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FREQUENCY ELECTRONICS INC
Form 11-K
July 16, 2001

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549-1004
FORM 11-K

(X) ANNUAL REPORT PURSUANT TO SECTION 15(D)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2000

OR

() TRANSITION REPORT PURSUANT TO SECTION 15(D)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from-----to-----

Commission file number 1-8061

FREQUENCY ELECTRONICS, INC. CASH OR DEFERRAL PROFIT SHARING PLAN AND TRUST

(Full title of the plan)

Frequency Electronics, Inc.
55 Charles Lindbergh Blvd., Mitchel Field, NY 11553

(Name of issuer of the securities held pursuant to
the plan and the address of its principal
executive offices)

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

Notices and communications from the Securities and Exchange Commission
relative to this report should be forwarded to:

Alan Miller
Chief Financial Officer
Frequency Electronics, Inc.
55 Charles Lindbergh Blvd.
Mitchel Field, NY 11553

FINANCIAL STATEMENTS AND EXHIBIT

(a)	FINANCIAL STATEMENTS:	Page No.
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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/ Alan L. Miller

Alan L. Miller
Chief Financial Officer
and Controller

Dated: July 16, 2001

The Plan. Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

Frequency Electronics, Inc. Cash or Deferral Profit Sharing Plan
(Name of Plan)

Date: July 16, 2001

By:

/s/Robert Klomp

Robert Klomp, Trustee

/s/Markus Hechler

Markus Hechler, Trustee

/s/Marvin Meirs

Marvin Meirs, Trustee

Independent Accountants Report

To the Trustees of
Frequency Electronics, Inc.
Cash or Deferral Profit Sharing
Plan and Trust:

We have audited the accompanying statements of net assets available for benefits of Frequency Electronics, Inc. Cash or Deferral Profit Sharing Plan and Trust (the "Plan") as of December 31, 2000 and 1999, and the related statement of changes in net assets available for plan benefits for the year ended December 31, 2000 as listed in the accompanying index. These financial statements and supplemental schedule are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 net assets available for benefits of the Plan as of December 31, 2000 and 1999 and the changes in net assets available for benefits for the year ended December 31, 2000, in conformity with accounting principles generally accepted in the United States of America.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of Assets Held for Investment Purposes at December 31, 2000 is presented for purposes of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing

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procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

HOLTZ RUBENSTEIN & CO., LLP

Melville, New York
July 6, 2001

FREQUENCY ELECTRONICS, INC.

CASH OR DEFERRAL PROFIT SHARING PLAN AND TRUST

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

	December 31,	
	2000	1999
	-----	-----
ASSETS:		
Cash and cash equivalents	\$ 1,643	\$ 20,408
Investments, at fair value	6,769,427	6,704,200
Loans receivable from participants	225,482	255,429
Dividend receivable	-	2,389
Contribution receivable - employer	75,630	-
Contribution receivable - participant	-	38,645
	-----	-----
Total assets	7,072,182	7,021,071
LIABILITY:		
Due to sponsor	-	18,000
	-----	-----
Net assets available for benefits	\$ 7,072,182	\$ 7,003,071
	=====	=====

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The accompanying notes are an integral part of the financial statements

FREQUENCY ELECTRONICS, INC.

CASH OR DEFERRAL PROFIT SHARING PLAN AND TRUST

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR PLAN BENEFITS

YEAR ENDED DECEMBER 31, 2000

ADDITIONS TO NET ASSETS ATTRIBUTED TO:	
Participant contributions	\$ 514,892
Cash dividend on FEI stock	4,769
Interest on participant loans	22,881
Employer contributions	300,473

Total additions	843,015

DEDUCTIONS:	
Distributions to participants	579,417
Net losses from investment activity	194,487

Total deductions	773,904

NET INCREASE	69,111
NET ASSETS AVAILABLE FOR PLAN BENEFITS, beginning of year	7,003,071

NET ASSETS AVAILABLE FOR PLAN BENEFITS, end of year	\$ 7,072,182
	=====

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The accompanying notes are an integral part of the financial statements

FREQUENCY ELECTRONICS, INC.

CASH OR DEFERRAL PROFIT SHARING PLAN AND TRUST

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2000 AND 1999

1. Plan Description:

The following brief description of The Frequency Electronics, Inc. Cash or Deferral Profit Sharing Plan and Trust (the "Plan") is provided for general information purposes only. Participants should refer to the Plan agreement for more complete information. The Plan, adopted on January 1, 1985, is a defined contribution savings plan qualified under Section 401(k) of the Internal Revenue Code. Employees are eligible for membership in the Plan after completing six months of service.

