

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, 2005

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

11-1986657

(State or other jurisdiction of  
incorporation or organization)

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

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

11553

(Address of principal executive offices)

(Zip Code)

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

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 X No  
--- ---

Indicate by check mark whether the registrant is an accelerated filer (as  
defined in Exchange Act Rule 12 b-2). Yes No X  
--- ---

APPLICABLE ONLY TO CORPORATE ISSUERS:

The number of shares outstanding of Registrant's Common Stock, par value \$1.00  
as of December 9, 2005 - 8,538,515

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FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES

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FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES

Condensed Consolidated Balance Sheets

	October 31, 2005 ----- (UNAUDITED)	April 30, 2005 ----- (NOTE A)
	(In thousands)	
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 6,812	\$ 6,701
Marketable securities	19,777	23,532
Accounts receivable, net of allowance for doubtful accounts of \$172	12,574	12,728
Inventories	23,159	22,948
Deferred income taxes	3,002	2,269
Prepaid expenses and other	895	1,362
	-----	-----
Total current assets	66,219	69,540
Property, plant and equipment, at cost, less accumulated depreciation and amortization	6,340	6,770
Deferred income taxes	2,454	2,644
Cash surrender value of life insurance	6,078	5,838
Goodwill and other Intangible assets, net	551	591
Other assets	3,235	2,991
	-----	-----
Total assets	\$ 84,877 =====	\$ 88,374 =====

See accompanying notes to condensed consolidated  
financial statements.

FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES

Condensed Consolidated Balance Sheets (Continued)

	October 31, 2005 ----- (UNAUDITED)	April 30, 2005 ----- (NOTE A)
	(In thousands)	
LIABILITIES AND STOCKHOLDERS' EQUITY:		
Current liabilities:		
Accounts payable - trade	\$ 1,728	\$ 1,896
Accrued liabilities and other	3,093	3,912
Income taxes payable	712	3,184
Dividend payable	854	852
	-----	-----
Total current liabilities	6,387	9,844
Deferred compensation	7,952	7,812
Deferred gain and other liabilities	1,207	1,525
	-----	-----
Total liabilities	15,546	19,181
	-----	-----
Stockholders' equity:		
Preferred stock - \$1.00 par value	-	-
Common stock - \$1.00 par value	9,164	9,164
Additional paid-in capital	45,462	45,289
Retained earnings	14,060	12,440
	-----	-----
Total stockholders' equity	68,686	66,893
Common stock reacquired and held in treasury		
-at cost, 625,424 shares at October 31, 2005		
and 646,709 shares at April 30, 2005	(2,537)	(2,601)
Accumulated other comprehensive income	3,182	4,901
	-----	-----
Total stockholders' equity	69,331	69,193
	-----	-----
Total liabilities and stockholders' equity	\$ 84,877	\$ 88,374
	=====	=====

See accompanying notes to condensed consolidated financial statements.

FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES

Condensed Consolidated Statements of Operations

Six Months Ended October 31,  
(Unaudited)

	2005 ----	2004 ----
	(In thousands except per share data)	
Net sales	\$22,556	\$32,045
Cost of sales	14,361	21,008
	-----	-----
Gross margin	8,195	11,037
Selling and administrative expenses	5,077	6,188
Research and development expenses	2,951	2,825
	-----	-----
Operating profit	167	2,024
Other income (expense):		
Investment income	2,666	829
Equity in Morion	229	128
Interest expense	(59)	(150)
Other income, net	767	57
	-----	-----
Income before minority interest and provision for income taxes	3,770	2,888
Minority interest in loss of consolidated subsidiary	-	(1)
	-----	-----
Income before provision for income taxes	3,770	2,889
Provision for income taxes	1,296	1,000
	-----	-----
Net income	\$ 2,474	\$ 1,889
	=====	=====
Net income per common share		
Basic	\$ 0.29	\$ 0.22
	=====	=====
Diluted	\$ 0.29	\$ 0.22
	=====	=====
Average shares outstanding		
Basic	8,525,629	8,460,881
	=====	=====
Diluted	8,665,810	8,660,079
	=====	=====

See accompanying notes to consolidated condensed  
financial statements.

FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES

Condensed Consolidated Statements of Operations

Three Months Ended October 31,  
(Unaudited)

	2005 ----	2004 ----
	(In thousands except per share data)	
Net sales	\$11,499	\$14,362
Cost of sales	7,401	9,103
	-----	-----
Gross margin	4,098	5,259
Selling and administrative expenses	2,533	2,895
Research and development expense	1,509	1,589
	-----	-----
Operating profit	56	775
Other income (expense):		
Investment income	1,341	414
Equity in Morion	85	70
Interest expense	(31)	(72)
Other income (expense), net	698	(1)
	-----	-----
Income before minority interest and provision for income taxes	2,149	1,186
Minority interest in loss of consolidated subsidiary	-	(20)
	-----	-----
Income before provision for income taxes	2,149	1,206
Provision for income taxes	817	352
	-----	-----
Net income	\$ 1,332	\$ 854
	=====	=====
Net income per common share		
Basic	\$ 0.16	\$ 0.10
	=====	=====
Diluted	\$ 0.15	\$ 0.10
	=====	=====
Average shares outstanding		
Basic	8,531,238	8,487,145
	=====	=====
Diluted	8,674,280	8,666,792
	=====	=====

See accompanying notes to condensed consolidated  
financial statements.

FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES  
Condensed Consolidated Statements of Cash Flows

Six Months Ended October 31,  
(Unaudited)

	2005	2004
	----	----
	(In thousands)	
Cash flows from operating activities:		
Net income	\$ 2,474	\$ 1,889
Non-cash (income) charges to earnings, net	(1,512)	1,731
Net changes in other assets and liabilities	(2,863)	(759)
	-----	-----
Net cash (used in) provided by operating activities	(1,901)	2,861
	-----	-----
Cash flows from investing activities:		
Payment for acquisition	(103)	(830)
Proceeds from sale of marketable securities	12,568	1,000
Purchase of marketable securities	(8,802)	(2,272)
Purchase of fixed assets	(933)	(869)
Other - net	-	68
	-----	-----
Net cash provided by (used in) investing activities	2,730	(2,903)
	-----	-----
Cash flows from financing activities:		
Proceeds from short-term credit obligations	-	22
Payment of cash dividend	(852)	(843)
Payment on long-term obligations	-	(1,864)
Other - net	21	74
	-----	-----
Net cash used in financing activities	(831)	(2,611)
	-----	-----
Net decrease in cash and cash equivalents before effect of exchange rate changes	(2)	(2,653)
Effect of exchange rate changes on cash and cash equivalents	113	13
	-----	-----
Net increase (decrease) in cash	111	(2,640)
Cash at beginning of period	6,701	5,699
	-----	-----
Cash at end of period	\$ 6,812	\$ 3,059
	=====	=====

See accompanying notes to condensed consolidated financial statements.

FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements  
(Unaudited)

NOTE A - CONSOLIDATED FINANCIAL STATEMENTS

In the opinion of management of 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, 2005 and the results of its operations and cash flows for the six and three months ended October 31, 2005 and 2004. The April 30, 2005 condensed consolidated balance sheet was derived from audited financial statements. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. It is suggested that these condensed consolidated financial statements be read in conjunction with the financial statements and notes thereto included in the Company's April 30, 2005 Annual Report to Stockholders. The results of operations for such interim periods are not necessarily indicative of the operating results for the full year.

NOTE B - EARNINGS PER SHARE

Reconciliation of the weighted average shares outstanding for basic and diluted Earnings Per Share are as follows:

	Six months		Three months	
	Periods ended October 31,			
	2005	2004	2005	2004
	----	----	----	----
Basic EPS Shares outstanding (weighted average)	8,525,629	8,460,881	8,531,238	8,487,145
Effect of Dilutive Securities	140,181	199,198	143,042	179,647
	-----	-----	-----	-----
Diluted EPS Shares outstanding	8,665,810	8,660,079	8,674,280	8,666,792
	=====	=====	=====	=====
Outstanding Options excluded ***	570,550	411,750	570,550	471,750
	-----	-----	-----	-----

\*\*\* The exercise price of these outstanding options was greater than the average market price of the Company's common shares during the six and three month periods ended October 31, 2005 and 2004. Since their inclusion in the computation of earnings per share would have been antidilutive, these options are excluded from such computation.

NOTE C - ACCOUNTS RECEIVABLE

Accounts receivable at October 31 and April 30, 2005 include costs and estimated earnings in excess of billings on uncompleted contracts accounted for on the percentage of completion basis of approximately \$3,039,000 and \$4,138,000, respectively. Such amounts represent revenue recognized on long-term contracts that had not been billed at the balance sheet dates. Such amounts are billed pursuant to contract terms.

NOTE D - INVENTORIES

Inventories, which are reported net of reserves of \$4,252,000 and \$4,289,000 at October 31 and April 30, 2005, respectively, consist of the following:

	October 31, 2005	April 30, 2005
	(In thousands)	
Raw materials and Component parts	\$10,745	\$10,353
Work in progress	12,414	12,595
	-----	-----
	\$23,159	\$22,948
	=====	=====

NOTE E- RELATED PARTY TRANSACTION

During the quarter ended October 31, 2005, the Company sold the remaining building formerly owned by its French subsidiary to the president of Gillam-FEI. The sale price of the building was approximately \$990,000 and was based upon an independent appraisal of the building. The Company recognized a gain of



approximately \$680,000 on the sale.

FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements  
(Unaudited)

NOTE F - SEGMENT INFORMATION

The Company operates under four reportable segments:

- (1) Commercial Communications - consists principally of time and frequency control products used in two principal markets- commercial communication satellites and terrestrial cellular telephone or other ground-based telecommunication stations.
- (2) U.S. Government - consists of time and frequency control products used for national defense or space-related programs.
- (3) Gillam-FEI - the Company's Belgian subsidiary primarily sells wireline synchronization and network monitoring systems.
- (4) FEI-Zyfer - the products of the Company's subsidiary incorporate Global Positioning System (GPS) technologies into systems and subsystems for secure communications, both government and commercial, and other locator applications.

The table below presents information about reported segments with reconciliation of segment amounts to consolidated amounts as reported in the statement of operations or the balance sheet for each of the periods (in thousands):

	Six months		Three months	
	Periods ended October 31,			
	2005	2004	2005	2004
	----	----	----	----
Net sales:				
Commercial Communications	\$10,875	\$20,121	\$ 5,906	\$ 8,807
U.S. Government	3,704	3,315	1,817	1,574
Gillam-FEI	4,059**	5,032	1,844**	2,292
FEI-Zyfer	5,132	4,177	2,687	2,143
less intersegment sales	(1,214)**	(600)	(755)**	(454)
	-----	-----	-----	-----
Consolidated sales	\$22,556	\$32,045	\$11,499	\$14,362
	=====	=====	=====	=====
Operating profit (loss):				
Commercial Communications	\$ 890**	\$3,411	\$ 456**	\$1,447
U.S. Government	(684)	(399)	(184)	(319)
Gillam-FEI	(428)**	(839)	(362)**	(342)
FEI-Zyfer	715	120	382	158
Corporate	(326)	(269)	(236)	(169)
	-----	-----	-----	-----
Consolidated operating profit	\$ 167	\$2,024	\$ 56	\$ 775
	=====	=====	=====	=====

\*\* For the six and three month periods ended October 31, 2005, includes Gillam-FEI intersegment sales of \$372,000 to the Commercial Communications segment for development of a wireline synchronization product for ultimate production and sale in the U.S. This amount was recorded as research and development expense of the Commercial Communications segment. In the fiscal year 2006 periods, these transactions resulted in lower operating profits in the Commercial Communications segment and reduced the reported operating loss in the Gillam-FEI segment.

	October 31, 2005	April 30, 2005
	-----	-----
Identifiable assets:		
Commercial Communications	\$27,025	\$26,261
U.S. Government	5,962	6,245
Gillam-FEI	11,956	13,877
FEI-Zyfer	4,994	4,796
less intercompany balances	(9,343)	(9,892)
Corporate	44,283	47,087
	-----	-----
Consolidated Identifiable Assets	\$84,877	\$88,374
	=====	=====

FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements  
(Unaudited)

NOTE G - -COMPREHENSIVE INCOME

For the six months ended October 31, 2005 and 2004 total comprehensive income was \$755,000 and \$3,809,000, respectively. Comprehensive income is composed of net income or loss for the period plus the impact of foreign currency translation adjustments and the change in the valuation allowance on marketable securities.

NOTE H - EQUITY-BASED COMPENSATION

The Company applies the disclosure-only provisions of FAS 123, "Accounting for Stock-Based Compensation," as amended by FAS 148, "Accounting for Stock-Based Compensation - Transition and Disclosure," and continues to measure compensation cost in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees." Historically, this has not resulted in compensation cost upon the grant of options under a qualified stock option plan. However, in accordance with FAS 123, as amended by FAS 148, the Company provides pro forma disclosures of net earnings (loss) and earnings (loss) per share as if the fair value method had been applied beginning in fiscal 1996.

The following table illustrates the effect on the Company's consolidated statements of operations had compensation cost for stock option awards under the plans been determined based on the fair value at the grant dates consistent with the provisions of FAS 123 as amended by FAS 148:

	Six months		Three months	
	Periods ended October 31,			
	2005	2004	2005	2004
	----	----	----	----
	(In thousands except per share data)			
Net income, as reported	\$ 2,474	\$ 1,889	\$ 1,332	\$ 854
Cost of stock options, net of tax	(146)	(341)	(93)	(145)
	-----	-----	-----	-----
Net income - pro forma	\$ 2,328	\$ 1,548	\$ 1,239	\$ 709
	=====	=====	=====	=====
Earnings per share, as reported:				
Basic	\$ 0.29	\$ 0.22	\$ 0.16	\$ 0.10
	=====	=====	=====	=====
Diluted	\$ 0.29	\$ 0.22	\$ 0.15	\$ 0.10
	=====	=====	=====	=====
Earnings per share- pro forma				
Basic	\$ 0.27	\$ 0.18	\$ 0.15	\$ 0.08
	=====	=====	=====	=====
Diluted	\$ 0.27	\$ 0.18	\$ 0.14	\$ 0.08
	=====	=====	=====	=====

The weighted average fair value of each option has been estimated on the date of grant using the Black-Scholes options pricing model with the following weighted average assumptions used for grants in fiscal years 2006 and 2005: dividend yield of 1.83%; expected volatility of 59%; risk free interest rate of 3.9%; and expected lives of six and one-half years.

