AMERISERV FINANCIAL INC /PA/
Form 8-K
April 20, 2010

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 8-K

Current Report

Pursuant to Section 13 or 15(d) of the Securities Act of 1934

Date of Report (Date of earliest event reported) April 20, 2010

AMERISERV FINANCIAL, Inc.

(exact name of registrant as specified in its charter)

Pennsylvania	0-11204	25-1424278
(State or other jurisdiction of Incorporation)	(commission File Number)	(I.R.S. Employer Identification No.)

Main and Franklin Streets, Johnstown, Pa. 15901

(address or principal executive offices) (Zip Code)

Registrant's telephone number, including area code: 814-533-5300

N/A

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

( ) Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

( ) Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

( ) Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

( ) Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4c))

Form 8-K

Item 2.02 Results of operation and financial condition.

AMERISERV FINANCIAL Inc. (the "Registrant") announced first quarter results through March 31, 2010. For a more detailed description of the announcement see the press release attached as Exhibit #99.1.

Exhibits

Exhibit 99.1

Press release dated April 20, 2010, announcing the first quarter results through March 31, 2010.

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AMERISERV FINANCIAL, Inc.

By /s/Jeffrey A. Stopko

Jeffrey A. Stopko

Executive Vice President

& CFO

Date: April 20, 2010

Exhibit 99.1

AMERISERV FINANCIAL REPORTS EARNINGS FOR THE FIRST QUARTER OF 2010

JOHNSTOWN, PA AmeriServ Financial, Inc. (NASDAQ: ASRV) reported a first quarter 2010 net loss of $918,000 or $0.06 per diluted common share. This represents a decrease of $1.5 million from the first quarter 2009 net income of $533,000 or $0.01 per diluted common share but an improvement from the more recently reported fourth quarter 2009 net loss of $1.7 million or $0.09 per diluted common share.

Glenn L. Wilson, President and Chief Executive Officer, commented on the 2010 first quarter financial results, AmeriServ Financial reported a loss for the first quarter of 2010 due to an increased provision for loan losses. We continue to carefully monitor our commercial loan portfolio during this difficult economic environment to insure that we provide the needed reserves in a consistent and realistic manner. This review indicated the need for a $3.1 million contribution to our allowance for loan losses in the first quarter of 2010; although the amount of the quarterly provision has now declined for two consecutive quarters. As a result of our disciplined approach, the allowance for loan losses provided 110% coverage of non-performing loans at March 31, 2010 and represented 3.02% of total loans outstanding. These sound reserve coverage measures combined with our strong capital position and good core retail banking fundamentals provide AmeriServ with excellent flexibility to work through this challenging period and position us well for the eventual economic recovery.

The Company s net interest income in the first quarter of 2010 was comparable with the prior year first quarter as it declined by only $20,000. The Company s first quarter 2010 net interest margin of 3.78% was six basis points better than the 2009 first quarter margin of 3.72% and three basis points better than the more recent fourth quarter 2009 net interest margin of 3.75%. This relative stability in net interest income and margin performance is reflective of the Company s strong liquidity position and its ability to reduce its funding costs during a period of deposit growth. Specifically, total deposits averaged $787 million in the first quarter of 2010, an increase of $72 million or 10.1% over the first quarter 2009. The Company believes that uncertainties in the economy have contributed to growth in money market accounts, certificates of deposit and demand deposits as consumers have looked for safety in well capitalized community banks like AmeriServ Financial. Overall, the decline in interest expense has been comparable with the drop in interest revenue which has been impacted by a $10 million or 1.4% decrease in total loans outstanding since December 31, 2009.

The Company appropriately strengthened its allowance for loan losses in the first quarter of 2010 in response to ongoing careful monitoring of the commercial loan and commercial real estate portfolios. A weak economic environment caused higher levels of nonperforming loans and classified loans. When determining the provision for loan losses, the Company considers a number of factors some of which include periodic credit reviews, non-performing, delinquency and charge-off trends, concentrations of credit, loan volume trends and broader local and national economic trends. Overall, the Company recorded a $3.1 million provision for loan losses in the first quarter of 2010 compared to a $1.8 million provision in the first quarter of 2009, or an increase of $1.3 million. Actual credit losses realized through charge-offs, however, are running well below the provision level but are higher than the prior year. For the first quarter 2010, net charge-offs amounted to $1.2 million or 0.69% of total loans compared to net charge-offs of $49,000 or 0.03% of total loans for the first quarter 2009. During the first quarter, non-performing assets increased by $2 million to $20.3 million or 2.85% of total loans at March 31, 2010. This increase was caused by the transfer of one commercial real estate loan that is secured by newly constructed student housing into non-accrual status as the project has not yet stabilized to support the required principal payments on the loan. In summary, the allowance for loan losses provided 110% coverage of non-performing loans and was 3.02% of total loans at March 31, 2010, compared to 115% of non-performing loans and 2.72% of total loans at December 31, 2009.

