



# THE DEWEY ELECTRONICS CORPORATION

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To: Fellow Shareholders  
Re: Question Answered  
From: John Dewey, CEO & President  
Date: November 18, 2021

Shareholders have asked numerous questions regarding the Company's current financials and the intentions of 'insiders' on the Board or in Management regarding the offer. Therefore, rather than answering anyone privately, we collected the questions and answered them here.

## **Could you provide financial statements regarding the first quarter of FY22, ending September 30, 2021?**

Outside accountants have not reviewed our internal numbers for the first quarter, nor are they approved for distribution. However, the October 7 letter to shareholders accurately describes the first quarter. As stated in that October letter, it is Management's view that the first quarter was not representative of subsequent quarters, and thus, seeing its profit would not help characterize the rest of FY22. In addition, as stated in previous letters, profit from operations is being negatively impacted by costs associated with integrating the INI acquisition, costs of relocating within the building, and decreasing margins due to a drop-off in orders for spare parts.

Regarding profit from operations for all of FY22, Management cannot determine at this time if the Company will have a positive operating profit or an operating loss in FY22. Backlog is down, and the last six months are projected to have lower revenues than FY21. Backlog, as of this writing, is \$2,628,000.00 of which \$1,718,000.00 is expected to ship in FY22.

As with FY21, it is anticipated that non-operating events such as the possible sale of the second parcel of real estate could result in increased net profit while also enhancing cash. Receipt of forgiveness for the Company's second PPP loan would positively impact net profit/loss but not cash on hand. No assurances can be given regarding the timing or likelihood of those events.

**What is management's view of the Company's prospects?** There remain two critical areas that may have a material effect on results in the midterm (next 6 to 18 months), both of which are consistent with past disclosures. The first area is the development of new sales resulting from the successful integration of the INI Acquisition. Integration is going well internally and externally; however, the earliest we will be able to project future INI sales is at the end of the government's current fiscal year, September 30, 2022. As previously disclosed, the second critical area is the slow return of orders for new generators and power equipment, combined with the now clear drop off in revenues from our spare parts business. The current backlog for the rest of the year is less than desired, and future additional orders depend on many significant factors outside our control. While we believe our long-term prospects are good, external events coupled with the results of operations will have a material effect on them.

Neither Management nor the Board possesses additional knowledge that would provide material information in deciding how to approach the offer, nor are there material yet unannounced initiatives or projects.

**How many shares might management offer?** To the best of our knowledge, there is no material number of additional shares held by management that have not already been reported. Therefore, we believe the total number of shares is not material; however, most or all are "paper shares."

**What is the intention of the large shareholders on the Board?** To the best of the Board's knowledge, the offered price range reasonably matches appraised value as well as the market price of shares. Therefore, the decisions of the two large shareholders, Wax Asset Management and the Dewey family, will be based primarily on



logistical matters. Wax Asset Management intends to sell between 100k and 200k shares in order to balance its accounts, depending on price. More shares may be offered at the high end of the price range. The Dewey family intends to sell all of its 'paper shares' -- as this is currently the only way to liquidate paper shares; however, that number will not be higher than 13,000 shares. The Dewey family may offer to sell an additional 75,000 shares at a price determined during the offer. Beyond that, the family is likely to offer to sell more shares if the final price is at the high end of the range. Wax Asset Management and the Dewey family will make their decisions without inside knowledge regarding the progress of the reverse Dutch auction.

We would be happy to address additional questions and look forward to reporting the results of the reverse Dutch auction in early December.

John Dewey

CEO and President

November 5, 2019

A handwritten signature in black ink, appearing to read "John Dewey", written over a light blue horizontal line.