NOTE I - RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In November 2004, the FASB issued Statement No. 151 "Inventory Costs." ("FAS 151") This statement amends Accounting Research Bulletin No. 43, Chapter 4, "Inventory Pricing" and removes the "so abnormal" criterion that under certain circumstances could have led to the capitalization of these items. FAS 151 requires that idle facility expense, excess spoilage, double freight and re-handling costs be recognized as current-period charges regardless of whether they meet the criterion of "so abnormal." FAS 151 also requires that allocation of fixed production overhead expenses to the costs of conversion be based on the normal capacity of the production facilities. The provisions of this statement are effective for fiscal years beginning after June 15, 2005; i.e., fiscal year 2007 for the Company. The adoption of FAS 151 is not expected to have a material impact on the Company's financial position or results of operations.

FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements  
(Unaudited)

In December 2004, the FASB issued Statement No. 123(R), "Stock-Based Payment" ("FAS 123(R)"). FAS 123(R) supercedes APB Opinion No. 25, "Accounting for Stock Issued to Employees," and amends FAS No. 95, "Statement of Cash Flows." Generally, the approach in FAS 123(R) is similar to the approach described in FAS 123. FAS 123(R) establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services. This statement focuses primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions. FAS 123(R) requires that the fair value of such equity instruments be recognized as an expense in the historical financial statements as services are performed. Prior to FAS 123(R), only certain pro forma disclosures of fair value were required. The provisions of this statement are effective for fiscal years beginning after June 15, 2005; i.e., fiscal year 2007 for the Company. The adoption of FAS 123(R) will have an impact on the Company's financial position and results of operations similar to the pro forma disclosure in the Equity-based Compensation disclosure in Note G.

In December 2004, the FASB issued Statement No. 153, "Exchange of Non-monetary Assets", ("FAS 153") an amendment of Accounting Principles Board Opinion No. 29 ("APB 29"), which differed from the International Accounting Standards Board's ("IASB") method of accounting for exchanges of similar productive assets. FAS 153 replaces the exception from fair value measurement in APB 29, with a general exception from fair value measurement for exchanges of non-monetary assets that do not have commercial substance. The statement is to be applied prospectively and is effective for non-monetary asset exchanges occurring in fiscal periods beginning after June 15, 2005; i.e., August 1, 2005 for the Company. The adoption of FAS 153 is not expected to have a material impact on the Company's financial position or result of operations.

In May 2005, the FASB issued Statement No. 154, "Accounting Changes and Error Corrections - a replacement of APB Opinion No. 20 and FASB Statement No. 3." ("FAS 154") This Statement requires retrospective application to prior period financial statements of a voluntary change in accounting principle unless it is impracticable and is effective for fiscal years beginning after December 15, 2005. Previously, most voluntary changes in accounting principle were recognized by including in net income of the period of the change the cumulative effect of changing to the new accounting principle. The Company will comply with the provisions of FAS 154 although the impact of such adoption is not determinable at this time.

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 10Q 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, 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, changes in contractual terms, the availability of capital, and other risks detailed in the Company's periodic report filings with the Securities and Exchange Commission. By making these forward-looking statements, the Company undertakes no obligation to update these statements for revisions or changes after the date of this report.

FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements  
(Unaudited)

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 April 30, 2005 Annual Report to Stockholders. The Company believes its most critical accounting policies to be the recognition of revenue and costs on production contracts and the valuation of inventory. Each of these areas requires the Company to make use of reasoned estimates including estimating the cost to complete a contract, the realizable value of its inventory or the market value of its products. Changes in estimates can have a material impact on the Company's financial position and results of operations.

Revenue Recognition  
-----

Revenues under larger, long-term contracts, generally defined as orders in excess of \$100,000, are reported in operating results using the percentage of completion method. For U.S. Government and other fixed-price contracts that require initial design and development of the product, revenue is recognized on 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 sales recorded as the costs are incurred. Each month management reviews estimated contract costs. The effect of any change in the estimated gross margin percentage for a contract is reflected in revenues in the period in which the change is known. Provisions for anticipated losses on contracts are made in the period in which they become determinable.

On production-type contracts, revenue is recorded as units are delivered with the related cost of sales recognized on each shipment based upon a percentage of estimated final contract costs. Changes in job performance may result in revisions to costs and income and are recognized in the period in which revisions are determined to be required. Provisions for anticipated losses on contracts are made in the period in which they become determinable.

