October 31, 2021, the Company reported an operating profit based upon reduced professional fees as a result of previously announced settlement of litigation with the Company's former Chief Scientist and former members of the Board of Directors. The Company's results for the six-month period ended October 31, 2021 reflects the increased professional fees and charges related to litigation. During both periods the Company experienced increased supply chain costs and delays.

Other Income (Expense), net

	Three months				Six months			
	Periods ended October 31, (in thousands)							
	2021	2020	Change		2021	2020	Change	
Investment income	$ 98	$ 50	$ 48	96.0%	$ 191	$ 157	$ 34	21.7%
Interest expense	(20)	(36)	16	(44.4)%	(40)	(75)	35	(46.7)%
Other income (expense), net	118	113	5	4.4%	158	129	29	22.4%
	$ 196	$ 127	$ 69	54.3%	$ 309	$ 211	$ 98	46.4%

Investment income is derived primarily from the Company's holdings of marketable securities. Earnings on securities may vary based on fluctuating interest rates, dividend payout levels, and the timing of purchases, sales, redemptions or maturities of securities. For the six-month period ended October 31, 2021 investment income includes a $123,000 dividend from Morion, compared to a $105,000 dividend from Morion in the same period in fiscal 2021.

Income Tax Provision

Three months				Six months			
Periods ended October 31, (in thousands)							
2021	2020	Change		2021	2020	Change	
$ 2	$ 17	$ (15)	(88.2)%	$ 2	$ 25	$ (23)	(92.0)%

	Three months		Six months	
	Periods ended October 31,			
	2021	2020	2021	2020
Effective tax rate on pre-tax book income (loss):	0.4%	4.9%	(0.2)%	27.2%

The estimated annual effective tax rate for the fiscal year ending April 30, 2022 is 0%. This calculation reflects estimated income tax expense based on our current year annual pretax income forecast which is offset by the estimated change in the current year valuation allowance. The Company maintains a full valuation allowance against its deferred tax assets.

For the three months ended October 31, 2021, the Company recorded an income tax provision of $1,504. For the three months ended October 31, 2020, the Company recorded an income tax provision of $17,000, which includes a discrete income tax provision of $9,000 primarily related to an accrual of interest for unrecognized tax benefits.

For the six months ended October 31, 2021, the Company recorded an income tax provision of $2,250. For the six months ended October 31, 2020, the Company recorded a discrete income tax provision of $25,000, primarily related to an accrual of interest for unrecognized tax benefits.

The effective tax rate for the three months ended October 31, 2021 is an income tax provision of 0.4% on pretax income of $499,000 compared to an income tax provision of 4.9% on pretax income of $346,000 in the comparable prior fiscal year period. The effective tax rate for the three months ended October 31, 2021 differs from the U.S. statutory rate of 21% primarily due to state taxes and domestic losses for which the Company is not recognizing an income tax benefit.

The effective tax rate for the six months ended October 31, 2021 is an income tax provision of (0.2) % on a pretax loss of $1.1 million compared to an income tax provision of 27.2% on pretax income of $92,000 in the comparable prior fiscal year period. The effective tax rate for the six months ended October 31, 2021 differs from the U.S. statutory rate of 21% primarily due to state taxes and domestic losses for which the Company is not recognizing an income tax benefit.

LIQUIDITY AND CAPITAL RESOURCES

The Company's consolidated balance sheet continues to reflect a strong working capital position of $40.5 million at October 31, 2021 and $40.6 million at April 30, 2021. Included in working capital at October 31, 2021 and April 30, 2021 was $20.6 million and $20.1 million, respectively, consisting of cash, cash equivalents, and marketable securities. The Company's current ratio at October 31, 2021 was 5.0 to 1 compared to 6.0 to 1 as of April 30, 2021.

Net cash provided by operating activities for the six-month periods ended October 31, 2021 and 2020 was $1.7 million and $1.9 million, respectively. The decrease in cash flow in the fiscal 2022 period resulted mainly due to an increase in net loss and non-cash adjustments offset by a decrease in receivables and other assets. For the six-month periods ended October 31, 2021 and 2020, the Company incurred approximately $2.8 million and $2.6 million, respectively, of non-cash operating expenses including ROU assets and liabilities for leases, loss provision accrual, depreciation and amortization, inventory reserve adjustments, deferred compensation, and accruals for employee benefit programs. During the fiscal year the Company billed milestones on certain newer contracts that require longer lead times to procure materials and parts required to complete the projects. It has not been determined if this will occur going forward on new contracts or if it is specifically related to the current projects.

