

AROTECH CORP  
Form DFAN14A  
December 10, 2015

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 under Rule 14a-12

AROTECH CORPORATION

(Name of Registrant as Specified in its Charter)

Ephraim Fields

Keith Rosenbloom

Cruiser Capital Advisors, LLC

Lawrence F. Hagenbuch

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

Edgar Filing: AROTECH CORP - Form DFAN14A

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:

Ephraim Fields Announces the Nomination of Directors of Arotech Corporation

Ephraim Fields is pleased to announce the nomination of Mr. Ephraim Fields, Mr. Keith Rosenbloom and Mr. Lawrence F. Hagenbuch to serve as directors of Arotech Corporation, in opposition to the slate of director nominees which will be nominated by Arotech Corporation. Arotech Corporation's 2016 Annual Meeting of Stockholders will be held on a date to be announced by the company. Ephraim Fields plans to file proxy materials with the Securities and Exchange Commission asking for stockholders to vote for their nominees on the WHITE proxy card. Attached hereto are copies of (1) a Notice of Intent to Nominate Directors that Ephraim Fields sent to the Company on December 10, 2015; (2) a press release that Ephraim Fields issued, on December 10, 2015, regarding the nomination of directors by Ephraim Fields; and (3) a letter that Ephraim Fields sent to the Board of Directors of Arotech Corporation, on December 10, 2015, regarding the nomination of directors by Ephraim Fields.

Important Information

This filing is not a solicitation of a proxy from any security holder of Arotech Corporation (the "Company"). Ephraim Fields has nominated Mr. Ephraim Fields, Mr. Keith Rosenbloom and Mr. Lawrence F. Hagenbuch as nominees to the Company's board of directors and intends to solicit votes for the election of Mr. Ephraim Fields, Mr. Keith Rosenbloom and Mr. Lawrence F. Hagenbuch as members of the Company's board of directors (the "Nominees"). Ephraim Fields will send a definitive proxy statement, WHITE proxy card and related proxy materials to stockholders of the Company seeking their support of the Nominees at the Company's 2016 Annual Meeting of Stockholders. **Stockholders are urged to read the definitive proxy statement and WHITE proxy card when they become available, because they will contain important information about Ephraim Fields, the other Nominees, the Company and related matters.** Stockholders may obtain a free copy of the definitive proxy statement and WHITE proxy card (when available) and other documents filed by Ephraim Fields with the Securities and Exchange Commission ("SEC") at the SEC's web site at [www.sec.gov](http://www.sec.gov). The definitive proxy statement (when available) and other related SEC documents filed by Ephraim Fields with the SEC may also be obtained free of charge from Ephraim Fields.

Participants in Solicitation

The following persons are participants in the solicitation from the Company's stockholders of proxies in favor of the Nominees: Ephraim Fields, Keith Rosenbloom, Cruiser Capital Advisors, LLC and Lawrence F. Hagenbuch. The participants may have interests in the solicitation, including as a result of holding shares of the Company's common stock. **Information regarding the participants and their interests may be found in the attached Notice of Intent to Nominate Directors that Ephraim Fields sent to the Company on December 10, 2015, which is incorporated herein by reference.**



**Notice of Intent to Nominate Directors**

December 10, 2015

Certified Mail Return Receipt Requested and Overnight Delivery

Attention: Secretary of the Corporation, Yaakov Har-Oz

Arotech Corporation

1229 Oak Valley Drive

Ann Arbor, Michigan 48108

Re: Notice of Intent to Nominate Directors

Ladies and Gentlemen:

This letter constitutes a notice of intent by Ephraim Fields (the "Stockholder") to nominate three persons for election as directors of Arotech Corporation (the "Company") at the 2016 Annual Meeting of Stockholders of the Company (the "Annual Meeting"). Enclosed, the Stockholder submits his nominees for election at the Annual Meeting. This notice is being provided to you pursuant to the Company's charter documents (as filed with the Securities and Exchange Commission), which are silent on the matter, and federal securities law. The Stockholder will resubmit this Notice of Intent to Nominate Directors within the period referenced in the Company's most recent proxy statement, such that it is resubmitted to the Company not less than 45 days nor more than 60 days prior to the Annual Meeting.

The Stockholder beneficially owns in the aggregate 2,002,596 shares of the Company's common stock, par value \$0.01 per share (the "Shares"), which includes 200,800 Shares underlying certain sold-short put options. In total, this represents approximately 8.1% of the Company's outstanding Shares.

By the fact of the Stockholder's submission of this notice of intent to nominate and submit his nominees for election, it is the Stockholders' understanding that the Company will now generally be obligated under the federal securities laws to file a preliminary proxy statement and form of proxy with the United States Securities and Exchange Commission

to allow the Commission to review and comment on such proxy materials.

The Stockholder hereby notifies the Company that he intends to nominate Mr. Ephraim Fields, Mr. Keith Rosenbloom and Mr. Lawrence F. Hagenbuch for election to the Board of Directors of the Company at the Annual Meeting. Enclosed is the written consent of Mr. Ephraim Fields, Mr. Keith Rosenbloom and Mr. Lawrence F. Hagenbuch to be named in the proxy statement of the Stockholder and to serve as directors of the Company if elected.

The Stockholder intends to appear (or will direct a qualified representative of the Stockholder to appear) in person or by proxy at the Annual Meeting to nominate Mr. Ephraim Fields, Mr. Keith Rosenbloom and Mr. Lawrence F. Hagenbuch, and the Stockholder intends to deliver a proxy statement and form of WHITE proxy card to holders of at least the percentage of the Company's outstanding capital stock required to elect the nominees.

To the extent not prohibited under the Company's charter documents and applicable law, the Stockholder reserves the right to solicit proxies for the election of a substitute nominee if the Company makes or announces any changes to its charter documents or takes or announces any other action that has, or if consummated would have, the effect of disqualifying a nominee.

