SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10K
(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 or 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934 (Fee Required)
For the fiscal year ended April 30, 1996
OR
[ ] TRANSITION REPORT PURSUANT TO SECTION 13 or 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934 (No Fee Required)
For the transition period from to _____

Commission File No. 1-8061

FREQUENCY ELECTRONICS, INC.
(Exact name of Registrant as specified in its charter)

Delaware	11-1986657
(State or other jurisdiction of 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

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

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

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

None
(Title of Class)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days
Yes X No

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

The aggregate market value of voting stock held by non-affiliates of the Registrant as of July 12,1996 - $24,488,500.

(APPLICABLE ONLY TO CORPORATE REGISTRANTS)

The number of shares outstanding of Registrant's Common Stock, par value $1.00 as of July 12,1996 - 4,848,395.

DOCUMENTS INCORPORATED BY REFERENCE: PART III incorporates information by reference from the definitive proxy statement for the Annual Meeting of Stockholders to be held on August 27,1996.

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PART I

Item 1. Business

GENERAL DISCUSSION

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

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

The current authorized capital of the Registrant consists of 20,000,000 shares of $1.00 par value common stock, of which 4,846,395 shares were outstanding at April 30, 1996, and 600,000 shares of $1.00 par value preferred stock, none of which have been issued to date.

Since its inception, Registrant has been involved principally in military defense contracting by way of the design, development, manufacture, and marketing of precision time and frequency control products. Its products are used in guidance and navigation, communications, surveillance and electronic counter measure and timing systems. Such products are used on many of the United States' most sophisticated military aircraft, satellites, and missiles. In recent years, changing defense priorities and severe federal government budget pressures have significantly changed the market environment for defense related products. Total U.S. Government defense and space acquisitions have declined steeply and further cuts cannot be discounted over the coming years. As a consequence, many major U.S. Government contracts have been subjected to program stretch-outs. The Registrant's business was highly dependent upon the defense and space spending policies of the U.S. Government when fiscal 1996 began. Although this dependence will be less significant in the future, as discussed below, any substantial reduction in government spending or change in emphasis in the government's defense and space programs would still have a material adverse effect upon the Registrant's business. For additional factors which may have had an adverse effect on Registrant's business with the U.S. Government, the materiality, if any, or extent of which effect is not readily ascertainable by Registrant at this time, reference is made to the subtopic "Material Developments" of this Item 1 and to Item 3 (Legal Proceedings).

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

For the years ended April 30, 1996, 1995 and 1994, approximately 55%, 75% and 69%, respectively of the Registrant's sales were for U.S. Government end use. During fiscal 1996, approximately 45% of the Registrant's sales were for commercial products, used for commercial communications, commercial space applications and foreign government end use. Registrant believes a substantial commercial market exists and has developed several new product lines as discussed later in this Item 1.

MATERIAL DEVELOPMENTS

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

PRODUCTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Registrant manufactures filters and discriminators using its crystal resonators, for use in its own radio-frequency and microwave receiver, signal conditioner and signal processor products.

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

MICROWAVE PRODUCTS - The Registrant, under an agreement with TRW's Electronics and Technology Division, markets their extensive line of millimeter/microwave monolithic integrated circuits ("MIMICs") developed by TRW for the Department of Defense, and microwave monolithic integrated circuits ("MMICs") developed at TRW's own cost. These devices are incorporated into "supercomponents" and integrated subassemblies.

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

The quartz frequency standard is an electronically controlled solid-state device which utilizes a quartz crystal oscillator to produce a highly stable output signal at a standardized frequency. The Registrant's frequency standard is used in communications, guidance and navigation and time synchronization. The Registrant's products also include a precision frequency standard with battery back-up and memory capability enabling it to remain in operation if a loss of power has occurred. The optically pumped atomic rubidium frequency standard is a rugged, compact, militarized solid-state instrument which provides both timing and low phase noise references used in communications systems.

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

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

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

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

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

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

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

See Item 6 - Selected Financial Data - for sales data for each of these product lines.

BACKLOG

As of April 30, 1996, the Registrant's backlog amounted to approximately $15 million of which approximately $13.7 million is funded as compared to approximately $15 million of funded backlog at April 30, 1995 (see Item 7). The backlog includes purchase orders and contracts from commercial and foreign customers of approximately $8.6 million. A substantial portion of this backlog is expected to be filled during Registrant's fiscal year ending April 30, 1997. While the backlog includes firm purchase orders and contracts and may be a guideline in determining the value of orders which may be deliverable in the period indicated, it is subject to change by reason of several factors including possible cancellation of orders, change orders, terms of the contracts and other factors beyond the Registrant's control. Accordingly, the backlog is not necessarily indicative of the revenues or profits (losses) which may be realized when the results of such contracts are reported.

CUSTOMERS AND SUPPLIERS

The Registrant markets its products both directly and through 35 independent sales representative organizations located principally in the United States. Sales to non-U.S. customers totaled approximately 17% of net sales in 1996 and 16% in fiscal years 1995 and 1994.

The Registrant's products are sold to a variety of customers, both governmental and private. For the years ended April 30, 1996, 1995 and 1994, approximately 55%, 75% and 69%, respectively, of the Registrant's sales were made under contracts to the U.S. Government or subcontracts for U.S. Government end-use. The Registrant's business is highly dependent upon the defense and space spending policies of the U.S. Government. Any substantial reduction in government spending or change in emphasis in the government's defense and space programs would have a material adverse effect upon the Registrant's business (see Item 3).

Sales to Hughes Aircraft Company (HAC) and Space Systems Loral each exceeded 10% of the Company's consolidated sales for the year ended April 30, 1996. Collectively these two companies accounted for approximately 39% of the Company's consolidated sales for the same period. For the year ended April 30, 1995, sales to HAC, TRW and Raytheon Corp. exceeded 10% individually and 56% collectively of consolidated sales. For the year ended April 30, 1994, sales to HAC and Raytheon Corp. exceeded 10% individually and 40% collectively of consolidated sales. For the fiscal year ended April 30, 1996, the sales to HAC were substantially all for U.S. Government end use while the sales to Space Systems Loral were for commercial communication and foreign defense and space applications. Sales to the above named customers in the fiscal years ended April 30, 1995 and 1994 were substantially all for U.S. government end use. The loss by the Company of any one of these customers or, for those customers contracting with the U.S. Government, the loss of any contracts which are partially subcontracted to the Company, would have a material adverse effect on the Company's business. The Company believes its relationship with these companies to be mutually satisfactory and, except for the pending legal proceedings discussed in Item 3, is not aware of any prospect for the cancellation of or significant reduction of any of their U.S. Government contracts in which the Company is involved.

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

GOVERNMENT CONTRACTS

During the fiscal years ended April 30, 1996, 1995 and 1994, approximately 55%, 75% and 69%, respectively, of the Registrant's sales were made either directly with U.S. Government agencies or indirectly with government agencies through subcontracts intended for government end-use. All but a few of these contracts are on a fixed price basis. Under a fixed price contract the price paid to the Registrant is not subject to adjustment by reason of the costs incurred by the Registrant in the performance of the contract, except for costs incurred due to contract changes ordered by the customer. These contracts are on a negotiated basis under which the Registrant bears the risk of cost overruns and derives the benefit from cost savings.

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

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

COMMERCIAL MARKETS

During the fiscal year ended April 30, 1996, the Registrant continued to focus a significant portion of its resources and efforts on developing hardware for commercial satellite programs and commercial ground communication systems which management believes will result in future growth and increases in profits. In fiscal 1994, Registrant transferred all commercial communications and space programs to its wholly owned subsidiary, FEIC. The foregoing developments have been implemented with a view towards enabling Registrant to achieve long-term substantial increases in sales from other than Defense Department programs.

Some of the product lines which the Registrant has developed for the commercial market are as follows:

Commercial Rubidium Atomic Standard:

An extremely small,low cost, low phase noise,stable atomic standard ideally suited for use in advanced cellular communications, wireless telecommunications and navigation applications.

Subminiature Oven Controlled Commercial Quartz Crystal Oscillator:

A low cost, small size, precision crystal oscillator suited for high end performance required in satellite transmissions, airborne telephony, and geophysical survey positioning systems.

VSAT Transceivers:

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

RESEARCH AND DEVELOPMENT

The Registrant's technological expertise has been an important factor in its growth. Until recently, virtually all of its research and development activities have taken place in connection with customer-sponsored research and development oriented projects conducted under fixed price contracts and subcontracts in support of U.S. Government programs. These projects constituted non-recurring engineering and were a substantial portion of the Registrant's business. The Registrant has been successful in applying its resources to providing prototypes and preproduction hardware for use in military navigation, communication, guidance and electronic countermeasure programs and space applications. The output of these customer-sponsored projects, in all cases, are proprietary to the Registrant.

The Registrant continues to focus a significant portion of its own resources and efforts on developing hardware for commercial satellite programs, commercial ground communication systems and wireless communications systems which it anticipates will result in future growth and increases in profits. Through its wholly owned subsidiary, FEIC, the Registrant is aggressively pursuing markets for its commercial rubidium product line and its C and KU-Band VSAT transceivers. The foregoing developments have been implemented with a view towards enabling Registrant to achieve long-term increases in sales from other than Defense Department programs. During fiscal 1996, 1995 and 1994, the Registrant expended $1.1 million, $1.9 million, and $1.4 million of its own funds, respectively, on such research and development activity.

PATENTS AND LICENSES

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

COMPETITION

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

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

EMPLOYEES

The Registrant employs 208 persons.

OTHER ASPECTS

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

Item 2. Properties

Registrant established its headquarters in December, 1981 in a 131,000 square foot manufacturing and office facility located in Mitchel Field, Long Island, New York (the "Mitchel Field Complex"). The Mitchel Field Complex was built and equipped, in part, with the proceeds of a $5,000,000 Industrial Development Bond financing arrangement concluded through the Nassau County Industrial Development Agency and various lending institutions ("Financing Arrangement"). The Mitchel Field Complex is erected on land leased from the County of Nassau ("Nassau County Lease") dated as of February 24, 1981 for an aggregate period of 99 years (including renewal options exercisable at Registrant's sole discretion). Registrant paid total base rentals under this lease of approximately $167,000 during fiscal year ended April 30, 1996. The Nassau County Lease provides for increases generally at 10 year intervals. Registrant has granted to the lending banks a security interest in all personal property purchased with the proceeds of this financing and a mortgage on the Nassau County Lease.