Net cash used in investing activities for the six-month periods ended October 31, 2021 and 2020 was $845,000 and $169,000, respectively. During the six months ended October 31, 2021 marketable securities were sold or redeemed in the amount of $1.4 million compared to $1.5 million for the same period of fiscal year 2021. During the six months ended October 31, 2021 approximately $1.2 million of marketable securities were purchased compared to $900,000 for the same period of fiscal year 2021. The Company acquired property, plant and equipment in the amount of approximately $1.1 million and $800,000 for the six-month periods ended October 31, 2021 and 2020, respectively. The Company may continue to invest in cash equivalents as dictated by its investment strategy.

There was no cash used in financing activities for the six months ended October 31, 2021 compared to approximately $2.0 million of net cash used in financing activities related to the repayment of the PPP Loan and the amounts borrowed against the Company's line of credit with UBS Bank USA for the six months ended October 31, 2020.

The Company has been authorized by its Board to repurchase up to $5 million worth of shares of its common stock when appropriate opportunities arise. As of October 31, 2021, the Company has repurchased approximately $4 million of its common stock out of the $5 million authorization. For the three and six months ended October 31, 2021 and 2020 there were no repurchases of shares.

The Company will continue to expend resources to develop, improve and acquire products for space applications, guidance and targeting systems, and communication systems which 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.

As of October 31, 2021, the Company's consolidated funded backlog was approximately $38 million compared to $40 million at April 30, 2021, the end of fiscal year 2021. Approximately 82% of this backlog is expected to be realized in the next twelve months. As of October 31, 2021, there were no amounts included in backlog under cost-plus fixed-fee contracts that have not been funded. The Company excludes from backlog any contracts or awards for which it has not received authorization to proceed. On fixed price contracts, the Company excludes any unfunded portion. Over time, as partially funded contracts become fully funded, the Company will add the additional funding to its backlog. The backlog is subject to change for various reasons, including possible cancellation of orders, change orders, terms of the contracts 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.

The Company believes that its liquidity is adequate to meet its operating and investment needs through at least December 15, 2022 and the foreseeable future.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on the Company's financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Not applicable to smaller reporting companies.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company's management, with the participation of the Company's chief executive officer and chief financial officer, has evaluated the effectiveness of the Company's 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")) 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 October 31, 2021, 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.

Changes in Internal Control over Financial Reporting

There were 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 three months ended October 31, 2021 to which this report relates that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

On August 25, 2021, the Company settled its previously disclosed disputes with Martin B. Bloch, the former Chief Scientist of the Company and a former member of the Company's Board. Under the previously disclosed Agreement on Material Terms of Settlement (the "Settlement Terms"), dated August 25, 2021, between and among the Company, Jonathan Brolin, Lance W. Lord, Russell M. Sarachek, Richard Schwartz and Stanton D. Sloane, each in their capacity as members of the Board (collectively, the "Director Defendants"), and the Company's Compensation Committee, in its capacity as administrator under the deferred compensation agreements, and Mr. Bloch and certain members of Mr. Bloch's family, in full and complete settlement of all claims asserted and all sums sought by Mr. Bloch in the litigation and arbitration proceedings, the Company agreed to pay Mr. Bloch $6 million on or before September 24, 2021.

Consistent with the Settlement Terms, on September 21, 2021, the Company, the Director Defendants, the Company's Compensation Committee and Mr. Bloch and certain members of Mr. Bloch's family entered into a formal written settlement agreement, providing for the Company's payment of $6 million in full and complete settlement of all claims asserted and all sums sought by Mr. Bloch in the litigation and arbitration proceedings. This settlement agreement concludes all previously disclosed disputes between Mr. Bloch and the Company, the Director Defendants and the Company's Compensation Committee. Prior to the termination of Mr. Bloch's employment and commencement of the litigation and arbitration proceedings, the Company had been regularly accruing amounts pertaining to Mr. Bloch's post-employment deferred compensation retirement benefits. As of July 31, 2021, the Company had accrued $6 million for deferred compensation and contingent liability in connection with the settlement with Mr. Bloch. The settlement resulted in a net expense of $650,000 to the Company and eliminates further legal expenses with respect to the dispute between Mr. Bloch and the Company. This net expense for financial statement purposes was recognized in selling and administrative expenses on the Condensed Consolidated Statements of Operations for the three months ended July 31, 2021. Additionally, the settlement agreement includes general releases between and among the parties to the agreement. As reflected in the settlement agreement, the settlement is not an admission of any wrongdoing by the Company