Provided below is information that addresses information required by the Company's charter documents (as filed with the Securities and Exchange Commission), which are silent on the matter, and federal securities law in connection with the Stockholder's nomination of directors.

**As to Stockholder and Proposed Nominees:**

*A. Name, Age, and Address*

<u>Name</u>	<u>Age</u>	<u>Address</u>
		c/o Echo Lake Capital
Ephraim Fields	49	888 Seventh Avenue, 17th Floor New York, NY 10019 c/o Cruiser Capital
Keith Rosenbloom	47	888 Seventh Avenue, 17th Floor New York, NY 10019 4309 Larchmont Ave
Lawrence F. Hagenbuch	49	Dallas, TX 75205

*B. Principal Occupation or Employment and Qualifications*

Mr. Ephraim Fields is the founder of Echo Lake Capital, a value-oriented investment firm which invests in publicly traded U.S. equities. Prior to founding Echo Lake, Ephraim was the founder and portfolio manager of Clarus Capital, a value-oriented investment fund which invested primarily in small cap and microcap U.S. Ephraim listed stocks. Earlier in his career Ephraim was an investment banker at Credit Suisse, Donaldson, Lufkin Fields: and Jenrette, and Wasserstein Perella. Ephraim has an MBA from the Wharton School at the University of Pennsylvania and a BSBA from Washington University in St. Louis. Ephraim has extensive experience in mergers and acquisitions, debt and equity capital markets, microcap stocks and private equity investing. Mr. Fields is the son of an Israeli mother and has spent significant time in Israel.

Keith Rosenbloom: Mr. Keith Rosenbloom is the co-founder of Cruiser Capital Advisors, LLC, which acts as the investment advisor to pooled investment vehicles (the “Cruiser Portfolios”) on a discretionary basis. He has managed the Cruiser Portfolios since inception. Mr. Rosenbloom has over 25 years of investing experience with an emphasis on applying traditional value oriented private equity techniques to public and private special situations. Prior to founding Cruiser Capital, Keith, co-founded and managed the CARE Capital Group, an investment company focused on investing in hedge funds and creating alternative investment opportunities, where he served as Portfolio Manager of the CARE Fund and CARE Market Neutral Fund. Prior to CARE Capital, Keith co-managed Comvest Venture Partners, a private equity and bridge loan fund, and served as Director of Merchant Banking for Commonwealth Associates. Keith also serves on a number of charitable boards including, Hillel International (Board of Governors), and Hatzalah (Israel's private EMT service). Keith acts as an advisor to two family offices

on their alternative investment portfolios. Keith graduated cum laude from Yale University. Keith has extensive experience in corporate finance, mergers and acquisitions, and public market and private equity investing.

Lawrence F.  
Hagenbuch:

Mr. Lawrence Hagenbuch is currently the Chief Operating Officer and Chief Financial Officer for J. Hilburn, Inc., a custom clothier for men. The principal offices of J. Hilburn is located at located at 12700 Park Central Drive, Suite 2000, Dallas, TX 75251. Mr. Hagenbuch has been with J Hilburn since May 2010. Mr. Hagenbuch also serves on the board of directors of Remy International (NASDAQ REMY), since November 18, 2008, and currently serves on Remy International's audit and compensation committees. Mr. Hagenbuch has served in senior management positions for Suntx Capital partners, Alix Partners, GE / GE capital, and American National Can. Mr. Hagenbuch began his professional career in the United States Navy. Mr. Hagenbuch earned an undergraduate in engineering degree from Vanderbilt University and an MBA from the Wharton School of the University of Pennsylvania. Mr. Hagenbuch has extensive experience in supply chain, operational and profitability improvements, and through his background as a consultant and in senior management roles at various companies, he brings considerable experience in implementing lean manufacturing discipline and in creating innovative business and marketing strategies.

The combination of experience, skill sets, and qualifications discussed above led to the conclusion that each of the nominees should serve as a director of the Company. Specifically, the nominees have gained familiarity with the Company's financial statements and understand both the demands of operating a business and the challenges currently facing the Company, which will make them a valuable resource on the Board of Directors.



Furthermore, the role of an effective director inherently requires certain personal qualities, such as integrity, as well as the ability to comprehend, discuss and critically analyze materials and issues that are presented so that the director may exercise judgment and reach conclusions in fulfilling his duties and fiduciary obligations. The Stockholder believes that the background and expertise of each of Messrs. Fields, Rosenbloom and Hagenbuch, as set forth above, evidence those abilities and are appropriate to his serving on the Company's board of directors.

The Stockholder believes that Messrs. Fields, Rosenbloom and Hagenbuch would be deemed "independent" as that term is defined in the NASDAQ listing standards. The Stockholder also believes that Messrs. Fields, Rosenbloom and Hagenbuch would each qualify as an "audit committee financial expert," as that term is defined by the Securities and Exchange Commission.

*C. Shares Owned by the Nominees Either Beneficially or of Record*

Messrs. Fields and Rosenbloom own Shares as reflected below. Mr. Hagenbuch does not own Shares, beneficially (directly or indirectly) or of record. Messrs. Fields, Rosenbloom and Hagenbuch do not own any securities of any parent or subsidiary of the Company. To their knowledge, none of their associates own any Shares beneficially (directly or indirectly).

<u>Name of Nominee</u>	<u>Class</u>	<u>Amount</u>
Ephraim Fields	Common	2,002,596 <sup>(1)</sup>
Keith Rosenbloom	Common	337,251 <sup>(2)</sup>

(1) Includes 200,800 shares underlying sold-short put options exercisable within 60 days.