For contracts in the Company's Gillam-FEI and FEI-Zyfer segments, smaller contracts or orders in the other business segments and sales of products and services to customers are reported in operating results based upon shipment of the product or performance of the services pursuant to contractual terms. When payment is contingent upon customer acceptance of the installed system, revenue is deferred until such acceptance is received and installation completed.

Costs and Expenses  
-----

Contract costs include all direct material, direct labor, 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 reserves are established for slow-moving and obsolete items and are based upon management's experience and expectations for future business. Any changes in reserves arising from revised expectations are reflected in cost of sales in the period the revision is made.

FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES  
(Continued)

RESULTS OF OPERATIONS

The table below sets forth for the respective periods of fiscal years 2006 and 2005 the percentage of consolidated net sales represented by certain items in the Company's consolidated statements of operations:

	Six months		Three months	
	Periods ended		October 31,	
	2005	2004	2005	2004
	----	----	----	----
Net Sales				
Commercial Communications	48.2%	62.8%	51.4%	61.3%
U.S. Government	16.4	10.3	15.8	11.0
Gillam-FEI	18.0	15.7	16.0	16.0
FEI-Zyfer	22.8	13.0	23.4	14.9
Less intersegment sales	(5.4)	(1.8)	(6.6)	(3.2)
	-----	-----	-----	-----
	100.0	100.0	100.0	100.0
Cost of Sales	63.7	65.6	64.4	63.4
	-----	-----	-----	-----
Gross Margin	36.3	34.4	35.6	36.6
Selling and administrative expenses	22.5	19.3	22.0	20.1
Research and development expenses	13.1	8.8	13.1	11.1
	-----	-----	-----	-----
Operating Profit	0.7	6.3	0.5	5.4
Other income, net & Minority interest	16.1	2.7	18.3	3.0
	-----	-----	-----	-----
Pretax Income	16.8	9.0	18.8	8.4
Provision for income taxes	5.8	3.1	7.1	2.5
	-----	-----	-----	-----
Net Income	11.0%	5.9%	11.7%	5.9%
	=====	=====	=====	=====

(Note: All dollar amounts in following tables are in thousands, except Net Sales which are in millions)

Operating Profit

		Six months		Three months	
		Periods ended		October 31,	
		2005	2004	2005	2004
	Change	-----	-----	-----	-----
		\$167	\$2,024	\$56	\$775
	(\$1,857) (92%)				(\$719) (93%)

The decline in operating profits for the six and three months ended October 31, 2005 compared to the same periods of fiscal year 2005 is primarily the result of the 30% and 20% decrease in revenues in the respective fiscal year 2006 periods. These declines were partially offset by improved gross margin and lower selling and administrative expenses and research and development spending, as discussed below.

Net income

		Six months		Three months	
		Periods ended		October 31,	
		2005	2004	2005	2004
	Change	-----	-----	-----	-----
		\$2,474	\$1,889	\$1,332	\$854
	\$585 31%				\$478 56%

During the six and three month periods ended October 31, 2005, the Company realized gains of \$2.1 million and \$1.1 million, respectively, on the sale of certain marketable securities that were obtained upon the conversion of its REIT units for the common stock of Reckson Associates Realty Corp. ("REIT stock") (Refer to Item 2 of the Company's fiscal year 2005 Form 10-K as filed with the Securities and Exchange Commission.) In addition, in the same periods of fiscal year 2006, the Company recorded a gain of approximately \$680,000 on the sale of real property as discussed in Note E to the financial statements.

FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES  
(Continued)

Net sales (in millions)

Segment	Six months				Three months			
	2005	2004	Periods ended October 31,		2005	2004	Change	
	----	----	-----	-----	----	----	-----	-----
Commercial Communications	\$10.9	\$20.1	(\$9.2)	(46%)	\$ 5.9	\$ 8.8	(\$2.9)	(33%)
Gillam-FEI	4.1	5.0	(1.0)	(19%)	1.8	2.3	(0.5)	(20%)
US Government	3.7	3.3	0.4	12%	1.8	1.6	0.2	15%
FEI-Zyfer	5.1	4.2	1.0	23%	2.7	2.1	0.6	25%
Intersegment sales	(1.2)	(0.6)	(0.6)		(0.7)	(0.4)	(0.3)	
	-----	-----	-----		-----	-----	-----	
	\$22.6	\$32.0	(\$9.4)	(30%)	\$11.5	\$14.4	(\$2.9)	(20%)
	=====	=====	=====		=====	=====	=====	

The decline in revenue for the six and three month periods ended October 31, 2005 compared to the same periods of fiscal year 2005 are principally the result of reduced capital spending in the wireless infrastructure industry as end-users continued to delay deployment of next-generation cellular base stations. This reduction directly impacted revenues in the Commercial Communications segment. Reduced telecommunications infrastructure spending in Europe similarly impacted the Gillam-FEI segment. These revenue declines were partially offset by increased revenues derived from US Government programs as the Company continued work on several developmental, pre-production programs under US Government contracts. The Company's FEI-Zyfer segment, which derives approximately two-thirds of its revenues from government sources, also saw revenues increase with increased US Government buying. The Company expects revenues to improve over the balance of the fiscal year as a result of additional new bookings, principally in the commercial satellite and U.S. Government industries, as well as increased capital spending for telecommunication infrastructures.