Item 6. Exhibits

10.1	Settlement and Release Agreement, dated September 21, 2021, by and among Martin B. Bloch, Tatiana Bloch, Anna Sophia Bloch, a minor, by her guardian Martin B. Bloch, Anna Kochurova, Valery Kacharau, Jerry Bloch, Helen Bloch, Marlon Bishop, Chloe Bishop, Megan Wylie, the Company, the Compensation Committee of the Board of Directors of the Company, Dr. Stanton D. Sloane, Richard Schwartz, Gen. Lance W. Lord, USAF (ret.), Jonathan Brolin, and Russell M. Sarachek.
31.1 -	Certification by the Chief Executive Officer pursuant to Rule 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2 -	Certification by the Chief Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32 -	Certifications by the Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101-	The following materials from the Frequency Electronics, Inc. Quarterly Report on Form 10-Q for the quarter ended October 31, 2021 formatted in eXtensible Business Reporting Language (XBRL): (i) Cover Page, (ii) Condensed Consolidated Balance Sheets, (iii) Condensed Consolidated Statements of Operations and Comprehensive Loss, (iv) Condensed Consolidated Statements of Cash Flows, (v) Condensed Consolidated Statements of Changes in Stockholders' Equity and (vi) Notes to Condensed Consolidated Financial Statements. The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within Inline XBRL document.
104-	Cover Page Interaction Data File (formatted as inline XBRL and contained in Exhibit 101).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

FREQUENCY ELECTRONICS, INC.
(Registrant)

Date: December 14, 2021

By: /s/ Steven L. Bernstein
Steven L. Bernstein
Chief Financial Officer, Secretary and Treasurer
Signing on behalf of the registrant and as principal financial officer

Exhibit 10.1

<u>SETTLEMENT AND RELEASE AGREEMENT</u>

This Settlement and Release Agreement ("Agreement") is entered into between, by and among (a) Martin B. Bloch ("Bloch"); (b) Tatiana Bloch, Anna Sophia Bloch, a minor, by her guardian Martin B. Bloch, Anna Kochurova, Valery Kacharau, Jerry Bloch, Helen Bloch, Marlon Bishop, Chloe Bishop, and Megan Wylie (the nine preceding individuals referred to collectively as the "Bloch-Related Parties"); (c) Frequency Electronics, Inc. ("FEI"); and (d) the Compensation Committee of the Board of Directors of FEI, in its capacity as administrator of the deferred compensation plan agreements between Martin B. Bloch and FEI (the "Compensation Committee"), the Deferred Compensation Plan, dated March 27, 1980, as amended (the "1980 Plan"), the Deferred Compensation Plan, dated March 7, 2008, as amended and restated (the "2008 Plan"), Dr. Stanton D. Sloane, Richard Schwartz, Gen. Lance W. Lord, USAF (ret.), Jonathan Brolin, and Russell M. Sarachek (the eight preceding entities, Plans, and individuals referred to collectively as the "FEI-Related Parties"). Bloch, the Bloch-Related Parties, FEI, and the FEI-Related Parties may be referred to collectively as the "Parties."