The Company s non-interest income in the first quarter of 2010 decreased by $261,000 or 7.3% from the prior year s first quarter. The largest item responsible for the quarterly decline was a $105,000 decrease in trust fees as a result of reductions in the market value of assets managed due to lower values in its specialty real estate funds in 2010. Deposit service charges also dropped by $101,000 due to fewer overdraft fees. These negative items were partially offset by a $50,000 increase in investment advisory fees due to improved equity values in the first quarter of 2010.

Total non-interest expense in the first quarter of 2010 increased by $602,000 or 6.6% when compared to the first quarter of 2009. FDIC deposit insurance expense was the largest factor contributing to the higher non-interest expense as it increased by $299,000 in the first quarter of 2010 due to an increased basic assessment rate. Professional fees also increased by $182,000 due to increased legal fees, consulting expenses and recruitment costs in the Trust Company during the first quarter of 2010. Total salaries and benefits expense in the first quarter of 2010 increased by $107,000 or 2.1% as a result of higher medical insurance costs.

ASRV had total assets of $961 million and shareholders equity of $106 million or a book value of $4.04 per common share at March 31, 2010. The Company continued to maintain strong capital ratios that exceed the regulatory defined well capitalized status with a risk based capital ratio of 15.52%, an asset leverage ratio of 11.01% and a tangible common equity to tangible assets ratio of 7.70% at March 31, 2010.

This news release may contain forward-looking statements that involve risks and uncertainties, as defined in the Private Securities Litigation Reform Act of 1995, including the risks detailed in the Company's Annual Report and Form 10-K to the Securities and Exchange Commission. Actual results may differ materially.

Nasdaq: ASRV

SUPPLEMENTAL FINANCIAL PERFORMANCE DATA

April 20, 2010

(In thousands, except per share and ratio data)

(All quarterly and 2010 data unaudited)

2010

	1QTR
PERFORMANCE DATA FOR THE PERIOD:	
Net income (loss)	$(918)
Net income (loss) available to common shareholders	(1,181)
PERFORMANCE PERCENTAGES (annualized):	
Return on average assets	(0.39)%
Return on average equity	(3.47)
Net interest margin	3.78
Net charge-offs as a percentage of average loans	0.69
Loan loss provision as a percentage of average loans	1.72
Efficiency ratio	85.42
PER COMMON SHARE:	
Net income (loss):	
Basic	$(0.06)
Average number of common shares outstanding	21,224
Diluted	(0.06)
Average number of common shares outstanding	21,224

2009

	1QTR	2QTR	3QTR	4QTR	YEAR TO DATE
PERFORMANCE DATA FOR THE PERIOD:					
Net income	$533	$(939)	$(2,810)	$(1,679)	$(4,895)
Net income available to common shareholders	274	(1,202)	(3,073)	(1,941)	(5,942)
PERFORMANCE PERCENTAGES (annualized):					
Return on average assets	0.22%	(0.39)%	(1.15)%	(0.70)%	(0.51)%

Return on average equity	1.90	(3.29)	(9.83)	(6.01)	(4.33)
Net interest margin	3.72	3.66	3.57	3.75	3.72
Net charge-offs as a percentage of average loans	0.03	0.19	0.35	1.82	0.60
Loan loss provision as a percentage of average loans	1.02	1.81	3.42	2.05	2.09
Efficiency ratio	78.22	82.56	84.00	92.82	84.39
PER COMMON SHARE:					
Net income:					
Basic	$0.01	$(0.06)	$(0.15)	$(0.09)	$(0.28)
Average number of common shares outstanding	21,137	21,151	21,178	21,219	21,172
Diluted	0.01	(0.06)	(0.15)	(0.09)	(0.28)
Average number of common shares outstanding	21,137	21,152	21,182	21,219	21,174

AMERISERV FINANCIAL, INC.

(In thousands, except per share, statistical, and ratio data)

(All quarterly and 2010 data unaudited)

2010

	1QTR
PERFORMANCE DATA AT PERIOD END	
Assets	$960,817
Short-term investment in money market funds	2,105
Investment securities	150,073
Loans	712,929
Allowance for loan losses	21,516
Goodwill	12,950
Deposits	802,201
FHLB borrowings	25,296
Shareholders equity	106,393
Non-performing assets	20,322

Asset leverage ratio	11.01%
Tangible common equity ratio	7.70
PER COMMON SHARE:	
Book value (A)	$4.04
Market value	1.67
Trust assets fair market value (B)	$1,398,215
STATISTICAL DATA AT PERIOD END:	
Full-time equivalent employees	353
Branch locations	18
Common shares outstanding	21,223,942