Gross margin

	Six months			Three months		
	2005	2004	Change	2005	2004	Change
	----	----	-----	----	----	-----
	\$8,195	\$11,037	(\$2,842) (26%)	\$4,098	\$5,259	(\$1,161) (22%)
GM Rate	36.3%	34.4%		35.6%	36.6%	

The decline in gross margins for the six and three months ended October 31, 2005, compared to the same periods of fiscal year 2005, are almost entirely due to the decrease in revenues. Variations in gross margin rates are generally attributable to product mix, with the Gillam-FEI segment in particular, realizing higher margins in fiscal year 2006 on certain of its network monitoring programs. This improvement is offset by lower margins in the Company's US Government segment where the Company continued work on several developmental, pre-production programs under US Government contracts. Gross margin rates are lower than the Company's target of 40% because the lower sales volume is insufficient to absorb all of the fixed overhead costs. With an increase in sales, including conversion of the US Government developmental contracts into initial low-rate production orders, the Company expects to realize improving gross margin rates in future periods.

Selling and administrative expenses

	Six months			Three months		
	2005	2004	Change	2005	2004	Change
	----	----	-----	----	----	-----
	\$5,077	\$6,188	(\$1,111) (18%)	\$2,533	\$2,895	(\$362) (12%)

Most of the fiscal year 2006 decrease in selling and administrative costs is attributable to decreased personnel costs both in terms of reduced headcount as well as smaller accruals for incentive compensation plans due to lower operating profits. Additional decreases were experienced in selling and marketing expenses, including lower sales commissions as a result of decreased sales and lower European-area marketing costs as the Company consolidated its

efforts there into its Gillam-FEI subsidiary. The ratio of selling and administrative costs to net sales for the six and three months ended October 31, 2005, were 23% and 22%, respectively, which is greater than the Company's target ratio of under 20% of revenues. The higher than targeted cost ratio is primarily due to the revenue level in the fiscal year 2006 periods. In the comparable fiscal year 2005 periods, the ratio of selling and administrative



FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES  
(Continued)

costs to revenues was 19% and 20%, respectively. In future quarters of fiscal year 2006, as revenues increase from the current level, the Company expects to achieve its targeted ratio of costs to net sales.

Research and development expense

Six months			Three months			
2005	2004	Change	Periods ended October 31,		Change	
-----	-----	-----	2005	2004	-----	
\$2,951	\$2,825	\$126 4%	\$1,509	\$1,589	(\$80) (5%)	

Research and development spending in the first half of fiscal years 2006 and 2005 have remained fairly consistent, varying by less than 5% from the comparable periods. During fiscal year 2006, the Company will make additional investments in developing manufacturing process improvements for its new US5G wireline synchronization product; improving and miniaturizing rubidium atomic clocks, developing new GPS-based synchronization products and further enhancing the capabilities of its line of crystal oscillators. The Company targets research and development spending at approximately 10% of sales, but the rate of spending can increase or decrease from quarter to quarter as new projects are identified and others are concluded. The Company will continue to devote significant resources to develop new products, enhance existing products and implement efficient manufacturing processes. Where possible, the Company attempts to obtain development contracts from its customers. For programs without such funding, internally generated cash and cash reserves are adequate to fund these development efforts.

Other income (expense)

	Six months			Three months			
	2005	2004	Change	Periods ended October 31,		Change	
	----	----	-----	2005	2004	-----	-----
Investment income	\$2,666	\$ 829	\$1,837 222%	\$1,341	\$ 414	\$ 927 224%	
Equity in Morion	229	128	101 79%	85	70	15 21%	
Interest expense	(59)	(150)	91 61%	(31)	(72)	41 57%	
Other income	767	57	710 NM	698	(1)	699 NM	
	-----	-----	-----	-----	-----	-----	
	\$3,603	\$ 864	\$2,739 317%	\$2,093	\$ 411	\$1,682 409%	

The increase in investment income for the six and three months ended October 31, 2005, is due to realized gains of approximately \$2.1 million and \$1.1 million, respectively, recorded on the sale of a portion of the shares of REIT stock which were obtained during fiscal year 2005 upon the conversion of certain REIT units related to the Company's fiscal year 1998 sale and leaseback of its headquarters building. Such gains were partially offset by lower interest and dividend income due to a lower level of marketable securities held by the Company as a result of the REIT stock sales.