<u>RECITALS</u>

WHEREAS, Bloch is the founder and former President, Chief Executive Officer, and Chief Scientist of FEI, and the former Executive Chairman of the Board of Directors of FEI;

WHEREAS, Bloch was employed by FEI pursuant to an Employment Agreement, dated March 17, 2008, as amended ("Employment Agreement");

WHEREAS, Bloch and FEI were also parties to an Agreement, dated March 27, 1980, as amended, and an Amended and Restated Agreement, dated March 7, 2008, as amended and restated, each relating to deferred compensation (the 1980 Plan Agreement and the 2008 Plan Agreement referred to collectively as the "Deferred Compensation Agreements");

WHEREAS, a dispute has arisen between FEI and Bloch regarding the FEI Board of Directors' termination of his employment on January 27, 2020, and the related denial of deferred compensation under the Deferred Compensation Agreements (the "Dispute"), which Dispute has given rise to the following legal and arbitral proceedings:

(a) a civil action captioned *Bloch v. Frequency Electronics, Inc*., Index No. 601369/2020 (Sup. Court, Nassau County) (DeStefano, J.) (the "Employment Action"), including FEI's appeal of a decision dated September 10, 2020 in the Employment Action, bearing Docket No. 2020-07637 (the "Appeal"), pending in Supreme Court, Appellate Division, Second Department;

(b) a special proceeding captioned *Application of Martin B. Bloch for the Appointment of an Arbitrator*, Index No. 605380/2020 (Sup. Court, Nassau County) (DeStefano, J.) ("Special Proceeding I"), including FEI's appeal of a decision dated February 10, 2021 in Special Proceeding I, bearing Docket Nos. 2021-01336 and 2021-01338 ("Special Proceeding I Appeal"), pending in Supreme Court, Appellate Division, Second Department;

(c) a special proceeding captioned *Application of Frequency Electronics, Inc. for a Judgment Staying Arbitration and Related Declaratory Relief*, Index No. 611405/2020 (Sup. Court, Nassau County) (DeStefano, J.) ("Special Proceeding II"), including FEI's appeal of a decision dated February 10, 2021 in Special Proceeding II, bearing Docket No. 2021-01333 ("Special Proceeding II Appeal"), pending in Supreme Court, Appellate Division, Second Department; and

(d) two arbitration proceedings brought pursuant to the Deferred Compensation Agreements, administered by the American Arbitration Association ("AAA") and consolidated for hearing under AAA Case No. 01-20-0005-4627 (the "Arbitration Proceeding");

The Employment Action, the Appeal, Special Proceeding I, Special Proceeding I Appeal, Special Proceeding II, Special Proceeding II Appeal, and the Arbitration Proceeding are referred to, collectively, as the "Legal Proceedings".

WHEREAS, on August 25, 2021, the Parties entered into an Agreement on Material Terms of Settlement, reflecting their binding agreement on the material terms of a settlement of the Dispute and the Legal Proceedings, which, among other things, indicated that the Parties intended to be bound by the terms of the Agreement on Material Terms of Settlement, notwithstanding their intention to enter into a written settlement agreement setting forth such expanded or additional terms as may be agreed upon; and

WHEREAS, the Parties now desire to enter into this Agreement to supersede and replace the Agreement on Material Terms of Settlement, and to settle the Dispute and the Legal Proceedings, subject to the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the premises, mutual covenants, and conditions herein contained, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties agree to the following:

1. Recitals. The foregoing recitals are incorporated in and constitute an integral part of this Agreement.

2. Payment. Subject to applicable withholdings and deductions, FEI will pay Bloch the sum of $6,000,000.00, by wire transfer to:

Bank Name: [***]
ABA: [***]
Account [***]
Account Name: [***]
For Further Credit to: [***]

no later than September 24, 2021, time being of the essence ("Payment"). The Payment is in satisfaction of Bloch's claims for damages in the Employment Litigation and the Arbitration Proceeding, including without limitation claims for breaching the Employment Agreement, breaching the Deferred Compensation Agreements, age discrimination, and loss of goodwill and reputation.

3. Termination of Agreements. The Parties acknowledge and agree that, upon delivery of the Payment, the Employment Agreement and Deferred Compensation Agreements are terminated and no longer of any force or effect, and Bloch and FEI shall have no further obligations to each other thereunder; provided, however, that nothing in this Agreement affects any confidentiality or non-disclosure provisions contained in those agreements, which obligations shall continue in accordance with the terms set forth in such agreements.

4. Discontinuance of the Legal Proceedings With Prejudice. Bloch, FEI, and the FEI-Related Parties agree that, upon delivery of the Payment, the Legal Proceedings shall be discontinued, with prejudice and without costs to any party. Simultaneous with execution of this Agreement, attorneys for Bloch, FEI, and the FEI-Related Parties will execute Stipulations of Discontinuance, in the forms annexed hereto as Schedule "A". Counsel for FEI and the FEI-Related Parties will cause such Stipulations to be filed following issuance of the Payment to Bloch.