2009

	1QTR	2QTR	3QTR	4QTR
PERFORMANCE DATA AT PERIOD END				
Assets	$975,062	$978,899	$959,344	$970,026
Short-term investment in money market funds	10,817	7,516	6,565	3,766
Investment securities	138,853	136,119	138,715	142,883
Loans	726,961	739,649	722,540	722,904
Allowance for loan losses	10,661	13,606	19,255	19,685
Goodwill and core deposit intangibles	13,498	13,498	12,950	12,950
Deposits	746,813	783,807	779,185	786,011
FHLB borrowings	90,346	57,702	44,451	51,579
Shareholders equity	114,254	112,880	110,706	107,254
Non-performing assets	5,099	14,670	23,689	18,337
Asset leverage ratio	11.82%	11.61%	11.41%	11.06%
Tangible common equity ratio	8.35	8.17	8.16	7.71
PER COMMON SHARE:				
Book value (A)	$4.44	$4.37	$4.25	$4.09
Market value	1.67	1.85	1.80	1.67
Trust assets fair market value (B)	$1,432,375	$1,376,272	$1,340,119	$1,358,570
STATISTICAL DATA AT PERIOD END:				
Full-time equivalent employees	355	352	350	345

Branch locations	18	18	18	18
Common shares outstanding	21,144,700	21,156,801	21,215,115	21,221,909

NOTES:

(A) Preferred stock received through the Capital Purchase Program is excluded from the book value per common share calculation.

(B) Not recognized on the balance sheet.

AMERISERV FINANCIAL, INC.

CONSOLIDATED STATEMENT OF INCOME

(In thousands)

(All quarterly and 2010 data unaudited)

2010

INTEREST INCOME	1QTR
Interest and fees on loans	$10,020
Total investment portfolio	1,445
Total Interest Income	11,465
INTEREST EXPENSE	
Deposits	2,927
All borrowings	417
Total Interest Expense	3,344
NET INTEREST INCOME	8,121
Provision for loan losses	3,050
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	5,071
NON-INTEREST INCOME	
Trust fees	1,454
Net realized gains on investment securities	65
Net realized gains on loans held for sale	131
Service charges on deposit accounts	572
Investment advisory fees	187
Bank owned life insurance	254
Other income	637
Total Non-interest Income	3,300
NON-INTEREST EXPENSE	
Salaries and employee benefits	5,199
Net occupancy expense	736
Equipment expense	418

Professional fees	1,102
FDIC deposit insurance expense	331
Other expenses	1,978
Total Non-interest Expense	9,764
PRETAX INCOME (LOSS)	(1,393)
Income tax expense (benefit)	(475)
NET INCOME (LOSS)	(918)
Preferred stock dividends	263
NET INCOME (LOSS) AVAILABLE TO COMMON SHAREHOLDERS	$(1,181)

2009

INTEREST INCOME	1QTR	2QTR	3QTR	4QTR	YEAR TO DATE
Interest and fees on loans	$10,349	$10,544	$10,247	$10,310	$41,450
Total investment portfolio	1,586	1,511	1,451	1,457	6,005
Total Interest Income	11,935	12,055	11,698	11,767	47,455
INTEREST EXPENSE					
Deposits	3,255	3,405	3,316	3,134	13,110
All borrowings	539	479	457	436	1,911
Total Interest Expense	3,794	3,884	3,773	3,570	15,021
NET INTEREST INCOME	8,141	8,171	7,925	8,197	32,434
Provision for loan losses	1,800	3,300	6,300	3,750	15,150
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	6,341	4,871	1,625	4,447	17,284
NON-INTEREST INCOME					
Trust fees	1,559	1,438	1,377	1,274	5,648
Net realized gains on investment securities	101	63	-	-	164
Net realized gains on loans held for sale	118	163	213	157	651
Service charges on deposit accounts	673	710	712	674	2,769
Investment advisory fees	137	152	176	183	648

Bank owned life insurance	250	254	258	446	1,208
Other income	723	711	718	688	2,840
Total Non-interest Income	3,561	3,491	3,454	3,422	13,928
NON-INTEREST EXPENSE					
Salaries and employee benefits	5,092	4,983	5,114	5,337	20,526
Net occupancy expense	722	641	602	667	2,632
Equipment expense	415	442	398	437	1,692
Professional fees	920	873	1,050	1,189	4,032
FDIC deposit insurance expense	32	691	311	636	1,670
Amortization of core deposit intangibles	108	-	-	-	108
Other expenses	1,873	2,006	2,091	2,527	8,497
Total Non-interest Expense	9,162	9,636	9,566	10,793	39,157
PRETAX INCOME (LOSS)	740	(1,274)	(4,487)	(2,924)	(7,945)
Income tax expense (benefit)	207	(335)	(1,677)	(1,245)	(3,050)
NET INCOME (LOSS)	533	(939)	(2,810)	(1,679)	(4,895)
Preferred stock dividends	259	263	263	262	1,047
NET INCOME (LOSS) AVAILABLE TO COMMON SHAREHOLDERS	$274	$(1,202)	$(3,073)	$(1,941)	$(5,942)

AMERISERV FINANCIAL, INC.

