

SURGE COMPONENTS INC  
Form DEFC14A  
October 25, 2016

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**SCHEDULE 14A INFORMATION**

**PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE  
SECURITIES EXCHANGE ACT OF 1934  
(Amendment No. )**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

**Confidential, for Use of the Commission Only (as permitted by  
Rule 14a-6(e)(2))**

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-11(c) or §240.14a-2

**SURGE COMPONENTS, INC.**

**(Name of Registrant as Specified In Its Charter)**

**Bradley P. Rexroad**  
**Michael D. Tofias**

**(Name of Person(s) Filing Proxy Statement, if other than the Registrant)**

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

- (1) Title of each class of securities to which transaction applies:
  
- (2) Aggregate number of securities to which transaction applies:
  
- (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11  
(Set forth the amount on which the filing fee is calculated and state how it was determined):
  
- (4) Proposed maximum aggregate value of transaction:
  
- (5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

**SURGE COMPONENTS, INC.**

**2016 ANNUAL MEETING OF STOCKHOLDERS**

**NOVEMBER 22 , 2016**

**PROXY STATEMENT**

**OF CONCERNED STOCKHOLDERS**

**OF SURGE COMPONENTS, INC.**

**PLEASE SIGN, DATE AND RETURN THE ENCLOSED WHITE PROXY CARD TODAY.**

This proxy statement (this “Proxy Statement”) and the enclosed **WHITE** proxy card are being furnished by Concerned Stockholders of Surge Components, Inc. (the “Concerned Stockholders”) in connection with the solicitation of proxies from the holders of shares of common stock, par value \$.001 per share (the “Common Stock”), of Surge Components, Inc., a Nevada corporation (the “Company”), for the 2016 Annual Meeting of Stockholders of the Company scheduled to be held at 9:00 a.m. , local time, on Tuesday, November 22 , 2016, at the Company’s offices located at 95 E. Jefryn Blvd., Deer Park, New York 11729, and at any adjournments, postponements or other delays thereof and at any special meeting that may be called in lieu thereof (the “Annual Meeting”).

At the Annual Meeting, the Company’s stockholders will consider and act upon the following matters:

1. The election of two Class A directors, each to hold office until the 2019 Annual Meeting of Stockholders (the “2019 Annual Meeting”) and until their respective successors are duly elected and qualified.
2. An advisory vote on the executive compensation of the Company’s named executive officers.

3. The ratification of the appointment of Seligson & Giannattasio, LLP as the Company's independent registered public accounting firm for the fiscal year ending November 30, 2016.
4. The approval of a rights plan (also known as a poison pill) that is intended to protect the Company's net operating loss ("NOL") carryforwards.
5. An advisory vote on a proposal submitted by Michael D. Tofias to change the Company's jurisdiction of incorporation to Delaware.
6. An advisory vote on a proposal submitted by the Concerned Stockholders requesting a declassified board structure.
7. A resolution proposed by the Concerned Stockholders to repeal any amendments to the Company's By-Laws, as amended (the "By-Laws"), adopted by the Company's Board of Directors (the "Board") without the approval of stockholders after February 18, 2016 (which is the date of the last publicly disclosed amendment to the By-Laws), and prior to the effectiveness of the resolution effecting such repeal.
8. The transaction of such other business that may properly come before the Annual Meeting.

The Concerned Stockholders are Bradley P. Rexroad and Michael D. Tofias. As of the date of this Proxy Statement, Mr. Rexroad is the record owner of 40,000 shares of Common Stock and the beneficial owner of 640,569 shares of Common Stock, representing

approximately 6.8% of the Common Stock outstanding. Mr. Tofias is the record owner of 501 shares of Common Stock and the beneficial owner of an additional 1,567,622 shares of Common Stock, representing approximately 15.6% of the Common Stock outstanding. The Concerned Stockholders intend to vote the shares of Common Stock beneficially owned by them: (1) **“FOR”** the election of their director nominees, Bradley P. Rexroad and Michael D. Tofias (each, a “Nominee”); (2) **“AGAINST”** the approval of the Company’s executive compensation; (3) **“AGAINST”** the ratification of the appointment of Seligson & Giannattasio, LLP as the Company’s independent registered public accounting firm for the fiscal year ending November 30, 2016; (4) **“AGAINST”** the approval of a rights plan (also known as a poison pill); (5) **“FOR”** the reincorporation of the Company in Delaware; (6) **“FOR”** a declassified board structure; and (7) **“FOR”** the repeal of any amendments to the By-Laws adopted by the Board without the approval of stockholders after February 18, 2016, and prior to the effectiveness of this resolution.

The Company has disclosed that it has set the close of business on November 3 , 2016 (the “Record Date”), as the record date for determining stockholders entitled to vote at the Annual Meeting.