All expenses of administering the Plan are paid by Frequency Electronics, Inc. (the "Company").

Contributions:

Employee

Plan participants may contribute a maximum of 25% and 10% of compensation, as defined in the plan agreement, as employee salary savings contributions and voluntary deductible contributions, respectively, (collectively, "Savings Contributions"). Total employee salary reduction contributions are limited to the maximum deductible of \$10,500 and \$10,000 in 2000 and 1999, respectively, under the Internal Revenue Code. Savings contributions are immediately fully vested.

Each participant's account is credited with the participant's contribution allocated as requested. Allocations of Plan earnings are made to each participant's account based upon participant account balances, as defined. The benefit to which a participant is entitled is the amount that can be provided solely from the participant's account.

Employee contributions are to be transmitted to the Plan within fifteen business days after the end of the month in which the contributions are received by the employer. Certain 1999 contributions were transmitted to the Plan later than fifteen days as a result of the change in the Plan's recordkeeper.

Employer

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During the period January 1, 1990 through December 31, 1999, the Company suspended its matching contribution. In 2000 the Company's Board of Directors approved a benefit policy under the Plan, effective January 1, 2000, wherein the Company will make a matching contribution in Company stock. This matching contribution is limited to 3% of the employee's earnings, to a maximum of \$2,500. In addition, every employee will receive an annual contribution of \$500, regardless of their own contribution.

The maximum Company contribution is \$3,000 per employee. Employees are eligible for both contributions after six months of employment, provided they were employed as of April 1, 2000. All contributions by the Company will be subject to the current vesting schedule.

1. Plan Description: (Cont'd)

Contributions: (cont'd)

Participant loans

Loans are permitted against the total vested accrued benefit of a participant. The amount of the loan cannot be less than \$500 or exceed 50% of the participant's contributory account balance.

An outstanding loan is repayable, with interest at prevailing commercial rates, in full at any time or in monthly installments by means of a payroll deduction over a term not to exceed five years.

2. Summary of Significant Accounting Policies:

Basis of presentation

The accompanying financial statements have been prepared on the accrual basis of accounting and are presented in conformity with generally accepted accounting principles, which require management to make significant estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Risks and uncertainties

The Plan provides for various investment options in any combination of stocks, bonds, mutual funds, and other investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risk in the near term would materially affect participant's account balances and the amounts reported in the statements of net assets available for plan benefits and the statement of changes in net assets available for plan benefits.

Investments

In July 1999 the Plan appointed a new recordkeeper. In connection with this

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appointment, there was a change in the investment funds available to the participants.

Contributions to the Plan are directed by the participants in any one or more of the investment funds available to them as of December 31, 2000. The available investment funds are as follows:

MFS High Income Fund

The fund's investment objective is to provide high current income by investing primarily in a professionally managed, diversified portfolio of fixed income securities, some of which may involve equity features.

MFS Total Return Fund

The primary investment objective of the fund is to obtain above-average income consistent with prudent employment of capital. The fund's secondary objective is to take advantage of opportunities for growth of capital and income.

2. Summary of Significant Accounting Policies: (Cont'd)

MFS Capital Opportunities Fund

The fund's investment objective is capital appreciation. The fund invests, under normal market conditions, at least 65% of its total assets in common stocks and related securities, such as preferred stocks, convertible securities and depositary receipts.

MFS Massachusetts Investors Trust

The fund's investment objective is reasonable current income and long-term growth of capital and income. The fund invests, under normal market conditions, at least 65% of its total assets in common stocks and related securities, such as preferred stocks, convertible securities and depositary receipts.

MFS Emerging Growth Fund

The fund's investment objective is long-term growth of capital. The fund invests, under normal market conditions, at least 65% of its total assets in common stocks and related securities, such as preferred stocks, convertible securities and depositary receipts for those securities, of emerging growth companies.

MFS New Discovery Fund

The fund's investment objective is capital appreciation. The fund invests, under normal market conditions, at least 65% of its total assets in companies that MFS believe to offer superior prospects for growth.

MFS Global Equity Fund

The fund's investment objective is to seek capital appreciation. The fund invests, under normal market conditions, at least 65% of its total assets in common stocks and equity-related securities, such as preferred stock, convertible securities and depositary receipts, of U.S. and foreign (including emerging market) issuers.