(2) As a Managing Member of Cruiser Capital Advisors, LLC, which acts as the investment advisor to the Cruiser Portfolios on a discretionary basis, Mr. Rosenbloom has the power to direct the affairs of Cruiser Capital Advisors, LLC, which has sole voting and dispositive power over the 336,728 shares of Common Stock held on behalf of the Cruiser Portfolios. Mr. Rosenbloom owns 523 Shares of record in his personal account

*D. Interest of Certain Persons in Company and Matters to Be Acted Upon*

Except as otherwise set forth herein, Mr. Fields is not, nor has he been within the past year, a party to any contract, arrangement or understanding with any person with respect to any securities of the Company, including, but not limited to joint ventures, loan or option arrangements, puts or calls, guarantees against loss or guarantees of profit,

division of losses or profits, or the giving or withholding of proxies. Mr. Fields has sold short in the over the counter market American-style put options, referencing 200,800 Shares, which have an exercise price of \$2.50 per Share and expire on February 19, 2016.

Mr. Fields does not have, nor do any of his associates have, any arrangement or understanding with any person with respect to any future employment with the Company or its affiliates or with respect to any future transactions to which the Company or any of its affiliates will or may be a party.

Except as otherwise set forth herein, Mr. Rosenbloom is not, nor has he been within the past year, a party to any contract, arrangement or understanding with any person with respect to any securities of the Company, including, but not limited to joint ventures, loan or option arrangements, puts or calls, guarantees against loss or guarantees of profit, division of losses or profits, or the giving or withholding of proxies.

Mr. Rosenbloom does not have, nor do any of his associates have, any arrangement or understanding with any person with respect to any future employment with the Company or its affiliates or with respect to any future transactions to which the Company or any of its affiliates will or may be a party.

Except as otherwise set forth herein, Mr. Hagenbuch is not, nor has he been within the past year, a party to any contract, arrangement or understanding with any person with respect to any securities of the Company, including, but not limited to joint ventures, loan or option arrangements, puts or calls, guarantees against loss or guarantees of profit, division of losses or profits, or the giving or withholding of proxies.

Mr. Hagenbuch does not have, nor do any of his associates have, any arrangement or understanding with any person with respect to any future employment with the Company or its affiliates or with respect to any future transactions to which the Company or any of its affiliates will or may be a party.

The Stockholder has no material interest in the election of the nominees other than in his capacity as a stockholder of the Company.

*E. Other Information*

Directorships of Other Publicly Owned Companies

Messrs. Fields and Rosenbloom do not presently serve, nor have they served during the past five years, as a director of any corporation, partnership or other entity that has a class of equity securities registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or subject to the requirements of Section 15(d) of the Exchange Act, or any corporation, partnership or other entity registered as an investment company under the Investment Company Act of 1940, as amended. Mr. Hagenbuch serves on the board of directors of Remy International (NASDAQ REMY).

Material Proceedings Adverse to the Company

To the knowledge of the Stockholder and the nominees, there are no material proceedings to which the nominees, or any of their associates, is a party adverse to the Company or any of its subsidiaries, and neither the nominees nor any of their associates has a material interest adverse to the Company or any of its subsidiaries.

Transactions In Stock of the Company

The transactions identified on Appendix A are those of Messrs. Fields and Rosenbloom and are the only transactions in Shares during the past two years. Neither Mr. Fields nor Mr. Rosenbloom borrowed funds in connection with their transactions in Shares, nor did they utilize any margin account. Mr. Hagenbuch had no transactions in Shares during the past two years.

Arrangements or Understandings with Other Persons

The Stockholder will reimburse Messrs. Rosenbloom and Hagenbuch for any expenses that they reasonably incur in connection with the intended solicitation of proxies for use at the Annual Meeting. To Mr. Field's knowledge, he has no arrangement or understandings with any other person pursuant to which he was or is to be selected as a director or nominee for election as a director of the Company. To Mr. Rosenbloom's knowledge, he has no arrangement or understandings with any other person pursuant to which he was or is to be selected as a director or nominee for election as a director of the Company. To Mr. Hagenbuch's knowledge, he has no arrangement or understandings with any other person pursuant to which he was or is to be selected as a director or nominee for election as a director of the Company. None of the nominees is, and will not become, a party to any agreement, arrangement or understanding with, and has not given any commitment or assurance to each other or any other person as to how he, if elected as a director of the Company, will act or vote on any issue or question.

As of the date of this letter, the Stockholder has not retained any person to make solicitations or recommendations to stockholders for the purpose of assisting in the election of the nominees as directors.

Absence of any Family Relationships

None of the nominees has any family relationship with any director or officer of the Company.

Absence of Involvement in Certain Legal Proceedings

To the knowledge of the nominees, and based on information in their possession, during the past ten years:

- a. No petition under the federal bankruptcy laws or any state insolvency law has been filed by or against Mr. Fields, and no receiver, fiscal agent or similar officer has been appointed by a court for the business or property of Mr. Fields. In addition, no petition under the federal bankruptcy laws or any state insolvency law has been filed by or against, and no receiver, fiscal agent or similar officer has been appointed by a court for the business or property of any partnership in which he is or was a general partner, or any corporation or business association of which he is or was an executive officer at or within two years before the time of such filing.
  
- b. Mr. Fields has not been convicted in a criminal proceeding nor has he been the named subject of any criminal proceeding which is presently pending (excluding traffic violations or similar misdemeanors).
  
- c. Mr. Fields has not been the subject of any court order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining (or otherwise limiting) him from (A) acting as a futures commission merchant, introducing broker, commodity trading advisor, commodity pool operator, floor broker, leverage transaction merchant, any other person regulated by the Commodity Futures Trading Commission (“CFTC”) or any associated person of any of the foregoing, or as an investment advisor, underwriter, broker or dealer in securities, or as an affiliated person, director or employee of any investment company, bank, savings and loan association or insurance company, or engaging in or continuing any conduct or practice in connection with any such activity; (B) engaging in any type of business practice; or (C) engaging in any activity in connection with the purchase or sale of any security or commodity or in connection with any violation of federal or state securities laws or federal commodities laws.
  