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

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

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

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

Item 3. Legal Proceedings

U.S. Government Indictment

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

The Indictment makes allegations, generally, as follows: TRW, Inc. ("TRW") was a prime contractor on a contract with the United States Government ("Government") to build satellites; FEI was a subcontractor of TRW under six contracts to manufacture electronic devices for space satellites pursuant to

TRW's contracts with the Government; in February 1988, three of the subcontracts were terminated by TRW and three of the subcontracts were partially terminated by TRW and restructured; in connection with such terminations, FEI submitted detailed statements of information setting out its costs incurred in connection with the subcontracts, for the unpaid portion of which it was eligible for compensation, directly or indirectly, by the Government; among the costs for which it was eligible for compensation were labor costs, overhead and general and administrative costs (collectively "costs"); settlement proposals were submitted by FEI with respect to the three terminated subcontracts; the proposals contained, among other things, the cost information described above and FEI was compensated, directly or indirectly, by the Government; contract pricing proposals were submitted by FEI with respect to the three partially terminated and restructured subcontracts and such proposals contained, among other things, the cost information described above. FEI and TRW entered into an agreement restructuring such subcontracts and FEI was paid settlement expenses in connection with such restructured subcontracts.

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

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

On April 6, 1994, a Federal Grand Jury in the United States District Court for the Eastern District of New York returned a superseding indictment in a criminal proceeding entitled, "United States District Court, Eastern District of New York, United States of America, Plaintiff, against Frequency Electronics, Inc., Martin Bloch, Abraham Lazar, Harry Newman and Marvin Norworth, Defendants", index number CR 93-0176 ("Superseding Indictment"). As the caption in the proceeding indicates, the Superseding Indictment named as defendants all of the same parties as in the Indictment. The nineteen count Superseding Indictment charges violations of Title 18, U.S.C. Sections 371 and 3551 et seq., 1001, 2 and 3551 et seq. It is believed that the Superseding Indictment primarily represents an attempt by the Government to meet and cure certain of the asserted deficiencies in the Indictment which were specified in the Motions. The Superseding Indictment enlarged Count One of the Indictment from an 18 U.S.C. Section 286 conspiracy to a conspiracy charged under Title 18, U.S.C. Section 371. In addition, the Superseding Indictment contained an additional count charging a violation of Section 1001 of Title 18, i.e., making a false statement to a Government agency. Other than the foregoing, there are no other substantial differences between the Indictment and the Superseding Indictment. The Superseding Indictment does not specify the dollar amount as to which it is claimed the Government was defrauded. The Government takes the position that it may proceed to trial on either the Indictment or the Superseding Indictment. The Government has not advised as to whether it intends to proceed under the Indictment or the Superseding Indictment and the Court has not ruled on this subject. FEI and the other defendants moved to dismiss the Superseding Indictment and those motions were also heard on May 13, 1994. The Court denied the motions addressed to the Superseding Indictment. Discovery has not been completed. FEI has determined to vigorously defend the Superseding Indictment.

In connection with the defense of the Indictment and the Superseding Indictment, FEI and the other defendants have sought the production of United States Government classified information and documents pursuant to the provisions of the Classified Information Procedures Act ("CIPA"). A formal hearing under CIPA commenced on April 29, 1996. The CIPA process is continuing and no assessment can be made as to when it will be concluded or the outcome.

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

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

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

The complaint was filed on or about December 3, 1992, in camera and under seal pursuant to the provisions of the False Claims Act. The Court unsealed the complaint by order dated December 3, 1993, after FEI complained to the United States Attorney for the Eastern District of New York regarding newspaper articles that charged FEI with manufacturing defective products based upon claims in an unspecified and undisclosed qui tam action. It is believed that the Government made applications to the Court on one or more occasions after December 3, 1993 to continue to have the file in the Muller Qui Tam Action remain under seal. The complaint was served on FEI and Martin Bloch on March 28, 1994 and March 30, 1994, respectively. Under the provisions of the False Claims Act, the Government is permitted to take over the prosecution of the action. The Government has declined to prosecute the Muller Qui Tam Action and the plaintiff, Ralph Muller ("Muller"), is proceeding with the action on behalf of the Government as is permitted under the False Claims Act. Moreover, while the action names as parties defendant, Hughes Aircraft Company ("Hughes") and Raytheon Company ("Raytheon"), along with several of their subsidiaries, it appears that the Muller Qui Tam Action was dismissed voluntarily by Muller on April 6, 1994, as to Hughes, Raytheon and their respective subsidiaries. FEI and Martin Bloch moved to dismiss the complaint on various grounds and, at the oral argument of the motion to dismiss, the Court granted the motion to the extent that the complaint failed to plead fraud with sufficient particularity as is required under the Federal Rules of Civil Procedure and the plaintiff was directed to serve an amended complaint. On February 6, 1996, plaintiff served an amended complaint ("Amended Complaint").

The Amended Complaint, insofar as it pertains to FEI and Martin Bloch, contains a series of allegations to the effect that Hughes and Raytheon contracted with the Government to supply it with Advance Medium Range Air to Air Missiles ("AMRAAMS"); Hughes and Raytheon (collectively, the "Contractors") entered into a subcontract with FEI pursuant to which FEI was to design, manufacture, test, sell and deliver to the Contractors certain oscillators which constituted components of the AMRAAMS; that FEI improperly designed, manufactured and tested the oscillators; that numerous faulty and defective oscillators were delivered to the Contractors; that the oscillators did not meet contract specifications; that FEI was aware of the defective and faulty nature of the oscillators; that FEI and Martin Bloch knowingly directed non-disclosure of the design flaws; that the concealed design defects in developmental oscillators permitteed FEI to manufacture additional defective oxcillators which were used in operational missiles; that as a direct result of FEI's fraudulent concealment of the defects, FEI was contracted to design and manufacture additional oscillators; that when missiles were returned to FEI for repair, FEI charged the Government for repair even though FEI knew the units had been defective at the time of delivery; that FEI falsified test results and FEI and Martin Bloch directed the falsification of test results; and that FEI sold and delivered the oscillators to the Contractors; as a result of the faulty and defective oscillators, many of the AMRAAMS failed to function properly; and that the Government sustained damages. The complaint demands an unspecified amount of damages allegedly suffered by the Government, and asks that the Court determine the damages and assess civil penalties as provided under the False Claims Act, and that the plaintiff Muller be awarded a bounty. Under the False Claims Act, a recovery can be made in favor of the Government for a civil penalty of not less than $5,000 and not more than $10,000 as to each false claim and for each false record and statement, plus three times the amount of damages it is determined the Government sustained, plus legal fees and expenses.

FEI has determined to vigorously defend the Muller Qui Tam Action. It has answered the Amended Complaint, denied the material allegations, asserted seventeen affirmative defenses, and counterclaims for: libel and product libel demanding damages of $3,000,000; republication of the libel and product libel - demanding damages of $3,000,000; slander demanding damages of $3,000,000; tortious interference with prospects for additional business- demanding damages of $1,865,010; prima facie tort - demanding damages of $1,865,010; conversion - demanding damages of $11 plus an amount to be determined at trial; breach of employment contract - demanding damages of $1,865,010; breach of fiduciary duty - - demanding damages of $1,865,010; plus punitive damages in the amount of $30,000,000 on each of the tort causes of action, and legal fees and expenses. The substance of the counterclaims alleged against Muller are predicated upon a letter dated November 23, 1992 ("November 23 Letter") written by Muller's attorneys Schneider, Harris, Harris and Furman ("SHHF") to the Government which allegedly contained false and libelous statements concerning FEI's design, manufacture and production of components for Hughes and Raytheon in connection with the AMRAAMS.

In addition, FEI has instituted a third party action against SHHF, Robert Harris, Esq. and Rod Kovel, Esq., attorneys for Muller, in connection with their alleged authoring and publishing of the November 23 Letter provided to the Government. The third-party complaint asserts the claims against the attorneys for libel and product libel, republication of the libel and product libel, slander, tortious interference with contractual relations, prima facie tort and conversion.

The counterclaims and third-party complaint have been served. Muller has replied to the counterclaims asserted in FEI's answer to the Amended Complaint, denied the substantive allegations and asserted various affirmative defenses. The third-party defendants have replied to the third-party complaint and have denied the substantive allegations and asserted various affirmative defenses. Discovery has not commenced.

Muller moved to dismiss the counterclaims in the answer and the third-party defendants moved to dismiss the third-party complaint. FEI and Martin Bloch moved to dismiss the complaint in the Muller Qui Tam Action. The motions were argued on January 5, 1996 and, at the time, the Court directed the plaintiff to serve the Amended Complaint. At the oral argument, the Court deferred a portion of its decision and, in addition, it indicated a formal decision and order would be provided as to certain of the relief requested. To date, the Court has not rendered its formal decision and order.

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

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

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

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

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

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

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

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

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

In the Derivative Litigation, FEI and all of the individual defendants have moved to dismiss the consolidated complaint and to stay the Derivative Litigation pending a disposition of the Indictment and the Superseding Indictment ("Motion(s)"). To date, the Motions have not been heard by the Court. However, as a result of the Motions, pursuant to a Stipulation and Order of the Court dated May 17,1995 and a Stipulation and Order of the Court dated June 14, 1995, the Derivative Litigation has been dismissed as to Newman and Norworth and is otherwise stayed pending a disposition of the Indictment, Superseding Indictment and related investigations until the further order of the Court. FEI has determined to vigorously defend the Derivative Litigation. Discovery has not been commenced. No opinion can be offered as to the outcome of the Motion(s) or with respect to the Derivative Litigation.

A qui tam action was commenced in the United States District Court for the Eastern District of New York entitled, "United States of America, ex rel. Howard B. Geldart, Plaintiff - Relator v. Frequency Electronics, Inc., Markus Hechler, Harry Newman, Marvin Norworth, and Steven Calceglia, Defendants" (Geldart Qui Tam Action"). The Geldard Qui Tam Action was brought pursuant to the False Claims Act, which is described above.