Additional information concerning the Nominees is set forth under the caption “Proposal 1—Election of Directors.” The Nominees are also “participants” in this proxy solicitation.

**THE CONCERNED STOCKHOLDERS ARE CONDUCTING THIS PROXY SOLICITATION AND ARE NOT ACTING ON BEHALF OF THE COMPANY OR THE BOARD.**

**WHETHER OR NOT YOU PLAN TO ATTEND THE ANNUAL MEETING, YOUR PROMPT ACTION IS IMPORTANT. MAKE YOUR VIEWS CLEAR TO THE BOARD BY AUTHORIZING A PROXY TO VOTE FOR EACH PROPOSAL BY FOLLOWING THE INSTRUCTIONS ON THE ENCLOSED WHITE PROXY CARD.**

**YOUR VOTE IS IMPORTANT, NO MATTER HOW MANY OR HOW FEW SHARES OF COMMON STOCK YOU OWN.**

**Do not return any gold proxy card that you may receive from the Company, even as a protest vote. If you have already submitted a gold proxy card, it is not too late to change your vote. To revoke your prior proxy and change your vote, simply sign, date and return the enclosed WHITE proxy card in the postage-paid envelope provided. Only your latest signed and dated proxy will be counted.**

This Proxy Statement is dated October 25 , 2016, and is first being mailed to stockholders, along with the enclosed **WHITE** proxy card, on or about October 25 , 2016.

**PLEASE VOTE BY SIGNING, DATING AND RETURNING THE ENCLOSED  
WHITE PROXY CARD IN THE POSTAGE-PAID ENVELOPE PROVIDED.**

**IMPORTANT INFORMATION REGARDING THIS PROXY SOLICITATION**

**Your prompt action is important. The Concerned Stockholders urge you to vote the enclosed WHITE proxy card TODAY. Your vote is important, no matter how many or how few shares of Common Stock you own. Please send in your WHITE proxy card today.**

For additional information or assistance, please contact InvestorCom, the firm assisting the Concerned Stockholders in their solicitation of proxies:

InvestorCom

65 Locust Avenue, Suite 302

New Canaan, CT 06840

Stockholders call toll-free: (877) 972-0090

Banks and brokers call collect: (203) 972-9300



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**ABOUT THE CONCERNED STOCKHOLDERS**

The Concerned Stockholders are each long-term investors in the Company. Mr. Tofias first invested in the Company in March 2004. Mr. Rexroad first invested in the Company in January 2013. Together, the Concerned Stockholders own approximately 22.4% of the Company. The Concerned Stockholders believe that Mr. Tofias is the Company's largest individual stockholder.

**REASONS FOR THIS PROXY SOLICITATION**

The Concerned Stockholders believe that the Company has a history of underperformance. For example, over the five years preceding August 26, 2016 (when the Concerned Stockholders went public with their concerns), the Company's stock price has declined by 17% while the S&P 500 and Russell 2000 indices have produced returns of 105% and 92%, respectively. Over the preceding 20 years, the Company's stock price dropped by 85% while the S&P 500 returned 375% and the Russell 2000 returned 387%. The Company also has outdated governance practices, such as a classified board of directors where directors stand for election only once every three years. The Concerned Stockholders believe it is time for new directors with the fresh perspectives and sense of urgency necessary to unlock the Company's full potential. To that end, the Concerned Stockholders nominated two experienced and respected individuals who they believe would each, consistent with the best interests of the Company, help improve stockholder value and the Company's operations and corporate governance. The Concerned Stockholders believe that the Nominees have excellent qualifications and will bring insightful and experienced voices to the Board.

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**QUESTIONS AND ANSWERS ABOUT THIS PROXY SOLICITATION**

The following are some of the questions that you, as a stockholder of the Company, may have about this proxy solicitation and the answers to those questions. The following is not a substitute for the information contained in the remainder of this Proxy Statement, and the information contained below is qualified by the more detailed descriptions and explanations contained elsewhere in this Proxy Statement. The Concerned Stockholders urge you to read this entire Proxy Statement (including the annex) carefully before deciding whether to grant a proxy.

**Q: Who is making this solicitation?**

Proxies are being solicited by the Concerned Stockholders, who are two of the Company's largest stockholders. A: They have a combined beneficial ownership of an aggregate of 2,248,692 shares of Common Stock, representing approximately 22.4% of the Common Stock outstanding .