- d. Mr. Fields has not been the subject of any order, judgment or decree not subsequently reversed, suspended or vacated, of any federal or state authority barring, suspending or otherwise limiting for more than 60 days his right to be engaged in any activity described in clause c.(A) above, or his right to be associated with persons engaged in any such activity.
  
- e. Mr. Fields has not been found by a court of competent jurisdiction in a civil action or by the Securities and Exchange Commission (“SEC”) or the CFTC to have violated any federal or state securities law or any federal commodities law, where such judgment or finding has not been subsequently reversed, suspended or vacated.

f. Except as noted below, Mr. Fields was not the subject of, or a party to, any federal or state judicial or administrative order, judgment, decree, or finding, not subsequently reversed, suspended or vacated, relating to an alleged violation of: (A) Any federal or state securities or commodities law or regulation; (B) any law or regulation respecting financial institutions or insurance companies including, but not limited to, a temporary or permanent injunction, order of disgorgement or restitution, civil money penalty or temporary or permanent cease-and-desist order, or removal or prohibition order; or (C) any law or regulation prohibiting mail or wire fraud or fraud in connection with any business entity. As described in SEC administrative proceeding, File No. 3-13962, in July 2010, without admitting or denying any violation, Mr. Fields submitted an offer to the SEC to settle a matter by agreeing to cease and desist from committing any violations of Section 17(a) of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, to be censured and to pay a fifty thousand dollar penalty, with the offer of settlement being accepted in the SEC's order.

g. Mr. Fields was not the subject of, or a party to, any sanction or order, not subsequently reversed, suspended or vacated, of any self-regulatory organization, and registered entity, or any equivalent exchange, association, entity or organization that has disciplinary authority over its members or persons associated with a member.

To the knowledge of the nominees, and based on information in their possession, during the past ten years:

- a. No petition under the federal bankruptcy laws or any state insolvency law has been filed by or against Mr. Rosenbloom, and no receiver, fiscal agent or similar officer has been appointed by a court for the business or property of Mr. Rosenbloom. In addition, since January 1, 2005, no petition under the federal bankruptcy laws or any state insolvency law has been filed by or against, and no receiver, fiscal agent or similar officer has been appointed by a court for the business or property of any partnership in which he is or was a general partner, or any corporation or business association of which he is or was an executive officer at or within two years before the time of such filing.
- b. Mr. Rosenbloom has not been convicted in a criminal proceeding nor has he been the named subject of any criminal proceeding which is presently pending (excluding traffic violations or similar misdemeanors).
- c. Mr. Rosenbloom has not been the subject of any court order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining (or otherwise limiting) him from (A) acting as a futures commission merchant, introducing broker, commodity trading advisor, commodity pool operator, floor broker, leverage transaction merchant, any other person regulated by the CFTC or any associated person of any of the foregoing, or as an investment advisor, underwriter, broker or dealer in securities, or as an affiliated person, director or employee of any investment company, bank, savings and loan association or insurance company, or engaging in or continuing any conduct or practice in connection with any such activity; (B) engaging in any type of business practice; or (C) engaging in any activity in connection with the purchase or sale of any security or commodity or in connection with any violation of federal or state securities laws or federal commodities laws.
- d. Mr. Rosenbloom has not been the subject of any order, judgment or decree not subsequently reversed, suspended or vacated, of any federal or state authority barring, suspending or otherwise limiting for more than 60 days his right to be engaged in any activity described in clause c. above, or his right to be associated with persons engaged in any such activity.
- e. Mr. Rosenbloom has not been found by a court of competent jurisdiction in a civil action or by the SEC or the CFTC to have violated any federal or state securities law or any federal commodities law, where such judgment or finding has not been subsequently reversed, suspended or vacated.
- f. Mr. Rosenbloom was not the subject of, or a party to, any federal or state judicial or administrative order, judgment, decree, or finding, not subsequently reversed, suspended or vacated, relating to an alleged violation of: (A) Any federal or state securities or commodities law or regulation; (B) any law or regulation respecting financial

institutions or insurance companies including, but not limited to, a temporary or permanent injunction, order of disgorgement or restitution, civil money penalty or temporary or permanent cease-and-desist order, or removal or prohibition order; or (C) any law or regulation prohibiting mail or wire fraud or fraud in connection with any business entity.

g. Mr. Rosenbloom was not the subject of, or a party to, any sanction or order, not subsequently reversed, suspended or vacated, of any self-regulatory organization, and registered entity, or any equivalent exchange, association, entity or organization that has disciplinary authority over its members or persons associated with a member.

To the knowledge of the nominees, and based on information in their possession, during the past ten years:

a. No petition under the federal bankruptcy laws or any state insolvency law has been filed by or against Mr. Hagenbuch, and no receiver, fiscal agent or similar officer has been appointed by a court for the business or property of Mr. Hagenbuch. In addition, since January 1, 2005, no petition under the federal bankruptcy laws or any state insolvency law has been filed by or against, and no receiver, fiscal agent or similar officer has been appointed by a court for the business or property of any partnership in which he is or was a general partner, or any corporation or business association of which he is or was an executive officer at or within two years before the time of such filing.



b. Mr. Hagenbuch has not been convicted in a criminal proceeding nor has he been the named subject of any criminal proceeding which is presently pending (excluding traffic violations or similar misdemeanors).