Nasdaq: ASRV

Average Balance Sheet Data (In thousands)

(All quarterly and 2010 data unaudited)

	2010	2009
	1QTR	1QTR
Interest earning assets:	$717,247	$714,253

Loans and loans held for sale, net of unearned income		
Deposits with banks	1,711	3,158
Short-term investment in money market funds	4,545	10,112
Federal funds	2,394	55
Total investment securities	148,399	148,465
Total interest earning assets	874,296	876,043
Non-interest earning assets:		
Cash and due from banks	15,433	15,488
Premises and equipment	9,449	9,446
Other assets	79,643	71,004
Allowance for loan losses	(20,793)	(9,144)
Total assets	$958,028	$962,837
Interest bearing liabilities:		
Interest bearing deposits:		
Interest bearing demand	$57,365	$62,355
Savings	75,287	71,759
Money market	151,162	141,442
Other time	386,343	326,221
Total interest bearing deposits	670,157	601,777
Borrowings:		
Federal funds purchased, securities sold under agreements to repurchase, and other short-term borrowings	5,490	94,901
Advanced from Federal Home Loan Bank	32,494	13,853
Guaranteed junior subordinated deferrable interest debentures	13,085	13,085
Total interest bearing liabilities	721,226	723,616
Non-interest bearing liabilities:		
Demand deposits	116,954	113,298
Other liabilities	12,620	12,265

Shareholders equity	107,228	113,658
Total liabilities and shareholders equity	$958,028	$962,837

e:10pt; font-family:Times New Roman">Outside Directors are each paid an annual director s fee of $50,000. The Outside Director serving as the Chairman of the Board receives an additional annual fee of $20,000. Each Outside Director serving on the audit committee of the Board receives an additional fee of $15,000 per annum with no additional fee for serving as chairman of the audit committee. During Fiscal 2016, the Outside Director serving as the Chairman of the special committee received an additional fee of $20,000 per month with the exception of November 2015, December 2015 and January 2016, during which the Chairman of the special committee received an additional fee of $12,500 per month. During Fiscal 2016, each Outside Director serving on the special committee of the Board received an additional fee of $12,500 per month. In June 2016, the fee structure for the special committee was changed such that each Outside Director serving on the special committee of the Board receives an additional fee of $5,000 per month with no additional fee for serving as chairman of the special committee. The Company does not pay any additional fees for attendance at meetings of the Board or the committees. Audit committee fees are paid in four equal quarterly installments per annum and special committee fees are paid in monthly installments. Audit committee and special committee fees are pro-rated in situations where an Outside Director serves less than a full one year or periodic term.

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Additionally, the Company s directors are reimbursed their expenses for attendance at meetings.

The following table provides certain information with respect to the compensation earned or paid to the Company s Outside Directors during Fiscal 2016.

Director Compensation for Fiscal 2016

Name	Fees Earned or Paid in Cash($)	Total($)
John Howard Batchelor(1)	$ 70,000	$ 70,000
Lionel Choong(2)	$ 146,500	$ 146,500
Greg Hunt(3)	$ 127,500	$ 127,500
Mark Manski(4)	$ 267,500	$ 267,500
Kareem E. Sethi	$ 127,500	$ 127,500
Terence A. Snellings(5)	$ 215,000	$ 215,000

(1) Mr. Batchelor, who served as the Chairman of the Board, resigned from the Board effective May 29, 2016.

(2) Mr. Choong, who served as the Vice Chairman of the Board, resigned from the Board effective June 5, 2016.

(3) Mr. Hunt, who served as a director and as a member of the Audit Committee, resigned from the Board effective June 2, 2016.

(4) Mr. Manski, who served as a director and as the Chairman of the Special Committee, resigned from the Board effective May 31, 2016.

(5) Mr. Snellings, who served as a director and as a member of the Audit Committee and the Special Committee, resigned from the Board effective June 5, 2016.

Equity Compensation Plan Information

The Company did not have any equity compensation plans in existence as of March 31, 2016.

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CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

From time to time, Emerson engages in business transactions with its controlling stockholder, The Grande Holdings Limited (Grande), and one or more of Grande s direct and indirect subsidiaries. Set forth below is a summary of such transactions.

Controlling Stockholder

S&T International Distribution Limited (S&T), which is a wholly owned subsidiary of Grande N.A.K.S. Ltd., which is a wholly owned subsidiary of Grande, collectively have the shared power to vote and direct the disposition of 15,243,283 shares, or approximately 56.2%, of the Company s outstanding common stock. Accordingly, the Company is a controlled company as defined in Section 801(a) of the NYSE MKT Company Guide.

Related Party Transactions

Dividend-Related Issues with S&T

On March 2, 2010, the Board declared an extraordinary dividend of $1.10 per common share which was paid on March 24, 2010. In connection with the Company s determination as to the taxability of the dividend, the Board relied upon information and research provided to it by the Company s tax advisors and, in reliance on the stock-for-debt exception in the Internal Revenue Code Sections 108(e)(8) and (e)(10), concluded that 4.9% of such dividend paid was taxable to the recipients.