**Q: What is being voted on at the Annual Meeting?**

A: At the Annual Meeting, the Company's stockholders will consider and act upon the following matters:

1. the election of two Class A directors, each to hold office until the 2019 Annual Meeting and until their respective successors are duly elected and qualified;
2. an advisory vote on the executive compensation of the Company's named executive officers;
3. the ratification of the appointment of Seligson & Giannattasio, LLP as the Company's independent registered public accounting firm for the fiscal year ending November 30, 2016;
4. the approval of a rights plan (also known as a poison pill) that is intended to protect the Company's NOL carryforwards;
5. an advisory vote on a proposal submitted by Michael D. Tofias to change the issuer's jurisdiction of incorporation to Delaware;

6. an advisory vote on a proposal submitted by the Concerned Stockholders requesting a declassified board structure; and

7. a resolution proposed by the Concerned Stockholders to repeal any amendments to the By-Laws adopted by the Board without the approval of stockholders after February 18, 2016 (which is the date of the last publicly disclosed amendment to the By-Laws), and prior to the effectiveness of the resolution effecting such repeal.

**Q: How do the Concerned Stockholders recommend that I vote?**

A: At the Annual Meeting, the Concerned Stockholders recommend that you vote:

1. **“FOR”** the election of the Nominees, Bradley P. Rexroad and Michael D. Tofias;
2. **“AGAINST”** the approval of the Company’s executive compensation;

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3. “**AGAINST**” the ratification of the appointment of Seligson & Giannattasio, LLP as the Company’s independent registered public accounting firm for the fiscal year ending November 30, 2016;
4. “**AGAINST**” the approval of a rights plan (also known as a poison pill);
5. “**FOR**” the reincorporation of the Company in Delaware;
6. “**FOR**” a declassified board structure; and
7. “**FOR**” the repeal of any amendments to the By-Laws adopted by the Board without the approval of stockholders after February 18, 2016, and prior to the effectiveness of this resolution.

The Concerned Stockholders intend to vote their shares of Common Stock consistent with these recommendations.

**Q: Why are the Concerned Stockholders soliciting your vote?**

The Concerned Stockholders believe that the Company has a history of underperformance. For example, over the five years preceding August 26, 2016 (when the Concerned Stockholders went public with their concerns), the Company’s stock price has declined by 17% while the S&P 500 and Russell 2000 indices have produced returns of 105% and 92%, respectively. Over the preceding 20 years, the Company’s stock price dropped by 85% while the S&P 500 returned 375% and the Russell 2000 returned 387%. The Company also has outdated governance practices, such as a classified board of directors where directors stand for election only once every three years. The Concerned Stockholders believe it is time for new directors with the fresh perspectives and sense of urgency necessary to unlock the Company’s full potential. To that end, the Concerned Stockholders nominated two experienced and respected individuals, Bradley P. Rexroad and Michael D. Tofias, who they believe would each, consistent with the best interests of the Company, help improve stockholder value and the Company’s operations and corporate governance. The Concerned Stockholders believe that the Nominees have excellent qualifications and will bring insightful and experienced voices to the Board, and urge the stockholders to support them in this effort by voting “**FOR**” the Nominees’s election to the Board.

Additional information concerning the background of, and the Concerned Stockholders’ reasons for, this proxy solicitation is set forth under the captions “Background of this Proxy Solicitation” and “Reasons for this Proxy Solicitation,” respectively.

**Q: Who are the Nominees?**

The Nominees, Bradley P. Rexroad and Michael D. Tofias, are highly qualified individuals with a diversity of A: experience relevant to the Company. The principal occupation and business experience of each Nominee is set forth under the caption “Proposal 1—Election of Directors.”

**Q: Who can vote at the Annual Meeting?**

A: If you are a record or beneficial owner of shares of Common Stock as of the close of business on the Record Date, then you have the right to vote at the Annual Meeting.

**Q: How many shares of Common Stock must be voted in favor of the Nominees to elect them?**

Directors of the Company are elected by a plurality of all of the votes cast at the Annual Meeting, assuming a A: quorum is present. For this purpose, “plurality” means that the individuals receiving the greatest number of votes are elected as directors, up to the maximum number of directors to be elected.

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The Company has disclosed that two directors are standing for election at the Annual Meeting. Accordingly, at the Annual Meeting, the two nominees who receive the greatest number of “**FOR**” votes (among votes properly cast in person or by proxy) will be elected as Class A directors for terms expiring at the 2019 Annual Meeting and until their respective successors have been duly elected and qualified. A signed proxy that withholds authority with respect to the election of any or all nominees will be counted for purposes of determining whether there is a quorum, but, with respect to any specific nominee, will not be considered to have been voted for such nominee. Broker non-votes, if any, are not considered votes cast and will result in the applicable nominee receiving fewer “**FOR**” votes for purposes of determining the two nominees receiving the most votes.

**Q: How many shares of Common Stock must be voted in favor of any proposal other than the election of directors that properly comes before the Annual Meeting?**

A: With respect to any proposal other than the election of directors that properly comes before the Annual Meeting, assuming a quorum is present, such proposal will be approved if the holders of a majority of the stock represented and entitled to vote at the Annual Meeting vote “**FOR**” such proposal. Abstentions and broker non-votes, if any, have the same effect as a vote “**AGAINST**” a proposal.