c. Mr. Hagenbuch has not been the subject of any court order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining (or otherwise limiting) him from (A) acting as a futures commission merchant, introducing broker, commodity trading advisor, commodity pool operator, floor broker, leverage transaction merchant, any other person regulated by the CFTC or any associated person of any of the foregoing, or as an investment advisor, underwriter, broker or dealer in securities, or as an affiliated person, director or employee of any investment company, bank, savings and loan association or insurance company, or engaging in or continuing any conduct or practice in connection with any such activity; (B) engaging in any type of business practice; or (C) engaging in any activity in connection with the purchase or sale of any security or commodity or in connection with any violation of federal or state securities laws or federal commodities laws.

d. Mr. Hagenbuch has not been the subject of any order, judgment or decree not subsequently reversed, suspended or vacated, of any federal or state authority barring, suspending or otherwise limiting for more than 60 days his right to be engaged in any activity described in clause c. above, or his right to be associated with persons engaged in any such activity.

e. Mr. Hagenbuch has not been found by a court of competent jurisdiction in a civil action or by the SEC or the CFTC to have violated any federal or state securities law or any federal commodities law, where such judgment or finding has not been subsequently reversed, suspended or vacated.

f. Mr. Hagenbuch was not the subject of, or a party to, any federal or state judicial or administrative order, judgment, decree, or finding, not subsequently reversed, suspended or vacated, relating to an alleged violation of: (A) Any federal or state securities or commodities law or regulation; (B) any law or regulation respecting financial institutions or insurance companies including, but not limited to, a temporary or permanent injunction, order of disgorgement or restitution, civil money penalty or temporary or permanent cease-and-desist order, or removal or prohibition order; or (C) any law or regulation prohibiting mail or wire fraud or fraud in connection with any business entity.

g. Mr. Hagenbuch was not the subject of, or a party to, any sanction or order, not subsequently reversed, suspended or vacated, of any self-regulatory organization, and registered entity, or any equivalent exchange, association, entity or organization that has disciplinary authority over its members or persons associated with a member.

Material Proceedings Adverse to the Company

To the knowledge of the Stockholder and the other nominees, there are no material proceedings to which the nominees, or any of their associates, is a party adverse to the Company or any of its subsidiaries, and neither the nominees nor any of their associates has a material interest adverse to the Company or any of its subsidiaries.

Absence of Certain Transactions

To the knowledge of the nominees, and based on information in their possession, since the beginning of the Company's last fiscal year, none of the nominees, nor any member of their immediate family, has had any direct or indirect material interest in any transaction in which the Company was or is a participant, and none of the nominees, nor any member of their immediate family, has any direct or indirect material interest in any currently proposed transaction in which the Company is to be a participant.

Section 16 Compliance

None of the nominees is required to file reports under Section 16 of the Exchange Act with respect to Shares of the Company.

\* \* \*

If the Company's board of directors or a committee thereof believes this notice is incomplete or otherwise deficient in any respect, please contact the Stockholder immediately so that the Stockholder may promptly address any alleged deficiencies.

Very truly yours,

/s/ Ephraim Fields



## Appendix A

Transactions by Ephraim Fields during the past two years:

<u>Date of Transaction</u>	<u>Amount of Shares Acquired/-Sold</u>	<u>Price Per Share</u>	<u>Total Shares Then Long/-Short</u>
3/19/2014	-29,719	\$4.37	20,381
3/20/2014	29,719	\$4.29	50,100
3/25/2014	-175,660	\$4.85	-125,560
3/27/2014	-42,567	\$5.65	-168,127
3/28/2014	-5,000	\$5.67	-173,127
3/31/2014	-100	\$6.25	-173,227
3/31/2014	-3,719	\$6.24	-176,946
3/31/2014	9,000	\$6.26	-167,946
3/31/2014	-5,100	\$6.41	-173,046
3/31/2014	-3,900	\$6.41	-176,946
4/1/2014	5,000	\$5.54	-171,946
4/1/2014	-3,300	\$5.59	-175,246
4/1/2014	-1,700	\$5.60	-176,946
4/1/2014	9,700	\$5.31	-167,246
4/2/2014	-6,000	\$5.59	-173,246
4/3/2014	-5,000	\$5.15	-178,246
4/3/2014	-15,000	\$5.13	-193,246
4/3/2014	-9,795	\$5.13	-203,041
4/3/2014	6,000	\$5.19	-197,041
4/4/2014	100	\$4.65	-196,941
4/4/2014	25,000	\$4.74	-171,941
4/4/2014	13,919	\$5.12	-158,022
4/10/2014	15,000	\$4.43	-143,022
4/14/2014	7,000	\$4.34	-136,022
4/16/2014	6,000	\$4.34	-130,022
4/22/2014	3,339	\$3.70	-126,683
4/22/2014	9,839	\$3.69	-116,844
4/22/2014	15,000	\$3.71	-101,844
4/22/2014	12,402	\$3.76	-89,442
4/23/2014	180042	\$3.82	90,600
4/24/2014	83300	\$3.50	173,900
4/25/2014	200	\$3.50	174,100
4/25/2014	7,375	\$3.39	181,475
4/25/2014	5,100	\$3.41	186,575
4/25/2014	1,539	\$3.40	188,114
4/25/2014	1,800	\$3.40	189,914
4/25/2014	2,661	\$3.40	192,575
4/28/2014	100	\$3.38	192,675

Edgar Filing: AROTECH CORP - Form DFAN14A

4/28/2014	19,900	\$3.38	212,575
4/28/2014	1,259	\$3.39	213,834
4/28/2014	20,000	\$3.26	233,834
4/28/2014	20,000	\$3.28	253,834
4/28/2014	2,100	\$3.36	255,934
4/28/2014	3,574	\$3.36	259,508
4/28/2014	100	\$3.36	259,608
4/28/2014	5,356	\$3.36	264,964
4/29/2014	2,018	\$3.47	266,982
4/30/2014	-10,045	\$3.47	256,937
4/30/2014	1,800	\$3.49	258,737
4/30/2014	19,342	\$3.45	278,079