In August 2012, the Company received a Form 886-A from the IRS which challenges the Company s conclusions and determined that the Company did not qualify for the above-referenced exception. Accordingly, the IRS concluded that 100% of the dividend paid was taxable to the recipients. The Company defended its position and calculations and contested the position asserted by the IRS. The Company prepared and, on October 25, 2012, delivered its rebuttal to the IRS contesting the IRS determination. There can be no assurance that the Company will be successful in defending its position (for a discussion of whether the relevant period of assessment has expired, see below).

In the event that the Company is not successful in establishing with the IRS that the Company s calculations were correct, then the stockholders who received the dividend likely will be subject to and liable for an assessment of additional taxes due. Moreover, the Company may be contingently liable for taxes due by certain of its stockholders resulting from the dividend paid by the Company.

Initially, the Company withheld from the dividend paid to foreign stockholders an amount equal to the tax liability associated with such dividend. On April 7, 2010, upon a request made to the Company by its foreign controlling stockholder, S&T, the Company entered into an agreement with S&T (the Agreement), whereby the Company returned to S&T on April 7, 2010 that portion of the funds withheld for taxes from the dividend paid on March 24, 2010 to S&T, which the Company believed was not subject to U.S. tax based on the Company s good-faith estimate of its accumulated earnings and profits at that time. The Agreement includes provisions pursuant to which S&T agreed to indemnify the Company for any liability imposed on it as a result of the Company s agreement not to withhold such funds for S&T s possible tax liability and a pledge of stock as collateral. The Company continues to assert that such dividend is largely not subject to U.S. tax based on the Company s good-faith estimate of its accumulated earnings and profits. In addition, the Company also continues to assert that this transaction results in an off-balance sheet arrangement and a possible contingent tax liability of the Company, which, if recognized, would be offset by the calling by the Company on S&T of the indemnification provisions of the Agreement.

In February 2011, upon the request of S&T to the Company, the Company and S&T agreed that the collateral pledged as a part of the Agreement would no longer be required and such collateral was returned by the Company to S&T in March 2011 and the Agreement was amended and restated to remove the collateral requirement but retain the indemnification provisions. The Agreement, as amended (the Amended Agreement), remains in effect as of today.

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In September 2014, the Company, with S&T s consent, withheld $0.5 million in cash, to be pledged as collateral against the Amended Agreement, from the dividend paid to S&T on September 30, 2014 along with such dividend paid on that date to all common stockholders. The Company held, as of March 31, 2016, $0.5 million in cash collateral from S&T against the Amended Agreement. In the event that (i) the Company is not successful in establishing with the IRS that the Company s calculations were correct and (ii) S&T is unable or unwilling to pay the additional taxes due or indemnify the Company under the terms of the Amended Agreement, the Company may be liable to pay such additional taxes, which, together with penalties and interest, are currently estimated by the Company to be approximately $5.0 million as of March 31, 2016 (the Potential Tax Exposure Related to the March 2010 Dividend), $0.5 million of which was collateralized in cash held by the Company as of March 31, 2016 as described above and which was classified by the Company as restricted cash on its balance sheet. Any such liability, should it be required to be recognized by the Company, would likely have a material adverse effect on the Company s results of operations in the period recognized.

As of March 31, 2016, the Company believes that it is more likely than not that the assessment period for the Company for tax under section 1461 of the Internal Revenue Code in connection with the withholding tax requirements pertaining to the March 2, 2010 dividend has expired, such that if the IRS were to attempt to assess tax, the assessment would be time-barred. Thusly, as of March 31, 2016, the Company believes that it is more likely than not that it will not be liable for the Potential Tax Exposure Related to the March 2010 Dividend.

In April 2016, the Company, upon a request made by S&T, considered and agreed that the collateral pledged as a part of the Agreement would no longer be required and that such collateral would be returned by the Company to S&T, net of the $79,000 in expenses incurred by the Company in defending the IRS challenge with respect to the March 2, 2010 dividend. Thusly, on April 29, 2016, the Company paid $421,000 to S&T to effectuate the release of the collateral net of the aforementioned expenses incurred by the Company.

Indemnification of Officers and Directors

The Company enters into indemnification agreements with each of its directors and officers. These agreements require the Company to indemnify these individuals to the fullest extent permitted under Delaware law against liabilities that may arise by reason of their service to the Company, and to advance expenses incurred as a result of any proceeding against them as to which they could be indemnified. The Company also intends to enter into indemnification agreements with its future directors and officers.

Review and Approval of Transactions with Related Parties

It is the policy of the Company that any proposed transaction between the Company and related parties, as defined by the Financial Accounting Standard Board s Accounting Standards Codification Topic 850 (ASC 850) (RPT Transactions), with no minimum dollar amount threshold, must be presented to all, and approved by a majority of, those directors of the Company who are independent within the meaning of NYSE MKT Company Guide § 803(A)(2), as may be amended from time to time. In reviewing and approving proposed transactions between the Company and related parties, the independent directors are to determine whether the proposed transaction is entirely fair to the Company and in the Company s best interest. For purposes of the policy, related parties are as defined within ASC 850, generally, but not limited, meaning (i) an officer or director of the Company or the member of the immediate family of any of them or (ii) any other corporation, partnership, association, limited liability company, limited liability partnership, trust or other entity or organization in which one or more of the Company s officers or directors are (a) directors, officers, trustees or other fiduciaries or (b) have a financial interest.