**Q: What should I do in order to vote for the Nominees and any other proposals?**

A: If you hold your shares of Common Stock of record in your own name, please authorize a proxy to vote by signing, dating and returning the enclosed **WHITE** proxy card in the postage-paid envelope provided.

If your shares of Common Stock are held in “street name” in the name of a bank, brokerage firm, dealer, trust company or other nominee, only it can exercise your right to vote your shares of Common Stock and only upon receipt of your specific instructions. Accordingly, it is critical that you promptly give instructions to your bank, brokerage firm, dealer, trust company or other nominee to ensure that a **WHITE** proxy card is submitted on your behalf. Please follow the instructions on the enclosed **WHITE** voting instruction form to provide voting instructions to your bank, brokerage firm, dealer, trust company or other nominee. If your bank, brokerage firm, dealer, trust company or other nominee provides for voting instructions to be delivered by telephone or over the Internet, instructions will be included on the enclosed **WHITE** voting instruction form.

**YOUR VOTE IS VERY IMPORTANT.** If you do not plan to attend the Annual Meeting, the Concerned Stockholders encourage you to vote the enclosed **WHITE** proxy card **TODAY** so that your shares of Common Stock will be represented and voted in accordance with your instructions. Even if you plan to attend the Annual Meeting in person, the Concerned Stockholders recommend that you sign, date and return a **WHITE** proxy card so that your vote will be counted if you later decide not to attend the Annual Meeting.

**Q: Can I use the WHITE proxy card to vote for any of the Company's nominees?**

No. Under the proxy rules, the Concerned Stockholders may only solicit proxies in support of the Nominees. If you wish to vote for other nominees, you will need to return the Company's gold proxy card or attend the Annual Meeting in person and vote by ballot.

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**Q: How do proxies work?**

Giving the Concerned Stockholders your proxy means that you authorize the proxy holders designated by the Concerned Stockholders to vote your shares of Common Stock at the Annual Meeting according to the directions that you provide. Whether or not you are able to attend the Annual Meeting, the Concerned Stockholders urge you to vote the enclosed **WHITE** proxy card **TODAY**. If you specify a choice with respect to any item by marking the appropriate box on the **WHITE** proxy card, the shares of Common Stock to which that proxy card relates will be voted in accordance with that specification. If no specification is made, then the shares of Common Stock will be voted (1) “**FOR**” the election of the Nominees, Bradley P. Rexroad and Michael D. Tofias; (2) “**AGAINST**” the approval of the Company’s executive compensation; (3) “**AGAINST**” the ratification of the appointment of Seligson & Giannattasio, LLP as the Company’s independent registered public accounting firm for the fiscal year ending November 30, 2016; (4) “**AGAINST**” the approval of a rights plan (also known as a poison pill); (5) “**FOR**” the reincorporation of the Company in Delaware; (6) “**FOR**” a declassified board structure; (7) “**FOR**” the repeal of any amendments to the By-Laws adopted by the Board without the approval of stockholders after February 18, 2016, and prior to the effectiveness of this resolution; and (8) in the proxy holders’ discretion as to any other matters that may properly come before the Annual Meeting and are unknown to the Concerned Stockholders a reasonable time before the Annual Meeting.

**Q: What is the deadline for submitting proxies?**

A: Proxies can be submitted until the polls are closed at the Annual Meeting. However, to be sure that the Concerned Stockholders receive your proxy in time to utilize it, please provide your proxy as early as possible.

**Q: May I change my vote?**

A: Yes. Even after you have submitted your proxy, you may change your vote at any time by returning a later dated proxy card or voting at the Annual Meeting by ballot. Attendance at the Annual Meeting will not in and of itself constitute revocation of a proxy.

**Q: What should I do if I receive a gold proxy card from the Company?**

A: We urge you to discard any gold proxy card you receive from the Company. If you submit a **WHITE** proxy card, do not sign or return a gold proxy card solicited by the Company or follow any voting instructions provided by the Company unless you want to change your vote. Only your latest signed and dated proxy will count.

**Q: Whom should I contact if I have any questions about the Concerned Stockholders’ solicitation?**

A: Please call or write InvestorCom, the firm assisting the Concerned Stockholders in its solicitation, at:

InvestorCom

65 Locust Avenue, Suite 302

New Canaan, CT 06840

Stockholders call toll-free: (877) 972-0090

Banks and brokers call collect: (203) 972-9300

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**IMPORTANT**

**Your vote is important, no matter how many or how few shares of Common Stock you own.**

**THE CONCERNED STOCKHOLDERS RECOMMEND THAT YOU VOTE FOR *ALL* OF THE NOMINEES.**

**Please vote each and every WHITE proxy card and WHITE voting instruction form that you receive as each account must be voted separately.**

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**BACKGROUND OF THIS PROXY SOLICITATION**

The Concerned Stockholders are each long-term investors in the Company. Mr. Tofias has been a stockholder of the Company since March 2004, and Mr. Rexroad has been a stockholder of the Company since January 2013. Each of Messrs. Rexroad and Tofias began investing in the Company based on the belief that the Common Stock was undervalued.