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MFS Massachusetts Investors Growth Stock Fund

The fund's investment objective is to provide long-term growth of capital and future income rather than current income. The fund invests its assets, except for working cash balances, in the common stocks of securities convertible into common stocks of companies which MFS believes offer better than average prospects for long-term growth.

MFS Research Fund

The fund's investment objective is to provide long-term growth of capital and future income. The fund's policy is to invest a substantial proportion of its assets in the common stocks or securities convertible into common stocks of companies believed to possess better than average prospects for long-term growth. A smaller portion of the assets may be invested in bonds, short-term obligations, preferred stocks or common stocks whose principal characteristic is income production rather than growth. Such securities may also offer opportunities for growth of capital as well as income.

2. Summary of Significant Accounting Policies: (Cont'd)

MFS Fixed Fund

The fund's investment objective is to seek current income and preservation of principal. The fund is an open-end collective investment trust that invests in a diversified pool of high quality stable value contracts, including guaranteed investment contracts, bank investment contracts, fixed-income investment contracts, fixed-income investment contracts, and other fixed-income securities, including U.S. government securities.

In addition to the investments identified above, the Plan also maintains a participant loan account in the amounts of \$225,482 and \$255,429 as of December 31, 2000 and 1999, respectively. Interest rates on the loans range from 6.75% to 10.5%.

Frequency Electronics, Inc. Common Stock Fund

All employer matching contributions that were made prior to January 1, 1990 and subsequent to January 1, 2000 are in the form of Frequency Electronics, Inc. common stock. This stock is valued at the last sale price on the American Stock Exchange on the last business day of the year. Common stock approximated \$575,000 (8%) and \$244,000 (3%) of investments at December 31, 2000 and 1999, respectively. Net investment earnings from investing activities and participant distributions from the Frequency Electronics, Inc. Common Stock Fund in 2000 approximated \$109,300 and \$2,500, respectively.

Net earnings (losses) from investment activity includes dividend and interest income, as well as realized and unrealized gains and losses from security transactions.

Revenue recognition

Contribution revenue is recognized when committed for payment.

Benefit payments

Benefits are recorded when paid.

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3. Vesting Provisions and Benefit Payments:

Participants become fully vested in Company contributions upon attainment of age 65, early retirement at age 59-1/2, death or according to the number of years of service with the Company as follows:

Years of Service	Vested Amount
Less than 2	0%
2 years	20%
3 years	40%
4 years	60%
5 years	80%
6 years and above	100%

On termination of active service, as defined in the Plan agreement, a participant may elect to receive vested benefits in either a lump sum distribution, in equal installments (over a term not to exceed the lesser of fifteen years or the participant's actuarial life expectancy, for fully vested participants only) or various forms of annuity contracts purchased from an insurance company. Lump sum distributions will be made in cash. The portion of the Company contribution not vested will be forfeited and allocated to the remaining plan participants.

3. Vesting Provisions and Benefit Payments: (Cont'd)

Hardship withdrawals by plan participants may be made upon written request to, and approval of, the Plan administrator. If approved, the distribution is limited to the participant's contribution. Earnings on the participant's contribution and the employer contributions can not be withdrawn.

4. Tax Status:

The Plan is qualified under Section 401 (a) of the Internal Revenue code, and therefore, exempt from federal income taxes under Section 501 (a) of the Code.

5. Plan Amendment or Termination:

The Company reserves the right to amend or terminate the Plan at any time by delivering written notice of such termination or amendment to the trustee. While the Company has not expressed any intent to discontinue the Plan, it is free to do so at any time, subject to penalties set forth in the Employee Retirement Income Security Act of 1974. In the event of termination of the Plan, the Plan provides for the net assets of the Plan, reduced by any payment of expenses properly chargeable against the trust, to be distributed to the participants and beneficiaries of the Plan.

6. Credit Risk:

The Company manages the Plan's credit risk by offering participants diversified

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investment options.

7. Parties in Interest/Related Party Transactions:

For the year ended December 31, 2000, the three trustees were also members of the Plan.

8. Contribution Receivable - Participants:

Contributions by participants for December 1999 were not received by the respective funds until January 2000. Pursuant to accrual accounting a receivable of \$38,645 was recorded for the December 1999 contributions.

9. Investment:

The Plan's investments are stated at fair value, measured at quoted market prices in an active market. The following presents investments that represent 5% or more of the Plan's net assets.