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PROPOSAL 2: RATIFICATION OF THE APPOINTMENT OF

MSPC AS INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS OF EMERSON

FOR THE FISCAL YEAR ENDING MARCH 31, 2017

The Audit Committee has appointed MSPC as the Company s independent registered public accountants to audit the Company s financial statements for the fiscal year ending March 31, 2017, and has further directed that management submit the selection of independent registered public accountants for ratification by the Company s stockholders at the annual meeting. Stockholder ratification of the selection of MSPC is not required by our by-laws or otherwise. However, the Company is submitting the selection of MSPC to the stockholders for ratification as a matter of good corporate practice. If the stockholders fail to ratify the selection, the Audit Committee will reconsider whether or not to retain MSPC. Even if the selection is ratified, the Audit Committee in its discretion may direct the appointment of a different independent accounting firm at any time during the year if it is determined that such a change would be in the best interests of Emerson and its stockholders.

Representatives of the firm of MSPC are expected to be present at the Company s annual meeting and will have an opportunity to make a statement, if they so desire, and will be available to respond to appropriate questions.

In accordance with the requirements of the Sarbanes-Oxley Act of 2002 and the Audit Committee s charter, all audit and audit-related work and all non-audit work performed by the Company s independent registered public accountants, MSPC, is approved in advance by the Audit Committee, including the proposed fees for such work. The Audit Committee is informed of each service actually rendered.

Audit Fees. Audit fees billed to the Company by MSPC for the audit of the financial statements included in the Company s Annual Reports on Form 10-K, and reviews by MSPC of the financial statements included in the Company s Quarterly Reports on Form 10-Q, for the fiscal years ended March 31, 2016 and 2015 totaled approximately $157,500 and $175,000, respectively.

Audit-Related Fees. The Company was billed approximately $45,000 and $55,000 by MSPC for the fiscal years ended March 31, 2016 and 2015, respectively, for audit procedures which it performed in connection with an audit of the Company s majority stockholder s consolidated financial statement for its fiscal years ended December 31, 2015 and 2014.

Tax Fees. The Company was not billed by MSPC for tax services for the fiscal years ended March 31, 2016 or 2015, respectively.

All Other Fees. The Company was not billed by MSPC for the fiscal years ended March 31, 2016 and 2015, respectively, for any permitted non-audit services.

Applicable law and regulations provide an exemption that permits certain services to be provided by the Company s independent auditors even if they are not pre-approved. The Company has not relied on this exemption at any time since the Sarbanes-Oxley Act was enacted.

Vote Required

The affirmative vote of a majority of the votes cast at the meeting at which a quorum representing a majority of all outstanding shares of the Company s common stock is present and voting, either in person or by proxy, is required for the ratification of the Company s independent registered public accountants.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE RATIFICATION OF THE APPOINTMENT OF

MSPC AS INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS OF EMERSON FOR THE FISCAL YEAR ENDING MARCH 31, 2017.

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PROPOSAL 3: ADVISORY VOTE TO APPROVE

FISCAL 2016 EXECUTIVE COMPENSATION

Pursuant to Section 14A of the Exchange Act, and in accordance with the approval by our stockholders at the Company s 2013 Annual Meeting of Stockholders to hold such vote once every three years, we are asking our stockholders to vote to approve, on a non-binding, advisory basis, the compensation paid to our named executive officers in Fiscal 2016. This advisory vote, commonly known as a say-on-pay vote, gives our stockholders the opportunity to express their views on the Company s executive compensation policies and programs and the compensation paid to our named executive officers in Fiscal 2016. Although this advisory vote is non-binding, our Board of Directors will review and consider the voting results when making future decisions regarding our named executive officer compensation and related executive compensation programs.

We encourage stockholders to read the Executive Compensation section in this proxy statement, including the compensation tables and the related narrative disclosure, which describes the structure and amounts of the compensation of our named executive officers in Fiscal 2016. The compensation of our named executive officers is designed to enable us to attract and retain talented and experienced executives to lead us successfully in a competitive environment.

We are asking that our stockholders indicate their support of our executive compensation as described in this proxy statement. This vote is not intended to address specific items of compensation, but rather the overall compensation of our named executive officers and our executive compensation policies and procedures as described in this proxy statement. Stockholders who want to communicate with our Board of Directors should refer to Stockholder Communications and Proposals in this proxy statement for additional information.