The complaint was originally filed on or about October 19, 1993 in camera and under seal pursuant to the provisions of the False Claims Act. An amended complaint was filed on or about April 4, 1995. The Court unsealed the amended complaint on or about June 2, 1995. The amended complaint was served on FEI on or about July 27, 1995. The Government has exercised its right under the False Claims Act to take over the prosecution of this action.

The amended complaint alleges that FEI created and used materially false cost data to justify cost estimates in bid packages and otherwise, affecting prices and fees charged and paid for defense procurement contracts relating to the AMRAAM missile, and to a program for the replacement of cesium standard parts, and to continue to justify the award of and payments under such contracts; that the false claims caused the United States unknowingly to pay more than the actual cost (plus a reasonable profit) of the products and services; that FEI knowingly made transfers to costs from contract to contract that were unjustified and materially false and otherwise overstated the costs of its contracts; that this materially false cost data was used to support false cost estimates by FEI to the United States or its contractors, to fradulently accelerate costs incurred so as to obtain progress payments, to justify cost estimates in bids for contracts of a nature similar to ones already awarded FEI, and to misrepresent cost information to the United States and its contractors.

FEI has determined to vigorously defend the Geldart Qui Tam Action. The time of the defendants to answer or move with respect to the amended complaint has been extended up to and including August 16, 1996. To date, none of the defendants have answered the amended complaint.

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

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

Civil Action, the Muller Qui Tam Action and the Geldart Qui Tam Action.

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

Certain disclaimers of coverage have been made by the carriers with respect to certain of these matters. No opinion can be offered as to coverage or the extent of coverage under any of the foregoing policies. At the appropriate time, FEI intends to vigorously pursue its rights with respect to these insurance policies.

Included in selling and administrative expenses are legal fees incurred in connection with the above matters of approximately $919,000, $2,300,000 and $1,819,000 for fiscal years 1996, 1995 and 1994, respectively.

Government Contract Suspension

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

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

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

(2) Registrant may not conduct business with the Government as an agent or representative of other contractors and it may not act as an individual surety for other contractors.

(3) No government contractor may award Registrant a subcontract equal to or in excess of $25,000 unless there is a compelling reason to do so and the contractor first notifies the contracting officer and further complies with certain Government registrations.

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

The suspension regulations allow Registrant the opportunity to contest the suspension by submitting to the suspending agency information and argument in opposition to the suspension. Since Registrant and all of the individual defendants have pleaded not guilty to the Indictment and the Superseding Indictment and denied the charges alleged in the Government's related civil action, denied the allegations in the Muller Qui Tam Action and, it is anticipated, will deny the allegations in the Geldart Qui Tam Action, the Registrant believes that the suspension is unwarranted and, accordingly, Registrant has undertaken to vigorously contest the suspension. However, to date, the suspension has not been withdrawn and no opinion can be provided as to removing the suspension pending a favorable disposition of the above-described

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

Approximately 55% of Registrant's business is comprised of prime and subcontracts in which the Government is the end-user. The other category of Registrant's business, which it has been expanding in recent years, is in commercial and export markets unrelated to the Government. In view of the extent to which Registrant is currently reliant on Government contracts and subcontracts and the effect which the suspension, unless withdrawn, will have on Registrant's ability to continue to obtain such business, Registrant believes that the suspension and possible debarment is an extremely serious matter which is likely to have a material adverse effect on Registrant's business prospects, financial condition, results of its operations and cash flows. However, Registrant is unable to ascertain at this time whether or not this has been the case.

Environmental Matters

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

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

No matters were required to be submitted by Registrant to a vote of security holders during the fourth quarter of fiscal 1996.

Item 4(a) Executive Officers of the Registrant

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

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

Joseph P. Franklin	- Chairman of the Board of Directors, Chief Executive Officer, Chief Financial Officer.
Martin B. Bloch	- President(1), Chief Scientist
John C. Ho	- Vice President of Research and Development and Director
Marvin Meirs	- Vice President, Engineering
Alfred Vulcan	- Vice President, Systems Engineering
Markus Hechler	- Vice President, Manufacturing and Acting Secretary
Charles S. Stone	- Vice President, Low Noise Development
Leonard Martire	- Vice President, Space Systems and Business Development
Harry Newman	- Secretary and Treasurer(2)

None of the officers and directors are related.

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

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

Joseph P. Franklin, age 62, has served as a Director of the Company since March 1990. In December 1993 he was elected Chairman of the Board of Directors, Chief Executive Officer and, since September 15, 1995, has served as Chief Financial Officer. He has been the Chief Executive Officer of Franklin S.A., since August 1987, a Spanish business consulting company located in Madrid, Spain, specializing in joint ventures, and was a director of several prominent Spanish companies. General Franklin was a Major General in the United States Army until he retired in July 1987.

Martin B. Bloch, age 60, has been a Director of the Company and of its predecessor since 1961. He recently resigned as Chairman of the Board of Directors and Chief Executive Officer and is currently its President and Chief Scientist. Previously, he served as chief electronics engineer of the Electronics Division of Bulova Watch Company.

John C. Ho, age 63, has been employed by the Company and its predecessor since 1961 and has served as a Vice President since 1963 and as a Director since 1968.

Marvin Meirs, age 58, was employed by the Company in an engineering capacity from 1966 to 1972 and rejoined the Company in such capacity in 1973, serving as Vice President, Engineering since 1978.

Alfred Vulcan, age 59, joined the Company as an engineer in 1973 and has served as its Vice President, Systems Engineering since 1978.

Markus Hechler, age 50, joined the Company in 1967, and has served as its Vice President, Manufacturing since 1982, and as Assistant Secretary since 1978. He was elected Acting Secretary in December 1993 when Harry Newman took a leave of absence.

Charles S. Stone, age 65, joined the Company in 1984, and has served as its Vice President since that time. Prior to joining the Company, Mr. Stone served as Senior Vice President of Austron Inc., from 1966 to 1979, and Senior Scientist of Tracor Inc., from 1962 to 1966.

Leonard Martire, age 59, joined the Company in August 1987 and served as Executive Vice President of FEI Microwave, Inc., the Company's wholly owned subsidiary until May 1993 when he was elected Vice President, Space Systems.

Harry Newman, age 49, has been employed by the Company as Secretary and Treasurer since 1979, prior to which he served as Divisional Controller of Jonathan Logan, Inc., apparel manufacturers, from 1976 to 1979, and as supervising Senior Accountant with Clarence Rainess and Co., Certified Public Accountants, from 1971 to 1975.

PART II

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

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

FISCAL QUARTER	HIGH SALE	LOW SALE
1996 -		
FIRST QUARTER	$5	$3 1/8
SECOND QUARTER	5 1/8	3 5/8
THIRD QUARTER	6 1/2	3 5/16
FOURTH QUARTER	8 1/2	4 7/8
1995 -		
FIRST QUARTER	$4 1/4	$3 5/8
SECOND QUARTER	4	3 1/8
THIRD QUARTER	5 1/2	2 7/8
FOURTH QUARTER	5 1/8	3 13/16

As of July 12, 1996, the approximate number of holders of record of common stock was 969.

DIVIDEND POLICY

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

Item 6. Selected Financial Data

The following table sets forth selected financial data including net sales and operating income for the five year period ended April 30, 1996.

	Years Ended April 30, 1996	1995	1994	1993	1992
	(in thousands, except share data)				
Net Sales					
Components	$ 9,349	$ 5,602	$ 1,965	$ 5,216	$ 6,998
Microwave Products	1,216	93	2,687	17,335	25,432
Instruments	9,524	14,065	15,921	17,495	17,398
Systems	3,801	4,321	6,891	3,185	3,375
Purchase Services	1,202	--	--	--	--
Total Net Sales	$ 25,092	$ 24,081	$ 27,464	$ 43,231	$ 53,203
Operating Profit (Loss)	$ 1,047	($ 6,025)	($ 6,174)	($12,279)	$ 2,952
Net Earnings (Loss)	$ 2,822	($ 3,843)	($ 4,622)	($ 7,966)	$ 462
Average Common Shares and Common Equivalent Shares Outstanding	4,626,581	4,835,367	5,410,762	5,596,788	5,751,408
Earnings (Loss) per Common and Common Equivalent Shares	$ .61	($ .80)	($ .85)	($1.42)	$.08
Total Assets	$68,770	$65,032	$72,655	$97,065	$99,592
Long-Term Obligations	$14,877	$14,959	$15,327	$24,945	$25,124

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

RESULTS OF OPERATIONS

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

	1996	1995	1994
Net Sales			
US Government	55.3%	74.7%	68.7%
Commercial	44.7	25.3	31.3
	100.0	100.0	100.0
Cost of Sales	66.5	85.5	91.3
Selling and administrative expenses	25.1	31.4	26.2
Research and development expenses	4.2	8.1	5.0
Operating income (loss)	4.2	(25.0)	(22.5)
Other income (expense)- net	7.8	8.5	5.5
(Provision) benefit for income taxes	(0.8)	(0.3)	0.2
Income (loss) before cumulative effect of change in accounting principle	11.2	(16.8)	(16.8)
Net income (loss)	11.2%	(16.0%)	(16.8%)

Operating Income

Operating income for the year ended April 30, 1996, improved by $7.1 million over the year ended April 30, 1995 and by $7.2 million over fiscal year 1994. This result was achieved through increased sales to non-U.S. Government contract customers coupled with significant improvement in gross margins due to cost cutting efforts and the conclusion of certain unprofitable contracts initiated by the Company's former west coast operations. Reduced selling and administrative expenses and more focused research and development costs, as discussed below, further enhanced the operating results for the current fiscal year.

Net Sales

Net sales in fiscal 1996 increased by over $1 million over fiscal 1995 but were lower than fiscal 1994 by $2.4 million. As illustrated in the table above, commercial sales have become a much more significant portion of the Company's business. Sales to such customers for the fiscal year ended April 30, 1996 increased by $5.1 million over fiscal 1995 and by $2.6 million over fiscal 1994. Sales to non-U.S. Government contract customers are expected to become the dominant source of revenues in subsequent fiscal years. The Company will continue to engage in contracts for which the end user is the U.S. Government but such sales are not expected to increase significantly in absolute sales dollars due mainly to the overall decline in U.S. Government (principally DOD and NASA) spending.