5/1/2014	-4,200	\$3.51	273,879
5/1/2014	-1,998	\$3.50	271,881
5/1/2014	193	\$3.43	272,074
5/5/2014	-188874	\$4.02	83,200
5/6/2014	6,800	\$3.71	90,000
5/13/2014	4,000	\$3.72	94,000
5/14/2014	19,200	\$3.89	113,200
5/14/2014	800	\$3.88	114,000
5/14/2014	5,000	\$3.87	119,000
5/14/2014	23	\$3.90	119,023
5/14/2014	2,000	\$3.88	121,023
5/14/2014	1,000	\$3.87	122,023
5/14/2014	20,000	\$3.89	142,023
5/14/2014	20,000	\$3.89	162,023
5/15/2014	5,000	\$4.11	167,023
5/15/2014	317	\$4.12	167,340
5/15/2014	200	\$4.11	167,540
5/15/2014	-19,200	\$3.89	148,340
5/15/2014	-800	\$3.88	147,540
5/15/2014	19,200	\$3.89	166,740
5/15/2014	800	\$3.88	167,540
5/20/2014	7,000	\$4.44	174,540
5/20/2014	13,000	\$4.44	187,540
5/21/2014	550	\$4.35	188,090
5/22/2014	-49,417	\$4.53	138,673
5/22/2014	-20,550	\$4.52	118,123
5/22/2014	-25,023	\$4.51	93,100
5/22/2014	-43,000	\$4.52	50,100
7/11/2014	9,000	\$3.54	59,100
7/14/2014	-969	\$3.74	58,131
7/14/2014	100	\$3.55	58,231
7/14/2014	9,900	\$3.55	68,131
7/14/2014	3,000	\$3.57	71,131
7/14/2014	2,480	\$3.57	73,611
7/14/2014	3,720	\$3.56	77,331
7/14/2014	800	\$3.55	78,131
7/14/2014	-9,000	\$3.55	69,131
7/14/2014	9,800	\$3.55	78,931
7/14/2014	200	\$3.55	79,131
7/15/2014	-8,000	\$3.65	71,131
7/15/2014	4,000	\$3.62	75,131
7/15/2014	4,000	\$3.62	79,131
7/15/2014	-29,031	\$3.69	50,100
7/17/2014	500	\$3.54	50,600
7/17/2014	1,820	\$3.54	52,420
7/17/2014	7,000	\$3.62	59,420
7/17/2014	3,000	\$3.60	62,420
7/17/2014	100	\$3.58	62,520

Edgar Filing: AROTECH CORP - Form DFAN14A

7/17/2014	9,900	\$3.59	72,420
7/17/2014	7,000	\$3.59	79,420
7/17/2014	3,000	\$3.59	82,420
7/17/2014	1,900	\$3.56	84,320
7/17/2014	13,100	\$3.56	97,420
7/18/2014	-13,944	\$3.64	83,476

7/21/2014	-32,276	\$3.72	51,200
7/21/2014	-100	\$3.73	51,100
7/21/2014	-1,000	\$3.74	50,100
9/22/2014	2,500	\$3.24	52,600
9/22/2014	7,000	\$3.25	59,600
9/22/2014	475	\$3.25	60,075
9/22/2014	25	\$3.25	60,100
9/22/2014	200	\$3.25	60,300
9/22/2014	600	\$3.25	60,900
9/22/2014	1,600	\$3.25	62,500
9/23/2014	210	\$3.21	62,710
9/23/2014	5,000	\$3.21	67,710
9/30/2014	6,000	\$3.25	73,710
9/30/2014	2,000	\$3.24	75,710
10/1/2014	1,700	\$3.18	77,410
10/1/2014	300	\$3.19	77,710
10/1/2014	4,700	\$3.19	82,410
10/2/2014	4,000	\$3.03	86,410
10/2/2014	4,000	\$3.06	90,410
10/2/2014	200	\$3.13	90,610
10/2/2014	3,800	\$3.14	94,410
10/2/2014	3,500	\$3.05	97,910
10/6/2014	1,604	\$3.27	99,514
10/6/2014	6,000	\$3.26	105,514
10/8/2014	135	\$3.06	105,649
10/8/2014	900	\$3.13	106,549
10/8/2014	2,600	\$3.15	109,149
10/9/2014	1,800	\$3.04	110,949
10/9/2014	500	\$3.04	111,449
10/9/2014	2,000	\$3.04	113,449
10/9/2014	1,700	\$3.04	115,149
10/9/2014	3,139	\$3.04	118,288
10/9/2014	1,100	\$3.06	119,388
10/10/2014	1,600	\$2.90	120,988
10/10/2014	2,400	\$2.90	123,388
10/10/2014	5,000	\$2.83	128,388
10/10/2014	3,900	\$2.88	132,288
10/10/2014	100	\$2.87	132,388
10/10/2014	3,500	\$2.75	135,888
10/13/2014	5,000	\$2.73	140,888
10/13/2014	5,000	\$2.73	145,888
10/13/2014	1,400	\$2.76	147,288
10/13/2014	500	\$2.76	147,788
10/13/2014	3,100	\$2.76	150,888
10/13/2014	5,000	\$2.72	155,888
10/13/2014	5,000	\$2.72	160,888