	December 31,	
	2000	1999
MFS Emerging Growth Fund, 15,897 and 12,955 Shares, respectively	\$ 711,859	\$ 862,656
MFS Massachusetts Investors Trust, 76,875 and 82,280 shares, respectively	1,539,045	1,723,768
MFS High Income Fund, 97,573 and 111,100 shares, respectively	408,829	554,390
MFS Capital Opportunities Fund, 64,235 and 52,893 shares, respectively	1,149,167	1,111,282
MFS Fixed Fund, 1,542,322 and 1,274,893 shares, respectively	1,542,322	1,274,893
MFS New Discovery Fund, 19,853 and 10,879 shares, respectively	359,743	237,560
Frequency Electronics, Inc. Common Stock Fund, 33,614 and 23,522 shares, respectively	574,962	244,040

10. Cash Dividend:

During calendar 2000, the Board of Directors of Frequency Electronics, Inc. declared a cash dividend of \$0.10 (ten cents) per share payable June 1 and December 1. This dividend aggregated \$4,769 in 2000.

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FREQUENCY ELECTRONICS, INC.
 CASH OR DEFERRAL PROFIT SHARING PLAN AND TRUST
 SCHEDULE OF ASSETS HELD FOR INVESTMENT PURPOSES
 YEAR ENDED DECEMBER 31, 2000

(a)	(b)	(c)
Identify of issue, borrower, lessor, or similar party	Description of investment including maturity date, rate of interest, collateral, par or maturity value	
MFS Capital Opportunities Fund	Capital appreciation fund of common stocks and related securities, such as preferred stock, convertible securities, and depositary receipts. No maturity date or interest rates. No collateral. Par value varies.	\$
MFS Emerging Growth Fund	Long-term growth of capital fund of common stocks and related securities, such as preferred stocks, convertible securities, and depositary receipts for those securities, of emerging growth companies. No maturity date or interest rates. No collateral. Par value varies.	
MFS Fixed Fund	Current income and preservation of principal fund of stable-value investment contracts issued by major insurance companies and major banks. No maturity date or interest rates. No collateral. Par value varies.	
MFS Global Equity Fund	Capital appreciation fund of common stocks and equity-related securities, such as preferred stock, convertible securities, and depositary receipts, of U.S. and foreign (including emerging market) issuers. No maturity date or interest rates. No collateral. Par value varies.	
MFS High Income Fund	High current income fund with a diversified portfolio of fixed income securities. No maturity date or interest rates. No collateral. Par value varies.	
MFS Massachusetts Investors Trust	Reasonable current income and long-term growth of capital and income fund of common stocks and related securities, such as preferred stock, convertible securities, and depositary receipts. Invests in companies of any size, but generally focuses on companies with larger market capitalizations. No maturity date or interest rates. No collateral. Par value varies.	
MFS New Discovery Fund	Capital appreciation fund of investments in companies believed to offer superior prospects for growth. No maturity date or interest rates. No collateral. Par value varies.	
MFS Total Return Fund	Above-average income fund of fixed income securities and equity securities. No maturity date or interest rates.	

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	No collateral. Par value varies.
MFS Massachusetts Investors Growth Stock Fund	Long-term growth of capital and future income by investing its assets in the common stocks, or securities convertible into common stocks, of companies that offer better than average prospects for long-term growth. No maturity date or interest rates. No collateral. Par value varies.
MFS Research Fund	Long-term growth of capital and future income by investing a substantial proportion of its assets in the common stocks or securities convertible into common stocks of companies that possess better than average prospects for long-term growth. A smaller portion of the assets may be invested in bonds, short-term obligations, preferred stocks or common stocks whose principal characteristic is income production rather than growth. No maturity date or interest rates. No collateral. Par value varies.
* Frequency Electronics, Inc. Common Stock	Common stock of Frequency Electronics, Inc. No maturity dates or interest rates. Par value \$1.00.
* Participant Loans	Loans to plan participants. Maturity between one and five years with interest at prevailing commercial rates (6.75%-10.50%) and secured by participant's vested account balance.

* Denotes party in interest

Exhibit 23.1

CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

We consent to the incorporation by reference in the Registration Statement No. 333-40506 on Form S-8 pertaining to the Frequency Electronics Cash or Deferral Profit Sharing Plan and Trust of our report dated July 6, 2001 with respect to the financial statements and supplemental schedule of the Frequency Electronics Cash or Deferral Profit Sharing Plan and Trust included in this Annual Report on Form 11-K for the year ended December 31, 2000.

HOLTZ RUBENSTEIN & CO., LLP

Melville, New York
July 16, 2001