The Company began to record equity income in Morion, Inc. during the second quarter of fiscal year 2005, when the Company increased its ownership interest in Morion to 36% of Morion's outstanding shares. Accordingly, the Company changed its method of accounting from the cost to the equity method and restated prior year financial statements to reflect the appropriate accounting method. The 79% increase in equity income from Morion for the first half of fiscal year 2006 compared to the six months ended October 31, 2004 is because for most of the first half of fiscal year 2005 the Company held only 19% of Morion's shares. The ownership percentage was increased to 36% in the last month of that period.

The decrease in interest expense for the six and three month periods ended October 31, 2005 resulted from repayment of the Company's line of credit by the end of fiscal year 2005 as well as the conversion of its REIT units to REIT stock, the impact of which is explained in the next paragraph.

Under the provisions of sale and leaseback accounting, until the REIT units were converted, the Company's lease was accounted for as a financing. Accordingly, a portion of its prior year annual rent payments were considered interest expense. For fiscal year 2006, the Company no longer recognizes interest expense but the entire lease payment is charged to rent expense. In

addition, under the caption "Other, income" the Company will recognize the remaining deferred gain from the sale and leaseback transaction. For the six and three months ended October 31, 2005, the amount of deferred gain recognized was \$176,000 and \$88,000, respectively. In the year-ago period, Other, income consisted

FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES  
(Continued)

primarily of a governmental grant received by the Company's French subsidiary. Other income and expense items included under this caption, with the exception of the deferred gain recognition, are nonrecurring and generally are not significant to pretax earnings.

During the quarter ended October 31, 2005, the Company sold the building formerly owned by the Company's French subsidiary. Following the fiscal year 2004 staffing cutbacks in this entity, the building had been largely vacant and available for sale. Upon receipt of an independent appraisal, the building was sold to the president of the Company's subsidiary, Gillam-FEI. The Company realized a gain on the sale of the building of approximately \$680,000.

The Company is subject to taxation in several countries as well as the states of New York and California. The statutory federal rates vary from 34% in the United States to 35% in Europe. The effective rate is impacted by the income or loss of certain of the Company's European and Asian subsidiaries which are currently not taxed. In addition, the Company utilizes the availability of research and development tax credits in the United States to lower its tax rate. The Company's European subsidiaries have available net operating loss carryforwards of approximately \$2.4 million to offset future taxable income.

#### LIQUIDITY AND CAPITAL RESOURCES

The Company's balance sheet continues to reflect a strong working capital position of \$60 million at October 31, 2005, which is comparable to working capital at April 30, 2005. Included in working capital at October 31, 2005 is \$26.6 million of cash, cash equivalents and marketable securities. The Company's current ratio at October 31, 2005 is 10.4 to 1.

For the six months ended October 31, 2005, the Company used \$1.9 million in cash from operating activities compared to \$2.9 million provided by operations in the comparable fiscal year 2005 period. This significant decrease in cash flows is due primarily to the first quarter payment of income taxes related to the investment gains realized in the prior fiscal year as well as increases in the value of the Company's accounts receivable and inventory. Cash flow from operations for the second quarter of fiscal 2006 was a positive \$2.8 million. For the full fiscal year 2006, the Company expects to generate positive cash flow from operating activities.

Net cash provided by investing activities for the six months ended October 31, 2005, was \$2.7 million compared to a use of cash of \$2.9 million for the same period of fiscal year 2005. The principal source of cash was the sale or redemption of certain marketable securities aggregating \$3.8 million, net of purchases of other marketable securities. The redemption of marketable securities was primarily to pay the corporate income taxes mentioned above. The Company also acquired capital equipment for approximately \$933,000. The Company may continue to acquire or sell marketable securities as dictated by its investment strategies as well as by the cash requirements for its development activities. Requirements for additional capital equipment are expected to be less than \$2.0 million during fiscal year 2006. Internally generated cash will be adequate to acquire this capital equipment.

Net cash used in financing activities for the six months ended October 31, 2005, was \$831,000 compared to cash used in financing activities in the amount of \$2.6 million during the comparable fiscal year 2005 period. Included in both fiscal periods is payment of the Company's semiannual dividend in the amount of \$852,000 and \$843,000, respectively. During fiscal year 2005, the Company repaid \$1.9 million of certain debt obligations.

The Company has been authorized by its Board of Directors to repurchase up to \$5 million worth of shares of its common stock for treasury whenever appropriate opportunities arise but it has neither a formal repurchase plan nor commitments to purchase additional shares in the future. During the quarter ended October 31, 2005, the Company did not acquire any shares of its stock under this authorization.