Accordingly, we ask our stockholders to vote FOR the following resolution at the Annual Meeting:

RESOLVED, that the Company s stockholders approve, on an advisory basis, the compensation of the named executive officers, as described in the Company s proxy statement for the 2016 Annual Meeting of Stockholders pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the 2016 Summary Compensation Table and the other compensation related tables and disclosure.

Vote Required

The affirmative vote of a majority of the votes cast at the meeting at which a quorum representing a majority of all outstanding shares of the Company s common stock is present and voting, either in person or by proxy, is required for the approval of the compensation of our named executive officers in Fiscal 2016.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE ADVISORY RESOLUTION

APPROVING OF THE COMPANY S EXECUTIVE COMPENSATION

AS DESCRIBED IN THIS PROXY STATEMENT.

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STOCKHOLDER COMMUNICATIONS AND PROPOSALS

The Company s Board of Directors has established a procedure that enables stockholders to communicate in writing with members of the Company s Board of Directors. Any such communication should be addressed to the Company s Secretary and should be sent to such individual c/o Emerson Radio Corp., 3 University Plaza, Suite 405, Hackensack, New Jersey 07061. Any such communication must state, in a conspicuous manner, that it is intended for distribution to the entire Board of Directors. Under the procedures established by the Board of Directors, upon the Secretary s receipt of such a communication, the Company s Secretary will send a copy of such communication to each member of the Board of Directors, identifying it as a communication received from a stockholder. Absent unusual circumstances, at the next regularly scheduled meeting of the Board of Directors held more than two days after such communication has been distributed, the Board of Directors will consider the substance of any such communication.

Stockholder proposals to be presented at the Company s Annual Meeting of Stockholders to be held in the fiscal year ended March 31, 2018 (Fiscal 2018), for inclusion in the Company s proxy statement and form of proxy relating to that meeting, must be received by the Company at its offices located at 3 University Plaza, Suite 405, Hackensack, New Jersey 07601, addressed to the Secretary, on or before June 28, 2017. If, however, the date of the Company s Annual Meeting of Stockholders for Fiscal 2018 is changed by more than thirty (30) days from the date of its annual meeting held during the fiscal year ended March 31, 2017 (Fiscal 2017), the deadline is a reasonable time before the Company begins to print and mail its proxy materials for the Annual Meeting of Stockholders to be held in Fiscal 2018. Such stockholder proposals must comply with the Company s bylaws and the requirements of Regulation 14A of the Exchange Act. See Election of Directors for information on stockholder submissions of nominations for election to the Board of Directors.

Rule 14a-4 of the Exchange Act governs the Company s use of discretionary proxy voting authority with respect to a stockholder proposal that is not addressed in the proxy statement. With respect to the Company s Annual Meeting of Stockholders for Fiscal 2018, if the Company is not provided notice of a stockholder proposal prior to September 11, 2017 the Company will be permitted to use its discretionary voting authority when the proposal is raised at the meeting, without any discussion of the matter in the proxy statement.

PERSONS MAKING THE SOLICITATION

The enclosed proxy is solicited on behalf of the Company s Board of Directors. The Company will pay the cost of soliciting proxies in the accompanying form. The Company s officers, who will not be paid any additional compensation for such solicitation, may solicit proxies by mail, telephone, telegraph or fax. Upon request, the Company will reimburse brokers, dealers, banks and trustees, or their nominees, for reasonable expenses incurred by them in forwarding proxy material to beneficial owners of the Company s shares of common stock. We have retained the services of American Stock Transfer & Trust Company to solicit proxies by mail, telephone, telegraph or personal contact.

OTHER MATTERS

The Board of Directors is not aware of any matter to be presented for action at the meeting other than the matters set forth herein. Should any other matter requiring a vote of stockholders arise, the proxies in the enclosed form confer upon the person or persons entitled to vote the shares represented by such proxies discretionary authority to vote the same in accordance with their best judgment in the interest of Emerson.

FINANCIAL STATEMENTS

A copy of the Company s Annual Report on Form 10-K for the fiscal year ended March 31, 2016, including financial statements, accompanies this proxy statement. The Annual Report is not to be regarded as proxy soliciting material or as a communication by means of which any solicitation is to be made. The Company filed an amendment to its Annual Report on Form 10-K in July 2016 in order to include certain information regarding our management, compensation and other matters. All of the information included in such amendment has been updated and is included in this proxy statement. A copy of the Company s Annual Report on Form 10-K and Form 10-K/A for the fiscal year ended March 31, 2016, filed with the SEC, is available (excluding exhibits) without cost to stockholders upon written request made to Investor Relations, Emerson Radio Corp., 3 University Plaza, Suite 405, Hackensack, New Jersey 07601 or on-line at the Company s web site: www.emersonradio.com.

By Order of the Board of Directors,

/s/ Duncan Hon
DUNCAN HON

Secretary

October 26, 2016

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EMERSON RADIO CORP.