5. Additional Documentation. Each Party agrees to execute and provide to the other Parties or their counsel any additional or further documentation that may be reasonably necessary to carry out the obligations in, or otherwise to effectuate the intent and purpose of, this Agreement.

6. Definition of Claims. For purposes of this Agreement, "Claim" includes each, every, any, and all claims, rights, fees, controversies, investigations, demands, damages, judgments, executions, actions, suits, causes of action, liabilities, debts, dues, sums of money, accounts, reckonings, bonds, bills, specialities, convenants, contracts, agreements, promises, torts, variances, trespasses, extents, and demands whatsoever, whether known or unknown, whether suspected or unsuspected, and whether based on facts known or unknown, of any kind or nature whatsoever and whether arising at law, pursuant to statute, or in equity, which a releasing Party may have had, may now have, or may anytime in the future claim to have or have had against any released Party, relating to, arising out of, or in connection with any and all facts, acts or omissions from the beginning of time through the Effective Date, EXCEPT for any and all claims arising out of this Agreement.

7. General Release by Bloch of FEI and FEI-Related Parties. In consideration of this Agreement, and other good and valuable consideration, the receipt and adequacy of which is acknowledged, Bloch, on behalf of himself, his spouse, heirs, successors, and assigns, waives, releases, and discharges FEI and the FEI-Related Parties, and each of their current and former subsidiaries, affiliates, directors, officers, employees, attorneys, agents, predecessors, successors and assigns, from and with respect to any and all Claims, including, but not limited to, any and all Claims, known or unknown, arising out of or relating to (1) all matters arising out of or relating to the Legal Proceedings, and (2) Bloch having been employed by or having served as an officer or director or in any other capacity of FEI, EXCEPT for any and all claims arising out of this Agreement.

Bloch acknowledges that he is aware that he may hereafter discover Claims presently unknown or unsuspected, or facts in addition to or different from those which he now knows or believes to be true, with respect to the matters released herein or any other matters. Nevertheless, it is his express and knowing intention in executing this Release fully, finally and forever to settle and release all such matters, and all Claims relating thereto, known or unknown, which exist, hereafter may be discovered to have existed, or might have existed, EXCEPT for any and all claims arising out of this Agreement.

8. General Release by FEI and FEI-Related Parties of Bloch. In consideration of this Agreement, and other good and valuable consideration, the receipt and adequacy of which is acknowledged, FEI and the FEI-Related Parties waive, release, and discharge Bloch, his spouse, heirs, successors, attorneys, agents, and assigns, from and with respect to any and all Claims, including, but not limited to, any and all Claims, known or unknown, arising out of or relating to (1) all matters arising out of or relating to the Legal Proceedings, and (2) Bloch having been employed by or having served as an officer or director or in any other capacity of FEI, EXCEPT for and any all claims arising out of this Agreement.

FEI acknowledges that it is aware that it may hereafter discover Claims presently unknown or unsuspected, or facts in addition to or different from those which it now knows or believes to be true, with respect to the matters released herein or any other matters. Nevertheless, it is FEI's and the FEI-Related Parties' express and knowing intention in executing this Release fully, finally and forever to settle and release all such matters, and all Claims relating thereto, know or unknown, which exist, hereafter may be discovered to have existed, or might have existed, EXCEPT for any and all claims arising out of this Agreement.

9. General Release by FEI of Bloch-Related Parties. In consideration of this Agreement and other good and valuable consideration, the receipt and sufficiency of which is acknowledged, FEI waives, releases and discharges each of the Bloch-Related Parties from and with respect to any and all Claims, EXCEPT for any and all claims arising out of this Agreement.

FEI acknowledges that it is aware that it may hereafter discover Claims presently unknown or unsuspected, or facts in addition to or different from those which it now knows or believes to be true, with respect to the matters released herein or any other matters. Nevertheless, it is FEI's express and knowing intention in executing this Release fully, finally and forever to settle and release all such matters, and all Claims relating thereto, know or unknown, which exist, hereafter may be discovered to have existed, or might have existed, EXCEPT for any and all claims arising out of this Agreement.