From time to time, each of Messrs. Rexroad and Tofias has discussed various matters with Ira Levy, the Company's Chief Executive Officer, including (1) operating results; (2) costs and capital allocation; (3) opportunities to enhance stockholder value; (4) corporate governance; (5) excessive director compensation; and (6) strategic alternatives.

On September 15, 2014, Mr. Rexroad filed a Schedule 13D with the Securities and Exchange Commission (the "SEC") disclosing his beneficial ownership of 5.6% of the then-outstanding Common Stock.

On May 5, 2015, Mr. Tofias sent a letter to the Board requesting to be nominated to the Board and expressing the view that there should be more significant unaffiliated stockholder representation on the Board.

On December 20, 2015, Mr. Levy informed Mr. Tofias that the Board had declined to add Mr. Tofias as a director.

On January 4, 2016, Mr. Tofias filed a Schedule 13D with the SEC disclosing his beneficial ownership of 15.7% of the then-outstanding Common Stock. Mr. Tofias had previously reported his holdings on a Schedule 13G.

On March 15, 2016, Mr. Tofias sent a letter to the directors of the Company expressing his view that the Common Stock continued to be significantly undervalued. Mr. Tofias recommended that the Board promptly explore a sale of the Company.

On June 16, 2016, Mr. Tofias submitted a proposal to the Board for inclusion in this Proxy Statement urging the Board to take all necessary steps (excluding those that may be taken only by stockholders) to change the Company's jurisdiction of incorporation to Delaware. For additional information, see the section of this Proxy Statement captioned "Proposal 5—Advisory Stockholder Proposal Requesting the Reincorporation of the Company in Delaware."

On June 29, 2016, Mr. Rexroad submitted a proposal to the Company for inclusion in this Proxy Statement urging the Board to take all necessary steps (excluding those that may be taken only by stockholders) to eliminate the classification of the Board and to require that all directors be elected on an annual basis. For additional information, see the section of this Proxy Statement captioned “Proposal 6—The Concerned Stockholders’ Advisory Proposal Requesting a Declassified Board Structure.”

On July 1, 2016, Mr. Tofias submitted a request to inspect certain books and records of the Company, including a stockholder list.

On July 31, 2016, Messrs. Rexroad, Tofias and Levy and Gary Jacobs, a member of the Board, participated in a telephonic meeting during which Messrs. Rexroad and Tofias expressed their continued dissatisfaction with the Company’s corporate governance and capital allocation, as well as their view that the Company should be sold. Mr. Levy expressed a desire for the Company to remain public and potentially repurchase the shares of Common Stock held by Messrs. Rexroad and Tofias. Messrs. Rexroad and Tofias expressed their concern that such a repurchase would constitute preferential treatment over the Company’s other stockholders. Mr. Levy also expressed an interest in acquiring all shares of Common Stock not held by the Board or the Company’s management.

On August 24, 2016, the Concerned Stockholders entered into a Joint Filing, Group and Solicitation Agreement in which they agreed, among other things, to (1) the joint filing on behalf of each of them of statements on Schedule 13D with respect to the securities of the Company; (2) seek representation on the Board at the 2016 Annual Meeting; and (3) share the expenses incurred in seeking representation on the Board.

On August 25, 2016, the Concerned Stockholders delivered to the Company a notice of its nomination of the Nominees, as required by the By-Laws. The notice also proposed two items of business for consideration at the Annual Meeting. For additional information, see the sections of this Proxy Statement captioned “Proposal 6—The Concerned Stockholders’ Advisory Proposal Requesting a Declassified Board Structure” and “Proposal 7—The Concerned Stockholders’ By-Law Restoration Proposal.”

On August 26, 2016, the Concerned Stockholders filed a Schedule 13D disclosing their aggregate beneficial ownership of 22.2% of the then-outstanding Common Stock.

On September 15, 2016, Messrs. Rexroad, Tofias, Levy and Alan Pflaker, a member of the Board, met. Messrs. Rexroad and Tofias reiterated their belief that the Board should pursue a sale of the Company. Messrs. Rexroad and Tofias also discussed the possibility of Board representation and of a significant return of capital to stockholders. No specific proposal to resolve the proxy contest was made by Messrs. Rexroad and Tofias.

On September 28, 2016, the Concerned Stockholders issued a press release announcing the filing by them of a preliminary proxy statement.

On October 6, 2016, the Concerned Stockholders sent an open letter to the stockholders of the Company expressing the desire to communicate regarding the Company and detailing the Company's poor stock performance.