Edgar Filing: AROTECH CORP - Form DFAN14A

10/15/2014	4,400	\$2.76	165,288
10/16/2014	-10,000	\$2.80	155,288
10/20/2014	13,900	\$2.70	169,188
10/20/2014	15,000	\$2.76	184,188
10/20/2014	15,000	\$2.77	199,188
10/20/2014	15,000	\$2.78	214,188
10/21/2014	200	\$2.81	214,388
10/21/2014	4,000	\$2.79	218,388
10/21/2014	1,900	\$2.82	220,288
10/21/2014	4,000	\$2.81	224,288
10/21/2014	3,000	\$2.82	227,288

10/23/2014-30,000	\$2.87	197,288
10/23/2014-15,000	\$2.80	182,288
10/23/20141,200	\$2.69	183,488
10/23/20141,850	\$2.70	185,338
10/23/2014950	\$2.69	186,288
10/28/20141,034	\$3.01	187,322
10/28/20143,966	\$3.03	191,288
10/28/20144,000	\$3.02	195,288
10/28/20143,700	\$3.03	198,988
10/28/2014300	\$3.02	199,288
10/28/20143,600	\$2.99	202,888
10/28/2014400	\$3.00	203,288
10/28/20144,000	\$2.98	207,288
10/28/20144,000	\$2.97	211,288
10/29/20143,000	\$2.98	214,288
10/29/20143,000	\$3.00	217,288
10/29/20144,000	\$2.98	221,288
10/30/20143,900	\$2.90	225,188
10/30/2014100	\$2.89	225,288
10/30/20145,300	\$3.00	230,588
10/30/2014400	\$2.97	230,988
10/30/2014300	\$2.99	231,288
10/30/20146,000	\$3.00	237,288
10/30/20143,000	\$2.99	240,288
10/31/2014-2,475	\$2.96	237,813
11/3/2014 -200	\$3.12	237,613
11/3/2014 -100	\$3.12	237,513
11/3/2014 -100	\$3.12	237,413
11/3/2014 1,178	\$3.02	238,591
11/4/2014 10,000	\$3.10	248,591
11/6/2014 -400	\$3.06	248,191
11/6/2014 -5,000	\$3.06	243,191
11/6/2014 -2,000	\$3.06	241,191
11/6/2014 -7,500	\$3.06	233,691
11/11/201492,466	\$2.59	326,157
11/12/20147,000	\$2.39	333,157
11/12/20148,000	\$2.41	341,157
11/12/2014100	\$2.41	341,257
11/12/2014159	\$2.41	341,416
11/12/20147,000	\$2.40	348,416
11/12/20146,900	\$2.40	355,316
11/12/2014100	\$2.40	355,416
11/12/20143,400	\$2.40	358,816
11/12/20143,600	\$2.40	362,416
11/12/2014200	\$2.40	362,616
11/12/20146,800	\$2.40	369,416
11/12/2014600	\$2.44	370,016
11/12/20146,300	\$2.44	376,316

Edgar Filing: AROTECH CORP - Form DFAN14A

11/12/2014 100	\$2.44	376,416
11/12/2014-9,500	\$2.54	366,916
11/12/2014 9,500	\$2.54	376,416

11/13/20141,300	\$2.36	377,716
11/13/2014601	\$2.35	378,317
11/13/20141,556	\$2.40	379,873
11/13/2014600	\$2.47	380,473
11/13/20142,400	\$2.46	382,873
11/13/2014230	\$2.46	383,103
11/13/201417	\$2.45	383,120
11/13/20142,400	\$2.45	385,520
11/13/20143,600	\$2.46	389,120
11/13/20141,120	\$2.44	390,240
11/13/20141,633	\$2.47	391,873
11/13/20146,000	\$2.41	397,873
11/13/20146,000	\$2.42	403,873
11/13/20145,100	\$2.43	408,973
11/17/20145,000	\$2.12	413,973
11/17/20145,000	\$2.17	418,973
11/18/2014100	\$2.19	419,073
11/19/2014150	\$2.20	419,223
11/21/20142,064	\$2.26	421,287
11/21/20141,200	\$2.27	422,487
11/21/20144,800	\$2.27	427,287
11/21/2014100	\$2.25	427,387
11/21/20143,700	\$2.25	431,087
11/21/20142,100	\$2.25	433,187
11/21/20141,917	\$2.26	435,104
11/21/20146,000	\$2.26	441,104
11/21/20145,800	\$2.26	446,904
11/21/2014200	\$2.26	447,104
11/24/20142,400	\$2.27	449,504
11/24/20143,600	\$2.27	453,104
11/24/20146,000	\$2.27	459,104
11/25/20149,000	\$2.27	468,104
11/25/2014100	\$2.21	468,204
11/25/20144,400	\$2.21	472,604
11/25/20144,500	\$2.21	477,104
11/25/20144,000	\$2.22	481,104
11/25/2014900	\$2.26	482,004
11/25/2014200	\$2.26	482,204
11/25/20144,000	\$2.25	486,204
11/26/201439,400	\$2.26	525,604
11/28/20143,400	\$2.23	529,004
11/28/20141,200	\$2.25	530,204
11/28/2014600	\$2.25	530,804
11/28/20142,800	\$2.28	533,604
11/28/2014200	\$2.27	533,804
11/28/20142,600	\$2.28	536,404

Edgar Filing: AROTECH CORP - Form DFAN14A

11/28/2014	1,230	\$2.28	537,634
11/28/2014	1,470	\$2.27	539,104
11/28/2014	300	\$2.26	539,404