10. General Release by Bloch-Related Parties of FEI. In consideration of this Agreement and other good and valuable consideration, the receipt and sufficiency of which is acknowledged, each of the Bloch-Related Parties, on their own behalf and on behalf of their spouses, heirs, successors and assigns, waives, releases and discharges FEI from and against any and all Claims, EXCEPT for any and all claims arising out this Agreement.

The Bloch-Related Parties acknowledge that they are aware that they may hereafter discover Claims presently unknown or unsuspected, or facts in addition to or different from those which they now know or believe to be true, with respect to the matters released herein or any other matters. Nevertheless, it is each of their express and knowing intention in executing this Release fully, finally and forever to settle and release all such matters, and all Claims relating thereto, known or unknown, which exist, hereafter may be discovered to have existed, or might have existed, EXCEPT for any and all claims arising out of this Agreement.

11. Covenant Not to Sue. In addition to the Parties' General Releases, each Party covenants and agrees that it, he, or she will not sue upon, file or otherwise assert or interpose a released Claim against any other released Party, or maintain or aid in any way, directly or indirectly, any other person or entity to assert any claim or bring any form of legal proceeding against any other released Party, in any judicial, arbitral or other forum; provided, however, this Covenant Not to Sue does not include within its scope any claims arising out of this Agreement, or prohibit any Party from providing truthful information in connection with a government investigation, or truthful testimony in response to a court order, subpoena, or other form of compulsory process.

12. No Admission of Liability. This Agreement reflects a compromise of disputed claims, does not and shall not be deemed to constitute an admission of liability or wrongdoing by any Party, and shall not be admissible in evidence for any purpose except in connection with the enforcement of this Agreement.

13. Non-Disparagement. No Party shall, directly or indirectly, make any oral or written comment or statement to any third party, by way of example only and without limitation, in or through any form of social media, such as, Facebook, Twitter, MySpace, LinkedIn and the like, any company disclosures, or in response to governmental inquiries, which denigrates the integrity, business operations, conduct, reputation, ethical standards, or character of any other Party, or that Party's officers, directors, executives, employees, attorneys, agents, or consultants; provided, however, that nothing herein shall prohibit any Party from providing truthful information in connection with a government investigation, or truthful testimony in response to a court order, subpoena, or other form of compulsory process.

14. Injunctive Relief. Each Party expressly acknowledges that, in the event of any other Party's breach or prospective breach of Paragraph 13 above, or, as specified in Paragraph 3 above, the confidentiality or non-disclosure provisions of the Employment Agreement or Deferred Compensation Agreements that survive termination of those agreements or this Agreement, it may be difficult or impossible to specify or prove actual damages sustained, or to be sustained in the future, and for that reason the Party that is the subject to potential injury due to the breach or prospective breach will be without an adequate legal remedy and entitled to seek and obtain preliminary and permanent injunctive relief without the need to prove irreparable harm or other injury or to post a bond or other form of security.

14. Denial of Employment. Denial of employment of Bloch in the future by FEI or any of its affiliates shall not constitute a violation of any law, statute, ordinance or regulation, and shall not give rise to any claim of any kind.

15. Removal of Legends. Subject to applicable legal requirements, FEI agrees, upon Bloch's written request, made at the time he seeks to sell or otherwise transfer shares of restricted FEI stock, to expeditiously remove the stock legends on such shares.

16. Representations and Warranties. Each Party represents and warrants that, as applicable to it, him or her: (a) the Party has requisite legal right to execute this Agreement and carry out and perform its obligations; (b) the Party's execution of this Agreement has been duly authorized by all necessary corporate action; (c) in the case of the Bloch-Related Parties, any person signing this Agreement on behalf of same or in a representative capacity has all requisite authority and right to do so and thereby to bind the Bloch-Related Party; (d) this Agreement constitutes a legal, valid and binding obligation, enforceable against such Party in accordance with the terms hereof; (e) the Party has not assigned or otherwise transferred to any other person or entity any interest in any claims, actions, demands and/or causes of action it has, or may have, or may claim to have in connection with the matters, entities and persons released herein; and (f) the Party has had an adequate opportunity to consult with attorneys and other persons as it may wish prior to entering into this Agreement, is represented by attorneys of their choosing, and is satisfied with such representation.