On October 7, 2016, the Company announced the adoption of a rights plan (or poison pill). This action was taken without stockholder approval.

On October 10, 2016, the Concerned Stockholders sent an open letter to the stockholders of the Company expressing the Concerned Stockholders' objections to the adoption of a rights plan without stockholder approval.

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**PROPOSAL 1—ELECTION OF DIRECTORS**

The Company has disclosed that two directors are standing for election at the Annual Meeting. Accordingly, at the Annual Meeting, the two nominees who receive the greatest number of “**FOR**” votes (among votes properly cast in person or by proxy) will be elected as Class A directors for terms expiring at the 2019 Annual Meeting and until their respective successors have been duly elected and qualified. The Concerned Stockholders are seeking your support at the Annual Meeting to elect the Nominees, Bradley P. Rexroad and Michael D. Tofias.

The Nominees have furnished the following information regarding their principal occupations and certain other matters. The ages of the nominees are given as of October 1, 2016. Each of the nominees is a citizen of the United States of America.

*Bradley P. Rexroad*

Bradley P. Rexroad, age 43, has served as Principal at Assay Research, LLC, a financial research firm that provides unbiased insight into the financial statements, accounting practices and policies, quality of earnings, and corporate governance practices of publicly-traded companies, since March 2003. Mr. Rexroad holds a B.S. in Accounting from San Diego State University and an M.B.A. from the University of Miami. Mr. Rexroad holds the Chartered Financial Analyst designation.

The Concerned Stockholders believe that Mr. Rexroad’s extensive financial and accounting expertise, including holding the Chartered Financial Analyst designation, would be of substantial value to the Board. In addition, the Concerned Stockholders believe that Mr. Rexroad would add a unique element to the Board as a major outside stockholder, allowing the Board to receive ongoing feedback from the perspective of a major outside stockholder.

*Michael D. Tofias*

Michael D. Tofias, age 50, has been an independent private investor since February 2015. From 1998 to February 2015, Mr. Tofias served in various positions at Citigroup Global Markets Inc. and its predecessors, most recently as

Managing Director, Institutional Fixed Income Sales. Citigroup Global Markets Inc. is a provider of investment banking and financial advisory services. Mr. Tofias holds a B.B.A. in Finance from the University of Massachusetts, Amherst, and an M.B.A. from the Wharton School of the University of Pennsylvania.

The Concerned Stockholders believe that Mr. Tofias's extensive experience in capital markets, credit markets and analyzing companies, as well as his knowledge of unlisted micro-cap companies and capital allocation, would be of substantial value to the Board. In addition, the Concerned Stockholders believe that Mr. Tofias would add a unique element to the Board as a major outside stockholder, allowing the Board to receive ongoing feedback from the perspective of a major outside stockholder. The Concerned Stockholders believe that Mr. Tofias is the Company's largest individual stockholder.

**THE CONCERNED STOCKHOLDERS URGE YOU TO VOTE FOR THE ELECTION OF THE NOMINEES, BRADLEY P. REXROAD AND MICHAEL D. TOFIAS, ON THE ENCLOSED WHITE PROXY CARD TODAY.**



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Even if all of the Nominees are elected, they will not constitute a majority of the Board. The Nominees will not alone be able to cause the Company to take any action. However, the Nominees expect to be able to actively engage other Board members in full discussion of the issues facing the Company and resolve them together. By utilizing their respective experiences and working constructively with the other Board members, the Nominees believe that they can effect positive change at the Company. If elected, the Concerned Stockholders expect the Nominees to advocate for improvements to the Company's corporate governance, including repealing the classification of the Board and reincorporating the Company in Delaware. The Concerned Stockholders are not aware of any plans by the Nominees to take any specific actions if elected to the Board, but understand that the Nominees intend to advocate for a repeal of the classification of the Board and the reincorporation of the Company in Delaware.

There can be no assurance that if any of the Nominees are elected, any other members of the Board who are not the Nominees will serve with the Nominees. Except as set forth in this Proxy Statement, the Concerned Stockholders believe that each of the Nominees is independent within the meaning of the rules of The NASDAQ Stock Market and is not currently affiliated with the Company or any of its subsidiaries. The Concerned Stockholders have no knowledge of any facts that would prevent the determination that each of the Nominees is independent in accordance with the corporate governance standards of the Company, the pertinent listing standards of The NASDAQ Stock Market and any applicable legal requirements. Consequently, the Concerned Stockholders believe that if the Nominees are elected, there will be a sufficient number of independent directors to serve on the Board's Audit Committee, Compensation Committee, and Nominating and Corporate Governance Committee. If the Nominees are elected, the composition of the Board's committees will be determined by the Board.