Sales in fiscal 1994 were higher than in both 1996 and 1995 as a result of the completion of two significant programs that year which were effectively not replaced in subsequent periods. On one of these projects, the customer decided not to exercise certain contract options. Also, as noted above, reductions in DOD and NASA programs have had a negative impact on revenues.

Included in fiscal 1996 commercial sales is approximately $1.2 million of revenues related to parts procurement and screening services on behalf of the Globalstar Satellite program. The Company expects to recognize an additional $1 million in incentive revenues in fiscal 1997 and intends to actively promote its procurement services on other satellite programs. Fiscal 1996 commercial revenues also benefited from a combined $1.8 million increase in sales of the Company's commercial rubidium product line and the TRW MIMIC/MMIC product lines; sales of which were not significant in fiscal 1994. Sales of these product lines are expected to continue to grow, particularly for commercial rubidium, as the Company further advances its products into the marketplace.

Gross margins

Gross margins for the fiscal year ended April 30, 1996, showed continued improvement over fiscal years 1995 and 1994, increasing to 33.5% from 14.5% and 8.7%, respectively. These results have been obtained through meaningful cost reductions primarily in the areas of personnel and compensation coupled with operational efficiencies and product mix. Fiscal 1994 gross margins were negatively impacted by higher than anticipated technical development costs incurred during the engineering, design, and production stages of certain projects. The impact of these items was greatly reduced in fiscal 1995 and 1996. In addition, fiscal years 1995 and 1994 incurred costs associated with the restructuring and consolidation of the Company's former west coast facility. The assets and activities of that entity were relocated to the Company's headquarters location during fiscal 1995.

Gross margin in fiscal 1996 was negatively impacted by the establishment of reserves for certain slow moving or obsolete inventory items and accruals for employee bonuses. Without these charges to earnings, the 1996 gross margin would have been approximately 35.7%. While the Company cannot reasonably predict the need for future inventory reserves or the possibility of cost overruns on existing or future contracts, the Company anticipates that future gross margins will be comparable to that experienced during fiscal 1996.

Selling and administrative expenses

Selling and administrative costs declined by $1.3 million or 17% for the year ended April 30, 1996, over fiscal 1995 and by $0.9 million or 12% over fiscal 1994. The principal cause of these decreases was a reduced level of activity in 1996 related to the Company's defense of the ongoing litigation with the government and related actions. Related legal fees were $1.4 million less in 1996 than in 1995 and $0.9 million less than in 1994. Offsetting such reduced legal expenses in fiscal 1996, was the increased provision for certain uncollectible accounts receivable and accrued officers and employee bonuses. Bad debt expense for fiscal 1996 was approximately $580,000 compared to nominal bad debt expense in fiscal years 1995 and 1994. Without regard to bad debt expenses, bonuses and the legal fees related to the government litigation, selling and administrative costs in fiscal 1996 were $632,000 lower (12%) than in 1995 and $737,000 lower (14%) than in 1994. This result was achieved through a reduction in the number of personnel, reduced insurance costs and improved operating efficiencies. As sales increase, the ratio of selling and administrative expenses, excluding legal costs, to net sales is expected to decrease. The Company is unable to predict the future level of legal costs for any specific period as this is dependent on factors outside of its immediate control.

Research and development expenses

Company-funded research and development costs in the year ended April 30, 1996, decreased by $890,000 (46%) and $317,000 (23%) from the levels of spending in fiscal 1995 and 1994, respectively. The decreases in Company-funded costs are the result of an effort to focus research and development activities on a narrower band of commercial projects which will provide the best return on investment. Research and development spending in fiscal 1995 was higher than in 1994 principally due to an intense effort to develop the two VSAT product lines. In fiscal 1996, spending on these product lines continued but at a lower level as development of one line was completed and development on the other line is nearing the preproduction stage. For fiscal 1997, the Company expects to continue to invest in research and development at approximately the same rate as it did for fiscal 1996.

Other Income and Expense

For the year ended April 30, 1996, other income (expense)-net decreased by $74,000 (4%) from fiscal 1995 and increased by $473,000 (31%) over fiscal 1994. During fiscal year 1995, the Company realized a gain of approximately $1.2 million on the sale of certain marketable securities. Excluding that one-time gain, 1996 other income (expense)-net were significantly improved over both the fiscal 1995 and 1994 results.

In particular, interest income increased by $535,000 and $424,000 over fiscal 1995 and 1994, respectively, as the result of both higher interest rates and a notable increase in interest-earning assets in fiscal 1996. Interest income in fiscal 1994 included interest earned on federal income tax refunds which did not recur to the same extent in fiscal 1996 or 1995. Excluding such interest, interest income in fiscal 1996 and 1995 increased by 92% and 13%, respectively, over the comparable 1994 levels. On the other hand, interest expense in fiscal 1996 decreased by $67,000 and $6,000, respectively, from fiscal 1995 and 1994 levels. This was the result of declining long-term debt balances as the Company makes scheduled principal payments, offset by increased interest rates during 1996. Although the Company is unable to predict the future levels of interest rates, at current rates the Company anticipates that interest income will continue to increase and interest expense will continue to decrease when compared to earlier fiscal years.

Other income, net, which consists principally of rental income under the long-term direct finance lease with Lab Corporation of America, should continue at moderately increasing levels over the 15-year term of the lease. As noted above, in fiscal 1995, the Company also realized a one-time gain on the sale of certain marketable securities which was recorded in this line item of the statement of operations.

LIQUIDITY AND CAPITAL RESOURCES

The Company's balance sheet continues to reflect a strong working capital position of $41.8 million and $39.1 million at April 30, 1996 and 1995, respectively. Included in working capital at April 30, 1996 is $21.5 million of cash, cash equivalents and short-term investments which are readily convertible to cash should the need arise. The Company's current ratio at April 30, 1996 is 10 to 1 compared to a 13 to 1 ratio at April 30, 1995. The decline in the current ratio is due principally to an increase in trade accounts payable as a consequence of the parts procurement and screening services for the Globalstar Satellite program and to the accrual of certain year-end incentive bonuses as the result of the profitable year experienced by the Company.

Net cash provided by operating activities for the year ended April 30, 1996, was almost $7 million compared to $4.3 million for fiscal 1995. This significant increase in cash inflow is the result of the return to profitability in 1996 with net income of $2.8 million, certain noncash charges of an additional $2.9 million and the net change in assets and liabilities of $1.3 million.

Net cash provided by investing activities for the year ended April 30, 1996, was $6.1 million. Of this amount, $5.9 million was provided by the conversion of certain U.S. government and agency securities to short-term money market investments. The Company may continue to convert short-term investments to cash equivalents or invest cash equivalents in longer-term securities as dictated by its investment strategies. An additional $500,000 was received upon the sale of the building owned by the Company's former west coast operation. In addition to cash, the Company received a promissory note in the amount of $1.8 million for the balance of the sale price. The promissory note for the building sale will be repaid in monthly installments over a period of 5 years with a balloon payment at the end.

During fiscal 1996, the Company acquired new computer software to manage its financial and operational systems. Installation of the software will occur in the early part of fiscal 1997. The total capitalized cost of the software and installation costs is expected to be less than $500,000. The Company has no other material commitments for capital expenditures. Total fixed asset purchases in fiscal 1996 approximated $330,000, including the capitalized software costs.

Net cash used in financing activities for the year ended April 30, 1996, was $1.4 million compared to $3.3 million in fiscal 1995. Of this amount, $749,000 was used to make regularly scheduled long-term debt payments and $698,000 was used to acquire 185,500 shares of common stock to be held in treasury. The Company may continue to purchase shares for its treasury whenever appropriate opportunities arise but it has neither a formal repurchase plan nor commitments to purchase additional shares in the future.

The Company will continue to expend its resources and efforts to develop hardware for commercial satellite programs and commercial ground communication and navigation systems which management believes will result in future growth and continued profitability. Internally generated cash will be adequate to fund development efforts in these markets.

At April 30, 1996, the Company's backlog amounted to approximately $15 million of which approximately $13.7 million is funded. This is compared to the approximately $15 million backlog at April 30, 1995. The April 30, 1996, backlog consists of approximately $8.6 million (57%) for commercial and foreign customers and $6.4 million (43%) for U.S. Government contracts. As discussed more thoroughly in Material Developments, Item 3 and Note 9 to the consolidated financial statements, the Company is temporarily suspended from contracting with any agency of the U.S. Government. Although the Company is becoming less dependent on U. S. Government contracts, the suspension, unless withdrawn, is likely to have a material adverse effect on the Company's business prospects, financial condition and results of operations.

The Company also has available for income tax purposes, approximately $11.4 million of net operating loss carryforwards which may be applied against future taxable income.

OTHER MATTERS

On May 1, 1994, the Company adopted the provisions of Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities" ("Statement 115"). Pursuant to Statement 115, investments in certain debt and equity securities are categorized as available-for-sale and are carried at fair value, with unrealized gains and losses excluded from income and recorded directly to stockholders' equity. In accordance with Statement 115, prior period financial statements have not been restated to reflect the change in accounting principle. The favorable cumulative effect of this change in accounting principle was approximately $215,000 or $.04 per share which was recorded during the year ended April 30, 1995.

Effective May 1, 1994, the Company changed its method of accounting for its Employee Stock Ownership Plan ("ESOP") in accordance with Statement of Position ("SOP") 93-6. In fiscal years 1996 and 1995, in accordance with SOP 93-6, the annual expense related to the leveraged ESOP is determined as interest incurred on the note plus compensation cost based on the fair value of the shares released. For the year ended April 30, 1994, compensation cost was based on the cost of the shares released. The effect of this change on the statement of operations for the year ended April 30, 1995 was a benefit of $208,000 or $.04 per share. The SOP also requires that ESOP shares that are committed to be released are considered outstanding for purposes of calculating earnings per share. Prior to fiscal 1995 all ESOP shares were considered outstanding for purposes of calculating earnings per share.

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

INFLATION

During fiscal 1996, as in the two prior fiscal years, the impact of inflation on the Registrant's business has not been materially significant.