PROXY SOLICITED BY THE BOARD OF DIRECTORS

FOR THE ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD ON NOVEMBER 16, 2016

The undersigned hereby appoints Duncan Hon and Andrew L. Davis, and each of them, as attorneys and proxies of the undersigned, with full power of substitution, to vote all of the shares of stock of Emerson Radio Corp. which the undersigned may be entitled to vote at the Annual Meeting of Stockholders of Emerson Radio Corp. to be held at the law offices of Orrick, Herrington & Sutcliffe LLP located at 51 West 52nd Street, New York, NY 10019, on Wednesday, November 16, 2016, at 10:00 a.m. (local time), and at any and all postponements, continuations and adjournments thereof, with all powers that the undersigned would possess if personally present, upon and in respect of the following matters and in accordance with the following instructions, with discretionary authority as to any and all other matters that may properly come before the meeting.

UNLESS A CONTRARY DIRECTION IS INDICATED, THIS PROXY WILL BE VOTED FOR ALL NOMINEES LISTED IN PROPOSAL NO. 1 AND FOR PROPOSALS NO. 2 AND 3, AS MORE SPECIFICALLY DESCRIBED IN THE PROXY STATEMENT. IF SPECIFIC INSTRUCTIONS ARE INDICATED, THIS PROXY WILL BE VOTED IN ACCORDANCE THEREWITH.

(Continued and to be signed on the reverse side.)

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ANNUAL MEETING OF STOCKHOLDERS OF

EMERSON RADIO CORP.

November 16, 2016

GO GREEN

e-Consent makes it easy to go paperless. With e-Consent, you can quickly access your proxy material, statements and other eligible documents online, while reducing costs, clutter and paper waste. Enroll today via www.amstock.com to enjoy online access.

NOTICE OF INTERNET AVAILABILITY OF PROXY MATERIAL:

The Notice of Meeting, Proxy Statement, Proxy Card and 2016 Annual Report to Stockholders,

including the Annual Report of Emerson Radio Corp. on Form 10-K for the year ended March 31, 2016,

are available at http://www.astproxyportal.com/ast/02008

Please sign, date and mail

your proxy card in the

envelope provided as soon

as possible.

i Please detach along perforated line and mail in the envelope provided. i

THE BOARD RECOMMENDS A VOTE FOR ALL NOMINEES LISTED BELOW AND A VOTE FOR PROPOSALS 2 AND 3.

PLEASE SIGN, DATE AND RETURN PROMPTLY IN THE ENCLOSED ENVELOPE. PLEASE MARK YOUR VOTE IN BLUE OR BLACK INK AS SHOWN HERE

			FOR	AGAINST	ABSTAIN
1. ELECTION OF DIRECTORS:	NOMINEES:	2. To ratify the appointment of MSPC Certified Public Accountants and Advisors, a Professional Corporation as the independent registered public accountants of Emerson Radio Corp. for the fiscal year ending March 31, 2017.			
FOR ALL NOMINEES	O Christopher Ho				

	O Duncan Hon
WITHHOLD AUTHORITY	
	O Michael Binney
FOR ALL NOMINEES	
	O Kareem E. Sethi
FOR ALL EXCEPT	
	O Kin Yuen
(See instructions below)	

	FOR	AGAINST	ABSTAIN
3. To approve an advisory resolution on the fiscal 2016 compensation of the named executive officers of Emerson Radio Corp.			

INSTRUCTIONS: TO WITHHOLD AUTHORITY TO VOTE FOR ANY INDIVIDUAL NOMINEE(S), MARK FOR ALL EXCEPT AND FILL IN THE CIRCLE NEXT TO EACH NOMINEE YOU WISH TO WITHHOLD.

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS. IT MAY BE REVOKED PRIOR TO ITS EXERCISE.

RECEIPT OF NOTICE OF THE ANNUAL MEETING AND PROXY STATEMENT IS HEREBY ACKNOWLEDGED, AND THE TERMS OF THE NOTICE AND PROXY STATEMENT ARE HEREBY INCORPORATED BY REFERENCE INTO THIS PROXY. THE UNDERSIGNED HEREBY REVOKES ALL PROXIES HERETOFORE GIVEN FOR SAID MEETING OR ANY AND ALL ADJOURNMENTS, POSTPONEMENTS AND CONTINUATIONS THEREOF.

To change the address on your account, please check the box at right and indicate your new address in the address space above. Please note that changes to the registered name(s) on the account may not be submitted via this method.

PLEASE VOTE, SIGN, DATE AND PROMPTLY RETURN THIS PROXY IN THE ENCLOSED RETURN ENVELOPE WHICH IS POSTAGE PREPAID IF MAILED IN THE UNITED STATES.

Signature of Stockholder	Date:	Signature of Stockholder	Date:

Note: Please sign exactly as your name or names appear on this Proxy. When shares are held jointly, each holder should sign. When signing as executor, administrator, attorney, trustee or guardian, please give full title as such. If the signer is a corporation, please sign full corporate name by duly authorized officer, giving full title as such. If signer is a partnership, please sign in partnership name by authorized person.

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