Each of the Nominees has consented to being named as a nominee in this Proxy Statement and to serve as a director of the Company if elected. The Concerned Stockholders do not expect that any of the Nominees will be unable to stand for election to the Board or to serve as a director if elected. In the event that a vacancy in the Concerned Stockholders' slate of nominees should occur because any Nominee is unable to serve or for good cause will not serve, the Concerned Stockholders may appoint a substitute candidate that they select and the shares of Common Stock represented by the enclosed **WHITE** proxy card will be voted for such substitute nominee. If the Concerned Stockholders appoint a substitute nominee, the Concerned Stockholders will make a filing with the SEC that (1) identifies such substitute nominee; (2) discloses that such substitute nominee has consented to being named in this Proxy Statement, as supplemented, and to serve as a director of the Company if elected; and (3) includes the information with respect to such substitute nominee required to be disclosed under the SEC's proxy rules. In the event that the Company refuses to permit a substitute nominee as contemplated by this paragraph by reason of the By-Laws or otherwise, the Concerned Stockholders reserve the right to challenge such By-Laws or the application of such By-Laws to such substitute nominee or take other action in an appropriate legal proceeding.

The Concerned Stockholders reserve the right to nominate additional nominees if the Company (1) purports to increase the number of directorships; or (2) makes or announces any changes to the By-Laws or takes or announces any other action that that purports to have, or if consummated would purport to have, the effect of disqualifying any of the Nominees. To the extent that the Company proposes to put up for election more than two nominees at the Annual Meeting, the Concerned Stockholders reserve the right to nominate an equal number of additional persons, which the Concerned Stockholders believe would be an available remedy under Nevada law in response to any attempt by the

Company to interfere with the voting rights of the Company's stockholders. Additional nominations made pursuant to the foregoing are without prejudice to the position of the Concerned Stockholders that any attempt to change the size of the Board or disqualify any of

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the Nominees or any substitute or additional alternate nominees through amendments to the By-Laws or otherwise would constitute unlawful manipulation of the Company's corporate machinery. If the Concerned Stockholders appoint an additional nominee, it will make a filing with the SEC that (1) identifies such additional nominee; (2) discloses that such additional nominee has consented to being named in this Proxy Statement, as supplemented, and to serve as a director of the Company if elected; and (3) includes the information with respect to such additional nominee required to be disclosed under the SEC's proxy rules. The Concerned Stockholders reserve the right to challenge any action by the Company that has, or if consummated would have, the effect of disqualifying any Nominee or substitute or additional nominee. The Concerned Stockholders further reserve the right to nominate fewer than all of the Nominees or to nominate persons to fill any vacancies on the Board.

To the extent that only two directorships are up for election at the Annual Meeting, the Concerned Stockholders will use proxies solicited only to vote for the Nominees (or any substitute nominee, as described above). If the Concerned Stockholders substitute a nominee or propose an additional nominee, the Concerned Stockholders will make the filings with the SEC described above. Only then will the shares of Common Stock represented by the enclosed **WHITE** proxy card be voted for any substitute nominee or additional nominee.

If elected, the Nominees, together with the other directors of the Company, will be responsible for managing the business and affairs of the Company. Each director of the Company has an obligation to comply with his or her fiduciary duties under Nevada law. It is possible that circumstances may arise in which the interests of the Concerned Stockholders, on the one hand, and the interests of other stockholders of the Company, on the other hand, may differ. In that case, the Concerned Stockholders expect the Nominees to fully discharge their fiduciary obligations to the Company and its stockholders under Nevada law.

The Nominees will not receive any compensation from the Concerned Stockholders for their services as directors of the Company if elected. Each of the Nominees, if elected, will be entitled to receive from the Company compensation paid by the Company to its non-employee directors. The compensation currently paid by the Company to its non-employee directors is described in the Company's definitive proxy statement filed with the SEC on October 21, 2016 (the "Company Proxy Statement"). The Nominees may elect to waive any compensation that would be payable to them by the Company in connection with their service on the Board.

**PROPOSAL 2—ADVISORY VOTE ON THE COMPANY'S EXECUTIVE COMPENSATION**

As discussed in further detail in the Company Proxy Statement, and as required by the Dodd-Frank Wall Street Reform and Consumer Protection Act, the Company has proposed an advisory vote to approve the compensation of the Company's named executive officers as described in the Company Proxy Statement. This is often referred to as a "say-on-pay" vote, and provides stockholders with the ability to cast a vote with respect to the Company's executive compensation programs and policies and the compensation paid to the named executive officers as disclosed in the

Company Proxy Statement. This advisory vote on the Company's executive compensation is not binding on the Board.

The Concerned Stockholders strongly object to the employment agreements entered into by the Company with Ira Levy, the Company's Chief Executive Officer, and Steven J. Lubman, the Company's Vice President, in February 2016. In particular, these agreements include provisions whereby both Messrs. Levy and Lubman, if they are terminated without cause, would be entitled to 36 months of their annual compensation and the acceleration of any then-unvested stock options, restricted stock grants and other equity incentive awards. The Concerned Stockholders believe that these severance payments could exceed \$2 million. They also might dissuade others from acquiring the Company.