Item 8. Financial Statements and Supplementary Data

REPORT OF INDEPENDENT ACCOUNTANTS

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

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Frequency Electronics, Inc. and Subsidiaries as of April 30, 1996 and 1995, and the consolidated results of their operations and their cash flows for each of the three years in the period ended April 30, 1996, in conformity with generally accepted accounting principles. In addition, in our opinion, the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information required to be included therein.

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

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

COOPERS & LYBRAND L.L.P.

Melville, New York
June 26, 1996.

FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES
Consolidated Balance Sheets
April 30, 1996 and 1995

ASSETS:	1996	1995
	(In thousands)	
Current assets:		
Cash and cash equivalents	$15,915	$ 4,291
Marketable securities (Note 3)	5,632	11,387
Accounts receivable, net of allowance for doubtful accounts of $483 in 1996 and $562 in 1995 (Note 4)	13,415	13,894
Inventories (Note 5)	10,281	11,168
Prepaid expenses and other	1,026	1,257
Refundable income taxes		318
Total current assets	46,269	42,315
Property, plant and equipment, at cost, less accumulated depreciation and amortization (Notes 6 and 7)	8,839	9,192
Investment in direct finance lease (Note 8)	9,607	9,452
Other assets	4,055	1,777
Asset held for sale (Note 2)		2,296
Total assets	$68,770	$65,032

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

FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES
Consolidated Balance Sheets
April 30, 1996 and 1995

LIABILITIES AND STOCKHOLDERS' EQUITY:	1996	1995
	(In thousands)	
Current liabilities:		
Current maturities of long-term debt (Note 7)	$ 750	$ 750
Accounts payable - trade	1,379	727
Accrued liabilities	2,262	1,782
Income taxes payable	79	
Total current liabilities	4,470	3,259
Long-term debt, net of current maturities (Note 7)	11,438	12,187
Deferred compensation (Note 11)	3,302	2,628
Other	137	144
	19,347	18,218
Commitments and contingencies (Notes 8 and 9)		
Stockholders' equity (Note 11):		
Preferred stock - authorized 600,000 shares of $1.00 par value; no shares issued		
Common stock - authorized 20,000,000 shares of $1.00 par value; issued- 6,006,300 shares in 1996 and 1995	6,006	6,006
Additional paid-in capital	35,024	35,131
Retained earnings	16,265	13,443
	57,295	54,580
Common stock reacquired and held in treasury - at cost (1,159,905 shares in 1996 and 964,305 shares in 1995)	(5,075)	(4,387)
Unamortized ESOP debt (Notes 7 and 11)	(2,000)	(2,500)
Notes receivable - common stock (Note 10)	(740)	(822)
Unearned compensation	(113)	(18)
Unrealized holding gain (loss)	56	(39)
Total stockholders' equity	49,423	46,814
Total liabilities and stockholders' equity	$ 68,770	$ 65,032

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

FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES
Consolidated Statements of Operations
Years ended April 30, 1996, 1995, and 1994

	1996	1995	1994
	(In thousands, except share data)		
Net sales (Note 13)	$25,092	$24,081	$27,464
Cost of sales	16,689	20,602	25,083
Selling and administrative expenses	6,306	7,564	7,188
Research and development expenses	1,050	1,940	1,367
Total operating expenses	24,045	30,106	33,638
Operating profit (loss)	1,047	(6,025)	(6,174)
Other income (expense):			
Interest income	1,293	758	869
Interest expense	(967)	(1,034)	(973)
Other, net (Notes 3 and 8)	1,649	2,325	1,606
Earnings (Loss) before (provision) benefit for income taxes	3,022	(3,976)	(4,672)
(Provision) benefit for income taxes (Note 12)	(200)	(82)	50
Net Earnings (Loss) before cumulative effect of change in accounting principle	2,822	(4,058)	(4,622)
Cumulative effect of change in accounting principle		215	
Net Earnings (Loss)	$ 2,822	($3,843)	($4,622)
Earnings (Loss) per common share before cumulative effect of change in accounting principle (Note 1)	$ .61	($ .84)	($ .85)
Cumulative effect of change in accounting principle		.04	
Earnings (Loss) per common share	$ .61	($ .80)	($ .85)
Weighted average common shares and common share equivalents outstanding (Note 1)	4,626,581	4,835,367	5,410,762

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

FREQUENCY ELECTRONICS, INC. AND SUBSIDIARIES
Consolidated Statements of Changes in Stockholders' Equity
Years ended April 30, 1996, 1995 and 1994
(In thousands, except share data)

	Common Stock Shares	Common Stock Amount	Additional paid-in capital	Retained earnings	Treasury stock (at cost) Shares	Treasury stock (at cost) Amount	Unamortized ESOP debt	Receivable Common Stock	Unearned compensation	Unrealized gain or (loss) on noncurrent marketable securities	Total
Balance at May 1, 1993	6,006,300	$6,006	$35,339	$21,908	496,505	($2,423)	($3,500)		($215)		$57,115
Exercise of restricted stock purchase rights					(4,000)	4			(33)		(29)
Amoritization of unearned compensation									169		169
Purchase of treasury stock					126,800	(556)					(556)
Amortization of ESOP debt as a result of shares allocated							500				500
Net loss				(4,622)							(4,622)
Balance at April 30, 1994	6,006,300	6,006	35,339	17,286	619,305	(2,975)	(3,000)		(79)		52,577
Amortization of unearned compensation									61		61
Purchase of treasury stock					345,000	(1,412)					(1,412)
Amortization of ESOP debt as a result of shares allocated			(208)				500				292
Decrease in market value of marketable securities										(39)	(39)
Advances to officers and employees for the purchase of stock								(822)			(822)
Net loss				(3,843)							(3,843)
Balance at April 30, 1995	6,006,300	6,006	35,131	13,443	964,305	(4,387)	(2,500)	(822)	(18)	(39)	46,814
Amortization of ESOP debt as a result of shares allocated			(156)				500				344
Shares issued under restricted stock plan			49		(25,000)	92			(116)		25
Purchase of treasury stock					200,600	(698)					(698)
Restricted stock surrendered to treasury stock					20,000	(82)		82			
Amortization of unearned compensation									21		21
Increase in market value of marketable securities										95	95
Net earnings				2,822							2,822
Balance at April 30, 1996	6,006,300	$6,006	$35,024	$16,265	1,159,905	($5,075)	($2,000)	($740)	($113)	$ 56	$49,423

FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES
Consolidated Statements of Cash Flows
Years ended April 30, 1996, 1995 and 1994

	1996	1995	1994
	(In thousands)		
Cash flows from operating activities:			
Net earnings (loss)	$2,822	($3,843)	($4,622)
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:			
Depreciation and amortization			
Property	974	995	1,576
Other	20	20	(425)
Provision for losses on accounts receivable and inventories	996		
(Gains) losses on marketable securities	(59)	(1,197)	(94)
Loss (gain) on sale or disposal of property, plant and equipment	(4)		560
Common stock issued for compensation plans			4
Amortization resulting from allocation of ESOP shares	344	292	500
Employee benefit plan provisions	765	717	237
Finance lease accretion	(155)	(188)	(156)
Changes in assets and liabilities:			
Accounts receivable	(101)	8,318	10,265
Inventories	180	322	1,672
Prepaid and other	231	(360)	290
Other assets	(511)	685	883
Accounts payable - trade	652	(357)	(111)
Accrued liabilities	480	(800)	(4,912)
Income taxes payable	79		(281)
Refundable income taxes	318	(31)	1,335
Other liabilities	(78)	(311)	__
Net cash provided by operating activities	6,953	4,262	6,721
Cash flows from investing activities:			
Purchase of marketable securities		(11,094)	
Proceeds from disposition of marketable securities	5,910	3,440	
Capital expenditures	(330)	(168)	(404)
Proceeds from sale of property, plant and equipment	513	34	
Net cash provided by (used in) investing activities	6,093	(7,822)	(370)

Continued

FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES
Consolidated Statements of Cash Flows
Years ended April 30, 1996, 1995 and 1994
(Continued)

	1996	1995	1994
		(In thousands)	
Cash flows from financing activities:			
Principal payments of long-term debt	(749)	(1,086)	(11,913)
Purchase of treasury stock	(698)	(1,412)	(556)
Sale of stock from treasury	25		
Notes receivable from employees		(822)	
Proceeds from long-term borrowings			800
Net cash used in financing activities	(1,422)	(3,320)	(11,669)
Net increase (decrease) in cash and cash equivalents	11,624	(6,880)	(5,318)
Cash and cash equivalents at beginning of year	4,291	11,171	16,489
Cash and cash equivalents at end of year	$15,915	$ 4,291	$11,171

Supplemental disclosures of cash flow information (Note 15): Cash paid during the year for:

	1996	1995	1994
Interest	$942	$1,017	$833
Income taxes	$ 81	$151	$383

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Accounting Policies

Principles of Consolidation:

The consolidated financial statements include the accounts of Frequency Electronics, Inc. and its wholly-owned subsidiaries (the "Company" or "Registrant"). The Company is principally engaged in the design, development and manufacture of precision time and frequency control products and components for microwave integrated circuit applications. Intercompany accounts and significant intercompany transactions are eliminated in consolidation. These financial statements have been prepared in conformity with generally accepted accounting principles and require management to make estimates and assumptions that affect amounts reported and disclosed in the financial statements and related notes. Actual results could differ from these estimates.

Inventories:

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

Property, Plant and Equipment:

Property, plant and equipment is recorded at cost and includes interest on funds borrowed to finance construction. Expenditures for renewals and betterments are capitalized; maintenance and repairs are charged to income when incurred. When fixed assets are sold or retired, the cost and related accumulated depreciation and amortization are eliminated from the respective accounts and any gain or loss is credited or charged to income.

If events or changes in circumstances indicate that the carrying amount of a long-lived asset may not be recoverable, the Company estimates the future cash flows expected to result from the use of the asset and its eventual disposition. If the sum of the expected future cash flows (undiscounted and without interest charges) is less than the carrying amount of the long-lived asset, an impairment loss is recognized. To date, no impairment losses have been recognized.

Depreciation and Amortization:

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

Revenue and Cost Recognition:

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

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

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

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

Income Taxes:

Deferred tax liabilities and assets are recognized in accordance with Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes," for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax liabilities and assets are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

Earnings Per Share:
Primary earnings per share are computed by dividing net earnings by the weighted average number of shares of common stock and, when dilutive, common stock equivalents outstanding. Fully diluted earnings per share are not presented since they do not materially vary from primary earnings per share.