The Company will continue to expend resources to develop and improve products for wireless and wireline communication systems which management believes will result in future growth and continued profitability. During fiscal year 2006, the Company intends to make a substantial investment of capital and technical resources to develop new products to meet the needs of the U.S. Government, commercial space and commercial communications marketplaces and to invest in more efficient product designs and



FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES  
(Continued)

manufacturing procedures. Where possible, the Company will secure partial customer funding for such development efforts but is targeting to spend its own funds at a rate of approximately 10% of revenues to achieve its development goals. Internally generated cash will be adequate to fund these development efforts.

At October 31, 2005, the Company's backlog amounted to approximately \$46 million compared to \$31 million at April 30, 2005. Of this backlog, approximately 80% is realizable in the next twelve months.

Item 3.

Quantitative and Qualitative Disclosures about Market Risk  
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Interest Rate Risk  
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The Company is exposed to market risk related to changes in interest rates and market values of securities. The Company's investments in fixed income and equity securities were \$19.8 million and \$17,000, respectively, at October 31, 2005. The investments are carried at fair value with changes in unrealized gains and losses recorded as adjustments to stockholders' equity. The fair value of investments in marketable securities is generally based on quoted market prices. Typically, the fair market value of investments in fixed interest rate debt securities will increase as interest rates fall and decrease as interest rates rise. Based on the Company's overall interest rate exposure at October 31, 2005, a 10% change in market interest rates would not have a material effect on the fair value of the Company's fixed income securities or results of operations.

Foreign Currency Risk  
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The Company is subject to foreign currency translation risk. The Company does not have any near-term intentions to repatriate invested cash in any of its foreign-based subsidiaries. For this reason, the Company does not intend to initiate any exchange rate hedging strategies which could be used to mitigate the effects of foreign currency fluctuations. The effects of foreign currency rate fluctuations will be recorded in the equity section of the balance sheet as a component of other comprehensive income. As of October 31, 2005, the amount related to foreign currency exchange rates is a \$3,530,000 unrealized gain. The results of operations of foreign subsidiaries, when translated into US dollars, will reflect the average rates of exchange for the periods presented. As a result, similar results of operations measured in local currencies can vary significantly upon translation into US dollars if exchange rates fluctuate significantly from one period to the next.

Item 4.

Controls and Procedures  
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Disclosure Controls and Procedures.  
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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 such evaluation, the Company's chief executive officer and chief financial officer have concluded that, as of the end of such period, the Company's disclosure controls and procedures are effective in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act.

Internal Control Over Financial Reporting.  
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There have not been any 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 period to which this report relates that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES  
(Continued)

PART II

ITEMS 1, 2, 3 and 5 are omitted because they are not applicable.

ITEM 4 - Results of votes of security holders.

On September 29, 2005, at the Annual Meeting of Stockholders, the following matters were approved by the shareholders of the Company:

1. Elected the following six directors:

	Votes For -----	Votes Withheld -----
a. Joseph P. Franklin	7,278,758	629,996
b. Martin B. Bloch	7,297,895	610,859
c. Joel Girsky	7,272,334	636,420
d. E. Donald Shapiro	7,293,157	615,597
e. S. Robert Foley, Jr.	7,293,798	614,936
f. Richard Schwartz	7,400,294	508,460

2. Ratified the appointment of Holtz Rubenstein Reminick LLP as independent auditors for fiscal year 2006.

Votes For: 7,810,392    Votes Against: 92,336    Votes Abstaining: 6,026

3. Adopted the Frequency Electronics, Inc. 2005 Stock Award Plan.

Votes For: 4,046,765    Votes Against: 1,172,958    Votes Abstaining: 62,992  
Broker non-votes: 2,656,039

ITEM 6 - Exhibits

- 31.1 - Certification by the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 - Certification by the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 32.1 - Certification by the Chief Executive Officer Pursuant to 18 U.S.C. Section 1350 Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 - Certification by the Chief Financial Officer Pursuant to 18 U.S.C. Section 1350 Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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 15, 2005

BY /s/ Alan Miller

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Alan Miller  
Chief Financial Officer  
and Controller

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

Certification of CEO

I, Martin B. Bloch, Chief Executive Officer, 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(s) 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)) 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) 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;
  - (c) 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(s) 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/ Martin B. Bloch

December 15, 2005

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Martin B. Bloch  
Chief Executive Officer



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

Certification of CFO

I, Alan L. Miller, Chief Financial Officer, 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(s) 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)) 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) 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;
  - (c) 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(s) 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/ Alan L. Miller

December 15, 2005

-----  
Alan L. Miller  
Chief Financial Officer

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, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Martin B. Bloch, 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; 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/ Martin B. Bloch

December 15, 2005

-----  
Martin B. Bloch  
Chief Executive Officer

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.

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

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, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Alan L. Miller, Chief Financial 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; 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/ Alan L. Miller

December 15, 2005

-----  
Alan L. Miller  
Chief Financial Officer

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.