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ENGINEERED SUPPORT SYSTEMS INC
Form PRER14A
August 10, 2004

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

SCHEDULE 14A
(RULE 14a-101)
INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION
PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES
EXCHANGE ACT OF 1934

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 Rule 14a-12

ENGINEERED SUPPORT SYSTEMS, INC.
(Name of Registrant as Specified in Its Charter)

(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)(1) 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:

PRESS RELEASE

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ENGINEERED SUPPORT COMMENTS ON
STOCK PRICE DECLINE; TRADING VOLUME

ST. LOUIS, MO., AUGUST 5, 2004 - ENGINEERED SUPPORT SYSTEMS, INC. (Nasdaq: EASI) is currently in a quiet period concerning its financial results for its third quarter ended July 31, 2004, which will be released at the end of August. However, MICHAEL F. SHANAHAN, SR., CHAIRMAN, today commented on several recent developments within the Company that may have negatively affected its stock price and increased its share trading volume over the past few days.

- o The retirement of Gerald E. Daniels announced by the Company yesterday is in no way connected to the state of its operations, financial condition or business prospects. Mr. Daniels resigned the Vice Chairman and Chief Executive Officer position which he had held for a sixteen-month period after a long career with the Boeing Company in order to devote more time to the various business boards, civic and charitable organizations that he has been involved with over the years.

- o The promotion of Gerald A. Potthoff to the position of Vice Chairman, Chief Executive Officer and President in response to Mr. Daniels' retirement will provide Mr. Potthoff the opportunity to lead the day-to-day operations of Engineered Support as a member of its Office of Chairman, the managing body of the Company. The Office of the Chairman will continue to be led by Mr. Shanahan, with its members being Mr. Potthoff, Gary C. Gerhardt, Vice Chairman and Chief Financial Officer, and Ronald W. Davis, President - Business Development.

Shanahan stated, "The recent changes within our management team are in no way related to any operational problems or potential weakness in our business prospects, in fact, our overall business outlook has never been better. In addition, our rock solid balance sheet and strong cash flow generation position us for continued growth. The corporation will remain under the guidance of the Office of the Chairman with oversight provided by our seasoned Board of Directors. This structure has worked extremely well for us in executing the Company's highly successful business strategy over the past five years. This will not be altered going forward."

On July 28, 2004, the Company filed a Preliminary Proxy Statement with the SEC providing notice of a special meeting of shareholders to occur on September 15, 2004. The special meeting was called for shareholders to vote for the approval of various matters including an increase in the number of authorized common shares and the approval of an executive incentive plan.

- o The proposed amendment to the Company's Articles of Incorporation to increase the authorized number of common shares from 30 million shares to 90 million shares will provide additional flexibility to the Board of Directors, in its discretion, to issue or reserve additional shares of common stock without the delay or expense of a meeting of shareholders. Shares of common stock may be used for general corporate purposes, including acquisitions, financing activities, employee compensation plans or stock splits. The proposal does not call for the issuance of any additional shares and the Board of Directors has no current plans to issue additional shares.

- o The approval of the Executive Incentive Performance Plan is intended to insure the income tax deductibility of any qualifying performance-based compensation amounts paid to certain covered senior executives of the Company. The Compensation Committee of the Board of Directors believes that it is in the best interest of the Company to maximize the tax deductibility of executive compensation without compromising the essential framework of the existing total compensation program. Future incentive compensation levels for such senior executives are not expected to be materially different from historical levels as previously disclosed by the Company.

Shanahan concluded, "The proposed increase in authorized shares simply provides the Company with additional flexibility in pursuing paths that will continue to drive shareholder value. These may include raising capital for synergistic acquisitions, financing activities or splitting the stock as we've done quite successfully in recent years. I emphasize that presently we have no intentions of raising capital via the issuance of additional shares. Adoption of the executive incentive plan by shareholders is necessary to reduce future income taxes. Given their somewhat perfunctory nature, we anticipate that both of these proposals will receive overwhelming approval from our shareholders.

Although we cannot comment on the recently completed quarter, we remain quite optimistic in our outlook for the business going forward and appreciate our shareholders' trust and commitment during a somewhat volatile time in the stock market. On our upcoming quarterly earnings call at the end of this month, we will provide preliminary financial guidance for fiscal 2005 which hopefully will be viewed favorably by our investors."

Engineered Support Systems, Inc. designs and manufactures integrated military electronics, support equipment and provides technical and logistics services for all branches of America's armed forces and certain foreign militaries, homeland security forces and selected governmental and intelligence agencies. The Company also produces specialized equipment and systems for commercial and industrial applications. For additional information, please visit our website at www.engineeredsupport.com.

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