Marketable Securities:

Marketable securities consist of investments in common stocks, mutual funds, and debt securities of U.S. government agencies. At April 30, 1994, these investments were recorded at the lower of aggregate cost or market. Substantially all of the marketable securities at April 30, 1996 and April 30, 1995 were held in the custody of one financial institution.

On May 1, 1994, the Company adopted the provisions of Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities" ("Statement 115"). Pursuant to Statement 115, investments in certain debt and equity securities are categorized as available for sale and are carried at fair value, with unrealized gains and losses excluded from income and recorded directly to stockholders' equity. In accordance with Statement 115, prior period financial statements have not been restated to reflect this change in accounting principle. For the year ended April 30, 1995, the favorable cumulative effect of this change in accounting principle was approximately $215,000 or $.04 per share.

Cash Equivalents:

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

Fair Values of Financial Instruments:

Cash and cash equivalents and loans payable are reflectedin the accompanying consolidated balance sheets at amounts considered by management to reasonably approximate fair value. Management is not aware of any factors that would significantly affect the value of these amounts.

Stock-based Plans:

In October 1995, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation," which establishes financial accounting and reporting standards for stock-based plans. The Statement, which becomes effective in fiscal 1997, requires the Company to choose between accounting for issuances of stock and other equity instruments to employees based on their fair value or disclosing the pro forma effects such accounting would have had on the Company's net income and earnings per share. The Company has begun to gather the documentation necessary to address the impactof this Statement in relation to its stock-based employee plans. The Company will likely choose the disclosure method to report this information in future financial statements.

2. Restructuring

In the fourth quarter of fiscal 1993, the Company recorded a $5.4 million charge relating to the consolidation of the Company's west coast operations with its east coast headquarters facility. The restructuring, which consolidated the manufacturing, engineering and marketing functions and resulted in the sale or disposal of certain unprofitable product lines, is substantially complete. At April 30, 1995, the only remaining asset was a building which had been written down to its estimated realizable value of $2.3 million. In June 1995, the building was sold for such amount. The Company received $500,000 in cash and a promissory note for $1.8 million. Such note bears interest at 10% and requires monthly installments of principal and interest of $19,343 until July 31, 2000 when the entire remaining principal balance shall be due and payable.

3. Marketable Securities

Marketable securities at April 30, 1996 and 1995 are summarized as follows (in thousands):

April 30,1996	Cost	Market Value	Unrealized Holding Gain (Loss)
Fixed income securities	$ 4,231	$ 4,346	$ 115
Equity Securities	1,345	1,286	(59)
	$ 5,576	$ 5,632	$ 56

April 30,1995	Cost	Market Value	Unrealized Holding Gain (Loss)
Fixed income securities	$ 9,965	$ 10,019	$54
Equity Securities	1,461	1,368	(93)
	$11,426	$ 11,387	($39)

As of April 30, 1996, gross unrealized gains on fixed income securities were $115. Gross unrealized losses on equity securities were $59. As of April 30, 1995, gross unrealized gains and losses on fixed income securities were $123 and $69, respectively. Gross unrealized losses on equity securities were $93. Maturities of fixed income securities classified as available for sale at April 30, 1996 are as follows (in thousands):

Current	$ 960
Due after one year through five years	2,674
Due after five years through ten years	498
After ten years	99
	$4,231

The proceeds from sales of available-for-sale securities and the gross realized gains (based on specific identification) were $174 thousand and $58 thousand, respectively for the year ended April 30, 1996. For the year ended April 30, 1995, proceeds from sales of available-for-sale securities and the gross realized gains were $2.4 million and $1.2 million, respectively.

4. Accounts Receivable

Accounts receivable include costs and estimated earnings in excess of billings on uncompleted contracts accounted for on the percentage of completion basis of approximately $5,315,000 at April 30, 1996 and $5,456,000 at April 30, 1995. Such amounts represent revenue recognized on long-term contracts that has not been billed as of the balance sheet date.

5. Inventories

Inventories, which are reported net of reserves of $940,000 and $524,000, at April 30, 1996 and 1995, respectively, consisted of the following (in thousands):

	1996	1995
Raw Materials and Component Parts	$1,998	$1,569
Work in Progress	8,283	9,599
	$10,281	$11,168

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

6. Property, Plant and Equipment

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

	1996	1995
Buildings and building improvements	$ 8,751	$ 8,753
Machinery, equipment and furniture	15,191	15,079
Capitalized leases	121	152
	24,063	23,984
Less, accumulated depreciation and amortization	15,224	14,792
	$ 8,839	$ 9,192

Depreciation and amortization expense for the years ended April 30, 1996, 1995 and 1994 was $974,000, $995,000, and $1,576,000, respectively. Maintenance and repairs charged to operations for the years ended April 30, 1996, 1995 and 1994 was approximately $320,000, $562,000, and $880,000, respectively. Portions of a building owned by the Company are leased to outside parties. Related cost and accumulated depreciation at April 30, 1996 are approximately $565,000 and $163,000, respectively.

7. Long-Term Debt

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

	1996	1995
Unsecured note payable in forty equal quarterly installments of $125,000 through April 1, 2000 with interest at adjusted LIBOR plus 1.00% (6.7813% at April 30, 1996) (1)	$ 2,000	$ 2,500
Nassau County Industrial Development Bonds payable in quarterly installments of $62,500 through September 30, 2000 at 79% of prime(6.5175%at April 30, 1996) (2)	1,188	1,437
Real Estate Construction Loan in the amount of $9,000,000, maturity date July 31, 1997 with interest at LIBOR plus 1.375% (6.625% at April 30, 1996) or prime plus 0.25% (3)	9,000	9,000
	12,188	12,937
Less, current maturities	750	750
	$11,438	$12,187

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

(2) This obligation is collateralized by certain property, plant and equipment having a net book value of approximately $6,175,000 at April 30, 1996.

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

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

1997	$ 750
1998	9,750
1999	750
2000	750
2001	188
	$12,188

8. Leases

Operating Leases:

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

Lease commitments and related sublease rental income for real property at April 30, 1996 are as follows (in thousands):

	Aggregate Lease Commitments	Sublease Rental Income
1997	$ 247	$ 66
1998	226	66
1999	191	66
2000	175	66
2001	167	66
2002 and thereafter	18,630	396
	$19,636	$726

Lease rental expenses, including real estate taxes, charged to operations for the years ended April 30, 1996, 1995 and 1994 were approximately $783,000, $1,036,000 and $910,000, respectively.

Sublease rental income for the years ended April 30, 1996, 1995 and 1994 was approximately $66,000 in each year.

Direct Finance Lease:

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

Income on this direct finance lease is recognized by a method which produces a constant periodic rate of return on the outstanding investment in the lease. Minimum rentals are based on the specified rental rate in the agreement and are subject to adjustment based on the difference between the actual rate of interest incurred on the borrowing used to construct the facility and the targeted range of 9.75% to 10.25%. During fiscal 1996, 1995 and 1994, rental reductions, representing actual interest savings, of approximately $240,618, $286,000, and $437,000, respectively were passed through to LCA.

The Company's net investment in the direct finance lease is as follows (in thousands):

Minimum lease payments receivable	$26,132
Unearned Income	(16,525)
Net Investment	$ 9,607

The scheduled maturities for the direct financing lease receivable at April 30, 1996 are as follows (in thousands):

1997	$ 1,804
1998	1,895
1999	1,989
2000	2,089
2001	2,194
2002 and thereafter	16,161
	$26,132

9. Commitments and Contingencies

U.S. Government Indictment:

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

U.S. Government Civil Action:

Contemporaneously with the issuance of the original indictment, the Government commenced a civil action for damages naming the same parties and alleging essentially the identical facts and charges set forth in the Indictment. The complaint seeks to recover treble damages in an unspecified amount, $10,000 for each false claim, record and statement, certain costs and attorney's fees, and such other relief the court deems proper. Neither the Indictment nor the civil action alleges the dollar amounts as to which the Government claims it was defrauded. The Company was reimbursed for costs incurred for contract performance and for settlement costs in connection with the six terminated contracts. The civil action has been stayed pending the disposition of the Indictment. The Company and the other defendants have denied the allegations of and intend vigorously to contest the civil action.

Private Civil Derivative Actions:

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

Qui Tam Actions:

In March 1994, a qui tam action was served upon the Company and Martin Bloch, its former chief executive officer and in July 1995, a separate qui tam action was served upon the Company and certain employees of the Company. A qui tam action is a form of derivative action wherein an individual may, under certain circumstances, bring a legal action against one or more third persons on behalf of the Government for damages and other relief by reason of one or more alleged wrongs perpetrated against the Government by such third persons. The March 1994 complaint alleges that the Company, in connection with its subcontract to design and manufacture certain oscillators which are components of the Government's Advance Medium Range Air to Air Missiles ("AMRAAMS"), improperly designed, manufactured and tested the oscillators and as a result the Government sustained damages. The complaint demands an unspecified amount of damages allegedly suffered by the Government, and asks that the Court determine the damages and assess civil penalties as provided under the False Claims Act. The July 1995 complaint alleges that the Company created and used materially false cost data to justify cost estimates in bid packages and otherwise affecting prices and fees charged and paid for defense procurement contracts relating to the AMRAAM missile and to a program for the replacement of cesium standard parts, and to continue to justify the award of the payments under such contracts; that the false claims caused the United States unknowingly to pay more than the actual cost (plus a reasonable profit) of the products and services; that FEI knowingly made transfers to costs from contract to contract that were unjustified and materially false and otherwise overstated the costs of its contracts; that this materially false cost data was used to support false cost estimates by FEI to the United States or its contractors, to fraudulently accelerate costs incurred so as to obtain progress payments, to justify cost estimates bids for contracts of a nature similar to ones already awarded FEI, and to misrepresent cost information to the United States and its contractors. Under the False Claims Act, a recovery can be made in favor of the Government for a civil penalty of not less than $5,000 and not more than $10,000 as to each false claim and for each false record and statement, plus three times the amount of damages it is determined the Government sustained, plus legal fees and expenses. The Company and Mr. Bloch have denied the allegations of and intend to vigorously defend the March 1994, qui tam action. The Company intends to vigorously defend the July 1995 qui tam action, but as of year end, none of the defendents have answered the complaints. A response is not required until August 1996.