Furthermore, the Concerned Stockholders strongly object to the Board's continued grant of unrestricted stock and stock options (all of which dilute other stockholders) instead of paying cash bonuses. Since 2010, the Board has granted Messrs. Levy and Lubman options covering approximately 6.6% of the outstanding Common Stock. These are in addition to annual bonuses in the form of unrestricted stock, which have accounted for a further approximately 1.6% of the outstanding Common Stock.

Additional information regarding this proposal is contained in the Company Proxy Statement.

The Concerned Stockholders recommend that you vote "**AGAINST**" this proposal. The Concerned Stockholders intend to vote their shares of Common Stock "**AGAINST**" this proposal.

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**PROPOSAL 3—RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED ACCOUNTING FIRM**

As discussed in further detail in the Company Proxy Statement, the Audit Committee of the Board has appointed Seligson & Giannattasio, LLP as the Company's independent registered accounting firm for the fiscal year ending November 30, 2016. The Company is submitting the appointment of Seligson & Giannattasio, LLP for ratification by the stockholders at the Annual Meeting.

Additional information regarding this proposal is contained in the Company Proxy Statement.

The Concerned Stockholders recommend that you vote “**AGAINST**” this proposal. The Concerned Stockholders intend to vote their shares of Common Stock “**AGAINST**” this proposal.

**PROPOSAL 4—APPROVAL OF A RIGHTS PLAN (OR POISON PILL)**

As discussed in further detail in the Company Proxy Statement, effective as of October 7, 2016, the Board adopted a rights plan that, according to the Board, is intended to protect the Company's NOLs from an “ownership change.” This type of rights plan is commonly known as a poison pill and can have numerous anti-takeover effects. The Company is submitting the poison pill for stockholder approval at the Annual Meeting. **If the poison pill is not approved by stockholders at the Annual Meeting, it will expire on the first business day after the Annual Meeting.**

Additional information regarding this proposal is contained in the Company Proxy Statement.

The Concerned Stockholders believe that the poison pill is unnecessary and, among other things, could deter a third party from pursuing an acquisition of the Company. Because the poison pill places artificial limits on the ability of stockholders to purchase additional shares of the Company's common stock, the Concerned Stockholders believe that the poison pill could serve to entrench the Board and make it more difficult for stockholders to elect new directors.

The Concerned Stockholders recommend that you vote “**AGAINST**” this proposal. The Concerned Stockholders intend to vote their shares of Common Stock “**AGAINST**” this proposal.

**PROPOSAL 5—ADVISORY STOCKHOLDER PROPOSAL REQUESTING THE REINCORPORATION OF THE COMPANY IN DELAWARE**

Mr. Tofias submitted this proposal for consideration at the Annual Meeting. This proposal urges the Board to take all necessary steps (other than any steps that must be taken by the stockholders) to change the Company's jurisdiction of incorporation to Delaware.

Proposal 5 provides for the adoption of the following resolution:

RESOLVED, That the stockholders of Surge Components, Inc. (the "Company") urge the Board of Directors of the Company to take the necessary steps (excluding those that may be taken only by stockholders) to change the Company's jurisdiction of incorporation to Delaware.

The Company at present is incorporated under the laws of Nevada. Professor Michal Barzuza, writing in the Virginia Law Review, has called Nevada's corporate law "shockingly lax." For example, Nevada law allows officers and directors to avoid liabilities that are considered almost axiomatic, such as those for breaches of the duty of loyalty, acts or omissions not in good faith, and transactions from which an officer or a director derived an improper personal benefit. A leading corporate law treatise states flatly that "a lot of con artists also find Nevada an ideal place to hide behind their corporate 'shells,' to the point that many professional investors view with suspicion any Nevada corporation that has its mailing address in another state."

The proposal recommends reincorporation of the Company in Delaware. Delaware is by far the most popular jurisdiction of incorporation for public companies. A majority of the corporations listed on U.S. stock exchanges are incorporated in Delaware, as are 64% of the corporations that make up the Fortune 500. Research has shown that Delaware firms are worth significantly more than similar firms incorporated elsewhere.

There are excellent reasons for Delaware's success, including a corporate statute that provides corporate efficiencies while retaining protections for stockholders and is regularly updated, and an efficient and professional office of the Secretary of State, which maintains state corporate records. Particularly notable is Delaware's Court of Chancery, a specialized court that focuses on corporate issues and can provide swift decisions. The Court of Chancery is one of the most highly respected trial courts of any kind in the United States. It has produced a large body of case law, and its consistency and professionalism results in a predictability that is not available with less experienced courts.

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