17. Governing Law, Exclusive Forum, Jurisdiction, and Jury Trial Waiver.

a. This Agreement shall be governed by, construed, and enforced in accordance with the laws of the State of New York, applicable to contracts entered into and to be performed in New York, including its statute of limitations, but without regard to conflict of laws provisions thereof (other than Sections 5-1401 and 5-1402 of the New York General Obligations Law) or any law or procedural rule, including any borrowing statute, that would result in the application of the law or procedural rules of any other jurisdiction, including but not limited to another jurisdiction's statute of limitations.

b. Any dispute arising out of or relating to this Agreement, including any dispute regarding interpretation of its terms, shall be submitted to arbitration before Justice Stephen Crane (ret.) of JAMS, and his decision shall be final and binding upon the Parties. In the event Justice Crane shall be unavailable JAMS shall appoint the arbitrator in accordance with its Comprehensive Arbitration Rules. Judgment upon any award rendered by Justice Crane or successor arbitrator may be entered in any Federal or State Court in New York only.

c. Any suit or legal proceeding seeking injunctive relief pursuant to Paragraphs 13 and 14 of this Agreement, or confirmation of any award rendered by Justice Crane or any successor arbitrator pursuant to Paragraph 17(b) above, or collection of any judgment, shall be brought in a Federal or State court of competent jurisdiction situated in New York, which court shall be the sole and exclusive forum for such adjudication. WITH RESPECT TO ANY SUCH SUIT OR LEGAL PROCEEDING, EACH PARTY IRREVOCABLY, UNCONDITIONALLY, AND TO THE FULLEST EXTENT PERMITTED BY LAW: CONSENTS AND SUBMITS TO THE COURT'S EXERCISE OF PERSONAL JURISDICTION OVER IT, HIM, OR HER; WAIVES AND AGREES NOT TO ASSERT ANY DEFENSE OR OBJECTION OF LACK OF PERSONAL JURISDICTION, INCONVENIENT FORUM, OR IMPROPER VENUE; AND WAIVES AND AGREES NOT TO ASSERT ANY RIGHT TO TRIAL BY JURY.

d. In any proceeding between or among FEI, the FEI-Related Parties, and Bloch, to enforce this Agreement or collect any judgment, the prevailing Party(ies) shall recover its or his reasonable legal fees and costs from the non-prevailing Party(ies), including but not limited to fees and related costs of the arbitrator acting pursuant to Paragraph 17(b) above.

18. Severability. If any provision of this Agreement is declared or determined to be invalid and unenforceable by the arbitrator appointed under Paragraph 17(b) above, or by a court of competent authority, none of the remaining provisions shall be affected thereby and all such remaining provisions shall be valid and fully enforceable.

19. Interpretation of Agreement. This Agreement is the result of arm's-length negotiations and the mutual agreement of the Parties. In case of any ambiguity, no Party shall be deemed to have drafted the Agreement so as to construe the ambiguity against it. The doctrine of *contra proferentem* shall not apply in any arbitration under Paragraph 17(b) above, or in any judicial proceeding arising out of or related to this Agreement.

20. Entire Agreement. This Agreement constitutes the entire agreement of the Parties regarding its subject matter, superseding all prior agreements and understandings between them, including the Agreement on Material Terms of Settlement, dated August 25, 2021, which is superseded and replaced in its entirety by this Agreement. The Parties acknowledge that, except as expressly set forth herein, no representations, promises or inducements of any kind (oral or written) have been offered or made to induce execution of this Agreement, and expressly disclaim reliance upon any such representation. This Agreement may not be amended, changed, altered or modified, except by written instrument signed by the Parties.

21. Acknowledgements. By signing this Agreement, Bloch acknowledges, understands, and expressly agrees that he:

a. has been, and hereby is advised in writing, to discuss this Agreement with an attorney of his choice before signing it;

b. has carefully read and considered this Agreement in its entirety and understands the meaning and significance of all of its terms, including but not limited to the release of unknown Claims that he may not know or suspect exist, even though knowledge of such unknown Claims or the facts upon which they are based might materially have affected his decision to enter into this Agreement;

c. is knowingly and voluntarily waiving and releasing all Claims under the Age Discrimination in Employment Act of 1967, as amended;

d. has not assigned, transferred, conveyed, or purported to convey (nor shall in the future assign, transfer, or convey) any of the Claims released under this Agreement, and shall not make any agreement, understanding, or commitment which would or could prevent or interfere in any manner with her performance of the obligations hereunder;

e. has been given a reasonable time to consider this Agreement before signing it;

f. is competent to execute this Agreement, has agreed to sign this Agreement knowingly and voluntarily, and has not been subjected to undue influence or duress of any kind; and

g. knowingly and voluntarily intends to be legally bound by the Agreement.