Company Position and Legal Fees:

The Company and the individual defendants in each of the legal matters described above consider the allegations and the charges asserted to be unjustified. They further consider the actions of the Company and the individual defendants with respect to the subject matter of these charges to have been taken in good faith and without wrongful intent, criminal or otherwise. Because of the uncertainty associated with the foregoing matters, the Company is unable to estimate the potential liability or loss that may result, if any, and accordingly, no provision has been made in the accompanying consolidated financial statements. Included in selling and administrative expenses are legal fees incurred in connection with the above matters of approximately $919,000, $2,300,000 and $1,819,000, for fiscal years ended 1996, 1995 and 1994, respectively.

Government Contract Suspension:

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

Approximately 55% of the Company's revenue for fiscal 1996 is comprised of prime and subcontracts in which the Government is the end-user. The other category of the Company's business is in commercial and export markets unrelated to the Government. In view of the extent to which the Company is currently reliant on government contracts and subcontracts and the effect which the suspension, unless withdrawn, will have on the Company's ability to continue to obtain such business, the Company believes that the suspension and possible debarment is an extremely serious matter which is likely to have a material adverse effect on the Company's business prospects, financial condition, results of its operations and cash flows.

Unasserted Claims:

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

Environmental Matters:

In connection with an acquisition in 1987, the Company obtained certain real estate which the U.S. Environmental Protection Agency proposed be added to the National Priorities List which would subject the premises to the Superfund requirements of the law. No estimate as to the cost to clean up the premises has been made or provided to the Company. Pursuant to the terms of the purchase agreement, the seller, a financially capable party, indemnified the Company from any liabilities arising from this environmental matter and, accordingly, it is management's opinion that the outcome will not have a significant impact on the Company's financial position, results of operations or cash flows.

Other:

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

10. Notes Receivable - Common Stock

In October 1994, certain officers and employees acquired an aggregate of 250,000 shares of the Company's common stock in the open market. The purchase price of these shares of approximately $822,000 was financed by advances from the Company to such officers and employees. The notes, collateralized by the shares of common stock purchased, accrue interest at 1/2% above prime (8.25% at date of issuance) which is payable and adjusted annually. The principal is due in its entirety at the earlier of termination of employment or October 1999. During the year ended April 30, 1996, one of the officers left the Company and surrendered 25,000 shares acquired under this arrangement. Accordingly, the related note receivable was satisfied.

11. Employee Benefit Plans

Stock Options:

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

Transactions under these plans are as follows:

	1996	1995	1994
Outstanding at beginning of year	543,071	591,446	560,846
Granted	52,000		113,000
Expired or canceled	(12,156)	(48,375)	(82,400)
Outstanding at end of year	582,915	543,071	591,446
Options exercisable at end of year	494,915	380,428	478,446
Options available for grant at end of year	278,698	327,198	296,548

At April 30, 1996 and 1995 option prices per share were $4.875 - $6.875

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

Restricted Stock Plan:

During fiscal 1990, the Company adopted a Restricted Stock Plan which provides that key management employees may be granted rights to purchase an aggregate of 250,000 shares of the Company's common stock. The grants, transferability restrictions and purchase price are determined at the discretion of a special committee of the board of directors. The purchase price may not be less than the par value of the common stock.

	1996	1995	1994
Exercisable at beginning of year	25,000	25,000	7,500
Granted (purchase price-$1.00 per share)	90,000		25,000
Exercised and expired	(25,000)		(7,500)
Exercisable at end of year	90,000	25,000	25,000
Balance of shares available for grant at end of year	62,500	152,500	152,500

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

Employee Stock Ownership Plan/Stock Bonus Plan:

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

Shares are released for allocation to participants based on the ratio of the current year's debt service to the sum of the current year's debt service plus the principal to be paid for all future years. At April 30,1996, 330,048 shares were allocated to participant accounts.

Effective May 1, 1994, the Company changed its method of accounting for its ESOP in accordance with Statement of Position ("SOP") 93-6. In accordance with SOP 93-6 the annual expense related to the leveraged ESOP, determined as interest incurred on the note plus compensation cost based on the fair value of the shares released was approximately $515,000 and $479,000 for the years ended April 30, 1996 and 1995, respectively. For the year ended April 30,1994, compensation cost was based on the cost of the shares released and the annual expense (including interest) was $610,000. The effect of this change on the statement of operations for the year ended April 30, 1995 was a benefit of $208,000 or $.04 per share.

The SOP also requires that ESOP shares that are committed to be released are considered outstanding for purposes of calculating earnings per share. In fiscal 1994 all ESOP shares were considered outstanding for purposes of calculating earnings per share. The fair value of unallocated shares approximates $1.4 million and $1.7 million at April 30, 1996 and 1995, respectively.

Deferred Compensation Plan:

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

Deferred compensation expense charged to operations during the years ended April 30, 1996, 1995, and 1994 was approximately $744,000, $717,000, and $598,000, respectively.

Profit Sharing Plan:

The Company has a profit sharing plan and trust under section 401(k) of the Internal Revenue Code. This plan allows all eligible employees to defer a portion of their income through voluntary contributions to the plan. In accordance with the provisions of the plan, the Company can make discretionary matching contributions in the form of cash or common stock. There were no such contributions in fiscal 1996, 1995 or 1994.

Income Incentive Pool:

The Company maintains incentive bonus programs for certain employees which are based on operating profits of the Company. The Company also adopted a plan for the President and Chief Executive Officer of the Company,which formula is based on pre-tax profits. The Company charged $125,000 to operations under these plans for the fiscal year ended April 30, 1996. The Company had no charges to operations for the fiscal years ended April 30, 1995 and 1994.

12. Income Taxes

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

	1996	1995	1994
Current Federal	$ 45		($92)
Current State and Local	155	$82	42
	$200	$82	($50)

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

	1996	1995
Deferred tax assets:		
Accounts receivable	$ 84	$ 372
Employee benefits	1,708	1,350
Inventory	643	353
Asset writedowns		719
Miscellaneous	3	
Net operating loss carryforwards	4,542	4,456
Total deferred tax asset	6,980	7,250
Deferred tax liabilities:		
Property, plant and equipment	2,248	2,220
Net deferred tax asset	4,732	5,030
Valuation allowance	(4,732)	(5,030)
	$ -	$ -

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

	1996	1995	1994
		(In thousands)	
Computed "expected" tax expense (benefit)	$1,027	($1,352)	($1,588)
State and local tax, net of federal benefit	102	55	89
Dividend received deduction	(21)	(22)	(22)
Loss carryforward for which no tax benefit was recorded		1,372	1,454
Benefit of loss carryforward	(917)		
Other items, net, none of which individually exceeds 5% of federal taxes at statutory rates	9	29	17
	$ 200	$ 82	($ 50)

At April 30, 1996, the Company has net operating loss carryforwards of approximately $11 million which may be applied against future taxable income and which expire in fiscal years 2008 through 2010.

13. Industry and Operations

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

	1996	1995	1994
Net sales:			
Commercial	$ 11,220	$ 6,103	$ 8,597
U.S. Government	13,872	17,978	18,867
Operating income (loss):			
Commercial	2,140	(2,088)	(1,982)
U.S. Government	1,551	281	(513)
Corporate	(2,644)	(4,218)	(3,679)
Identifiable assets:			
Commercial	10,408	6,348	10,677
U.S. Government	23,103	27,606	37,838
Corporate	35,259	31,078	24,140
Depreciation:			
Commercial	427	351	275
U.S. Government	517	615	1,202
Corporate	30	29	99
Capital expenditures:			
Commercial	3	40	124
U.S. Government	327	128	277
Corporate			3

Sales to Hughes Aircraft Company (HAC) and Space Systems Loral each exceeded 10% of the Company's consolidated sales for the year ended April 30, 1996. Collectively these two companies accounted for approximately 39% of the Company's consolidated sales for the same period. For the year ended April 30, 1995, sales to HAC, TRW and Raytheon Corp. exceeded 10% individually and 56% collectively of consolidated sales. For the year ended April 30, 1994, sales to HAC and Raytheon Corp. exceeded 10% individually and 40% collectively of consolidated sales.

For the fiscal year ended April 30, 1996, the sales to HAC were substantially all for U.S. Government end-use while the sales to Space Systems Loral were for commercial communication and foreign defense and space applications. Sales to the above named customers in the fiscal years ended April 30, 1995 amd 1994 were substantially all for U.S. government end-use.

The loss by the Company of any one of these customers or, for those customers contracting with the U.S. Government, the loss of any contracts which are partially subcontracted to the Company, would have a material adverse effect on the Company's business. The Company believes its relationship with these companies to be mutually satisfactory and, except for the pending legal proceedings discussed in Note 9, is not aware of any prospect for the cancellation of or significant reduction of any of their U.S. Government contracts in which the Company is involved.

Export sales were as follows (in thousands):

	1996	1995	1994
Korea	$1,858	$ 100	
Canada	525	1,071	
Italy	9	663	$2,032
United Kingdom	871	671	903
Indonesia	427	21	
Other	631	1,386	1,518
	$4,321	$3,912	$4,453

14. Interim Results (Unaudited)

Quarterly results for fiscal years 1996 and 1995 are as follows (in thousands, except per share data):

	1996 Quarter			
	1st	2nd	3rd	4th
Net sales	$5,338	$5,576	$6,513	$7,665
Gross profit	1,337	1,979	2,224	2,863
Net earnings	256	971	913	682
*Income per share	0.05	0.19	0.19	0.15

	1995 Quarter			
	1st	2nd	3rd	4th
Net sales	$6,616	$ 5,958	$ 5,479	$6,028
Gross profit	1,375	698	613	793
Loss before cumulative effect of accounting change	(613)	(1,713)	(470)	(1,262)
Net loss	(398)	(1,713)	(470)	(1,262)
*Loss per share before cumulative effect of accounting change	(0.11)	(0.32)	(0.09)	(0.31)
*Loss per share	(0.07)	(0.32)	(0.09)	(0.31)

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

15. Other Information

The following provides information about investing and financing activities of the Company that affect assets or liabilities but do not result in cash flow for the three years ended April 30, 1996, 1995 and 1994 and, therefore, are excluded from the Consolidated Statements of Cash Flows (in thousands):

	1996	1995	1994
Sale of a building, classified as asset held for sale in 1995, for $2.3 million consisting of $500 thousand in cash and a promissory note for $1.8 million.	$1,800		
Reclassification of a building to asset held for sale			$2,700
Write-off of fully depreciated fixed assets	543	$6,634	

16. Related Party Transactions

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

FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

(In thousands)

Column A	Column B	Column C		Column D	Column E
		Additions			
Description	Balance at beginning of period	Charged to costs and expenses	Charged to other accounts -describe	Deductions -describe	Balance at end of period
Year ended April 30,1996					
Allowance for doubtful accounts	$562	$580		$659(a)	$483
Year ended April 30,1995					
Allowance for doubtful accounts	$562				$562
Year ended April 30,1994					
Allowance for doubtful accounts	$562				$562

(a) Accounts written off

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

NONE

PART III

Item 10. Directors and Executive Officers of the Registrant

This item is incorporated herein by reference from the Registrant's definitive proxy statement for the annual meeting of stockholders to be held on August 27, 1996.

Item 11. Executive Compensation

This item is incorporated herein by reference from the Registrant's definitive proxy statement for the annual meeting of stockholders to be held on August 27, 1996.

Item 12. Security Ownership of Certain Beneficial Owners and Management

This item is incorporated herein by reference from the Registrant's definitive proxy statement for the annual meeting of stockholders to be held on August 27, 1996.

Item 13. Certain Relationships and Related Transactions

This item is incorporated herein by reference from the Registrant's definitive proxy statement for the annual meeting of stockholders to be held on August 27, 1996.

PART IV

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

(a) (1) FINANCIAL STATEMENTS

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

Index to Financial Statements and Financial Statement Schedules

Included in Part II of this report:

(2) FINANCIAL STATEMENT SCHEDULES

Included in Part II of this report:

Other financial statement schedules are omitted because they are not required or the information is presented in the consolidated financial statements or notes thereto.

(3) EXHIBITS

The exhibits listed on the accompanying index to exhibits beginning on page 52 are filed as part of this annual report.

(b) REPORTS ON FORM 8-K

Registrant's Forms 8-K, dated July 27, 1995 and December 14, 1995, containing disclosure under Item 5 thereof, were filed with the Securities and Exchange Commission during the quarters ended July 31, 1995 and January 31, 1996, respectively.

INDEX TO EXHIBITS

ITEM 14(a)3

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

Exhibit No. in this Form 10-K	Identification per Reg. 229.601(b)	Description of Exhibit	Exhibit No. as filed with Registration Statement or report specified below
1	(3)	Copy of Ceritificate of Incorporation of the Registrant filed with the Secretary of State of Delaware (1)	3.1
2	(3)	Amendment to Certificate of Incorporation of the Registrant filed with the Secretary of State of Delaware on March 27, 1981 (2)	3.2
3	(3)	Copy of By-Laws of the Registrant, as amended to date (3)	3.3
4	(4)	Specimen of Common Stock certificate (1)	4.1
5	(10)	Lease agreement as amended, between Registrant and Hyde Park Associates (predecessor in interest to We're Associates Company) (4)	10.1
6	(10)	Stock Bonus Plan of Registrant and Trust Agreement thereunder (4)	10.2

Exhibit No. in this Form 10-K	Identification per Reg. 229.601(b)	Description of Exhibit	Exhibit No. as filed with Registration Statement or report specified below
7	(10)	Employment agreement between Registrant and Martin B. Bloch	10.3
8	(10)	Employment agreement between Registrant and Abraham Lazar (4)	10.4
9	(10)	Employment agreement between Registrant and John C. Ho (4)	10.5
10	(10)	Employment agreement between Registrant and Marvin Meirs (4)	10.6
11	(10)	Employment agreement between Registrant and Alfred Vulcan (4)	10.7
12	(10)	Employment agreement between Registrant and Harry Newman (4)	10.8
13	(10)	Employment agreement between Registrant and Marcus Hechler (4)	10.9
14	(10)	Form of stock escrow agreement between Vincenti & Schickler as escrow agent and certain officers of Registrant (4)	10.10
15	(10)	Form of Agreement concerning Executive Compensation (2)	10.11
16	(10)	Bond Purchase Agreement between Nassau Country Industrial Development Agency, Long Island Trust Company, The Bank of New York, Bank Leumi Trust Company of New York and Registrant (5)	16

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

Exhibit No. in this Form 10-K	Identification per Reg. 229.601(b)	Description of Exhibit	Exhibit No. as filed with Registration Statement or report specified below
22	(10)	Guaranty Agreement from Registrant, Marlboro Research Corporation, Tek-Wave, Inc., Atomichron, Frequency Electronics International Corp. to Long Island Trust Company, The Bank of New York and Bank Leumi Trust Company of New York (5)	22
23	(10)	Bill of Sale from Registrant conveying personal property to the Nassau County Industrial Development Agency (5)	23
24	(10)	Leasehold Mortgage between the Nassau County Industrial Development Agency and Long Island Trust Company, The Bank of New York and Bank Leumi Trust Company of New York, and the Acknowledgment and Consent of the Registrant (5)	24
25	(10)	Registrant's 1982 Incentive Stock Option Plan (5)	25
26	(10)	Amendment dated April 19, 1981 to Stock Bonus Plan of Registrant and Trust Agreement (3)	20.1
27	(3)	Amendment to Certificate of Incorporation of the Registrant filed with Secretary of State of Delaware on October 26, 1984 (6)	27
28	(10)	Registrant's 1984 Incentive Stock Option Plan (6)	28

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

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

Exhibit No. in this Form 10-K	Identifica- tion per Reg. 229.601(b)	Description of Exhibit	Exhibit No. as filed with Registration Statement or report specified below
43	(10)	Amendment Restated Effective as of May 1, 1984 of the Stock Bonus Plan and Trust Agreement of Registrant (11)	43
44	(2)	Agreement of Purchase and Sale between FEI Microwave, Inc. and TRW Microwave, Inc. dated as of August 12, 1987 (10)	44
45	(3)	Amended and Restated Certificate of Incorporation of the Registrant filed with the Secretary of State of Delaware on October 26, 1987 (13)	45
46	(22)	List of Subsidiaries of Registrant (13)	46
47	(10)	Employment agreement between Registrant and Charles Stone (12)	47
48	(10)	Employment agreement between Registrant and Jerry Bloch (12)	48
49	(3)	Employment agreement between Registrant and Joseph Kastenholz (12)	49
50	(10)	Registrant's 1987 Incentive Stock Option Plan (12)	50
51	(10)	Registrant's Senior Executive Stock Option Plan (12)	51

Exhibit No. in this Form 10-K	Identification per Reg. 229.601(b)	Description of Exhibit	Exhibit No. as filed with Registration Statement or report specified below
52	(10)	Amendment dated Jan. 1, 1988 to Registrant's Cash or Deferred Profit Sharing Plan and Trust under Section 401 of Internal Revenue Code (12)	52
53	(10)	Amendment to Guarantee dated as of Dec. 1, 1985 made by Registrant to National Westminster Bank USA ("Nat West") dated as of Jan. 18, 1989 (12)	53
54	(10)	Loan Agreement between FEIM and Nat West dated as of Jan. 18, 1989 (12)	54
55	(10)	Note by FEIM in favor of Nat West dated as of Jan. 18, 1989 (12)	55
56	(10)	Loan Agreement between Tech 1 and Nat West dated as of Jan. 18, 1989 (12)	56
57	(10)	Note by Tech 1 in favor of Nat West dated as of Jan. 18, 1989 (12)	57
58	(10)	Executive Incentive Compensation Plan between Registrant and various employees (12)	58
59	(3)	Amended Certificate of Incorporation of the Registrant filed with the Secretary of State of Delaware on November 2, 1989 (13)	59
60	(10)	Registrant's Employee Stock Option Plan (13)	60

Exhibit No. in this Form 10-K	Identification per Reg. 229.601(b)	Description of Exhibit	Exhibit No. as filed with Registration Statement or report specified below
61	(10)	Loan Agreement between Registrant and Nat West dated May 22, 1990 (13)	61
62	(10)	Loan Agreement between Registrant's Employee Stock Ownership Plan and Registrant dated May 22, 1990 (13)	62
63	(23.1)	Consent of Independent Accountants to incorporation by reference of 1996 audit report in Registrant's Form S-8 Registration Statement.	63

NOTES:

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

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

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

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

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

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

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

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

(9) Filed with the SEC as an exhibit, numbered as indicated above, to the annual report of Registrant on Form 8-K, dated June 25, 1987, which exhibit is incorporated herein by reference.

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

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

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

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

EXHIBIT 23.1

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in the Registration Statement of Frequency Electronics, Inc. on Form S-8 of our report dated July 26, 1996, on our audits of the consolidated financial statements and financial statement schedule of Frequency Electronics, Inc. as of April 30, 1996 and 1995, and for the years ended April 30, 1996, 1995, and 1994, which report is incorporated by reference in this Annual Report on Form 10-K.

COOPERS & LYBRAND, L.L.P.

Melville, New York
July 26, 1996

SIGNATURES

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

FREQUENCY ELECTRONICS, INC.
Registrant

By: /s/Joseph P. Franklin

Joseph P. Franklin
Chairman of the Board
and Chief Executive Officer

By: /s/Alan L. Miller

Alan L. Miller
Controller

Dated: July 26, 1996

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

Signature	Title	Date
/s/ John Ho (John Ho)	Director and Vice President	7/26/96
/s/ Joel Girsky (Joel Girsky)	Director	7/26/96
/s/ Martin B. Bloch (Martin B. Bloch)	President & Director	7/26/96

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Frequency Electronics, Inc.
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YEAR
APR-30-1996
MAY-1-1995
APR-30-1996
15,915
5,632
13,898
483
10,281
46,269
24,063
15,224
68,770
4,470
12,188
0
0
6,006
43,417
68,770
25,092
28,034
16,689
24,045
0
580
967
3,022
200
2,822
0
0
0
2,822
.61
.61