22. Effective Date. Once fully executed by the Parties, this Agreement shall be deemed effective as of August 25, 2021 (“Effective Date”).

23. Counterparts. The Parties may execute this Agreement in counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument, and each executed counterpart may be exchanged by electronic or facsimile transmission.

IN WITNESS WHEREOF, the Parties have executed and delivered, or caused their duly authorized representative to execute and deliver this Agreement as of the dates set forth below:

Dated: 9/19/21 /s/ Martin B. Bloch
MARTIN B. BLOCH

Dated: 9/19/21 /s/ Tatiana Bloch
TATIANA BLOCH

Dated: 9/19/21 /s/ Martin B. Bloch
ANNA SOPHIA BLOCH, A Minor,
By Martin B. Bloch, Her Legal Guardian

Dated: 9/19/21 /s/ Anna Kochurova
ANNA KOCHUROVA

Dated: 9/19/21 /s/ Valery Kachurau
VALERY KACHURAU

Dated: 9/20/21 /s/ Jerry Bloch
JERRY BLOCH

Dated: 9/19/21 /s/ Helen Bloch
HELEN BLOCH

Dated: 9/20/21 /s/ Marlon Bishop
MARLON BISHOP

Dated: 9/20/21 /s/ Chloe Bishop
CHLOE BISHOP

Dated: 9/19/21 /s/ Megan Wylie
MEGAN WYLIE

Dated: 9/17/21 FREQUENCY ELECTRONICS, INC.

By: /s/ Dr. Stanton D. Sloane
Dr. Stanton D. Sloane
President, Chief Executive Officer

Dated: 9/20/21 COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS OF FEI, in its capacity as administrator and also on behalf of the DEFERRED COMPENSATION PLAN AGREEMENT, dated March 27, 1980, as amended, and the DEFERRED COMPENSATION PLAN AGREEMENT, dated March 8, 2008, as amended and restated

By: /s/ Richard Schwartz
Richard Schwartz
Chair, Compensation Committee

Dated: 9/17/21 /s/ Jonathan Brolin
JONATHAN BROLIN

Dated: 9/17/21 /s/ Gen. Lance W. Lord
GEN. LANCE W. LORD, USAF (ret.)

Dated: 9/21/21 /s/ Russell M. Sarachek
M. SARACHEK

Dated: 9/20 21 /s/ Richard Schwartz
RICHARD SCHWARTZ

Dated: 9/19/21 /s/ Dr. Stanton D. Sloane
DR. STANTON SLOANE

Exhibit 31.1

CERTIFICATION PURSUANT TO
SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002

I, Stanton Sloane, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Frequency Electronics, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Stanton Sloane
Stanton Sloane
President and Chief Executive Officer

December 14, 2021

Exhibit 31.2

**CERTIFICATION PURSUANT TO
SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002**

I, Steven L. Bernstein, certify that

1. I have reviewed this quarterly report on Form 10-Q of Frequency Electronics, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Steven L. Bernstein   December 14, 2021

Steven L. Bernstein
Chief Financial Officer, Secretary and Treasurer

Exhibit 32

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Certification of CEO

In connection with the Quarterly Report of Frequency Electronics, Inc. (the “Company”) on Form 10-Q for the period ended October 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Stanton Sloane, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Stanton Sloane December 14, 2021
Stanton Sloane
President and Chief Executive Officer

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Certification of CFO

In connection with the Quarterly Report of Frequency Electronics, Inc. (the “Company”) on Form 10-Q for the period ended October 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Steven L. Bernstein, Chief Financial Officer, Secretary and Treasurer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Steven L. Bernstein December 14, 2021
Steven L. Bernstein
Chief Financial Officer, Secretary and Treasurer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

This certification accompanies this Report on Form 10-Q pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by such Act, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.