12/1/2014	93,293	\$2.19	632,697
12/2/2014	1,507	\$2.30	634,204
12/2/2014	6,900	\$2.30	641,104
12/2/2014	1,193	\$2.29	642,297
12/2/2014	9,600	\$2.30	651,897
12/2/2014	100	\$2.27	651,997
12/3/2014	100	\$2.40	652,097
12/3/2014	1,842	\$2.40	653,939
12/3/2014	1,000	\$2.36	654,939
12/3/2014	3,000	\$2.37	657,939
12/4/2014	-1,507	\$2.30	656,432
12/4/2014	-6,900	\$2.30	649,532
12/4/2014	-1,193	\$2.29	648,339
12/4/2014	-9,600	\$2.30	638,739
12/4/2014	-100	\$2.27	638,639
12/4/2014	6,000	\$2.35	644,639
12/4/2014	1,507	\$2.30	646,146
12/4/2014	6,900	\$2.30	653,046
12/4/2014	1,193	\$2.29	654,239
12/4/2014	9,600	\$2.30	663,839
12/4/2014	100	\$2.27	663,939
12/5/2014	-1,507	\$2.30	662,432
12/5/2014	-6,900	\$2.30	655,532
12/5/2014	-1,193	\$2.29	654,339
12/5/2014	-9,600	\$2.30	644,739
12/5/2014	-100	\$2.27	644,639
12/5/2014	1,300	\$2.30	645,939
12/5/2014	1,507	\$2.30	647,446
12/5/2014	6,900	\$2.30	654,346
12/5/2014	1,193	\$2.29	655,539
12/5/2014	9,600	\$2.30	665,139
12/5/2014	100	\$2.27	665,239
12/11/2014	1,850	\$2.25	667,089
12/11/2014	650	\$2.26	667,739
12/11/2014	800	\$2.27	668,539
12/11/2014	3,300	\$2.24	671,839
12/11/2014	1,000	\$2.23	672,839
12/11/2014	-9,599	\$2.24	663,240
12/11/2014	4,300	\$2.25	667,540
12/11/2014	2,200	\$2.26	669,740
12/11/2014	1,760	\$2.26	671,500
12/11/2014	2,640	\$2.26	674,140
12/11/2014	3,000	\$2.25	677,140
12/11/2014	400	\$2.26	677,540
12/11/2014	5,000	\$2.25	682,540
12/11/2014	2,000	\$2.26	684,540

Edgar Filing: AROTECH CORP - Form DFAN14A

12/11/2014	4,400	\$2.25	688,940
12/11/2014	2,000	\$2.25	690,940
12/11/2014	1,625	\$2.24	692,565
12/11/2014	100	\$2.24	692,665
12/11/2014	4,500	\$2.24	697,165
12/11/2014	4,900	\$2.26	702,065
12/11/2014	100	\$2.25	702,165

12/12/2014	2,400	\$2.24	704,565
12/12/2014	3,600	\$2.24	708,165
12/12/2014	5,000	\$2.24	713,165
12/12/2014	500	\$2.24	713,665
12/12/2014	4,000	\$2.24	717,665
12/12/2014	3,000	\$2.24	720,665
12/15/2014	107,220	\$2.26	827,885
12/16/2014	5,200	\$2.33	833,085
12/16/2014	15,800	\$2.31	848,885
12/16/2014	20,000	\$2.31	868,885
12/16/2014	19,700	\$2.31	888,585
12/16/2014	300	\$2.31	888,885
12/16/2014	2,000	\$2.26	890,885
12/16/2014	7,800	\$2.29	898,685
12/16/2014	7,100	\$2.30	905,785
12/16/2014	3,000	\$2.28	908,785
12/16/2014	100	\$2.30	908,885
12/16/2014	20,000	\$2.26	928,885
12/16/2014	600	\$2.25	929,485
12/16/2014	17,400	\$2.26	946,885
12/16/2014	400	\$2.25	947,285
12/16/2014	1,600	\$2.25	948,885
12/17/2014	5,600	\$2.36	954,485
12/17/2014	10,000	\$2.36	964,485
12/18/2014	98,716	\$2.48	1,063,201
12/19/2014	11,161	\$2.40	1,074,362
12/19/2014	3,839	\$2.41	1,078,201
12/19/2014	5,000	\$2.42	1,083,201
12/19/2014	3,000	\$2.42	1,086,201
12/29/2014	7,000	\$2.26	1,093,201
12/29/2014	3,600	\$2.27	1,096,801
12/29/2014	400	\$2.26	1,097,201
1/12/2015	5,500	\$2.41	1,102,701
1/12/2015	100	\$2.41	1,102,801
1/12/2015	300	\$2.41	1,103,101
1/12/2015	100	\$2.33	1,103,201
1/16/2015	1,000	\$2.32	1,104,201
1/20/2015	900	\$2.26	1,105,101
1/20/2015	100	\$2.26	1,105,201
1/20/2015	1,400	\$2.26	1,106,601
1/20/2015	400	\$2.27	1,107,001
1/23/2015	9,000	\$2.27	1,116,001
1/30/2015	-43,200	\$0.00	1,072,801
2/3/2015	9,000	\$2.26	1,081,801
2/3/2015	9,000	\$2.26	1,090,801
2/10/2015	2,650	\$2.40	1,093,451



Edgar Filing: AROTECH CORP - Form DFAN14A

2/10/2015	5,350	\$2.39	1,098,801
2/11/2015	10,000	\$2.49	1,108,801
2/11/2015	100	\$2.49	1,108,901
2/11/2015	2,500	\$2.49	1,111,401
2/11/2015	1,900	\$2.49	1,113,301
2/11/2015	4,500	\$2.47	1,117,801
2/19/2015	-12,500	\$2.67	1,105,301
2/20/2015	-21,132	\$2.61	1,084,169
2/20/2015	-17,100	\$2.62	1,067,069

3/12/2015 100	\$2.83	1,067,169
3/12/2015 7,696	\$2.84	1,074,865
3/12/2015 204	\$2.82	1,075,069
3/12/2015 8,000	\$2.83	1,083,069
3/12/2015 8,000	\$2.82	1,091,069
3/12/2015 4,000	\$2.81	1,095,069
3/12/2015 2,600	\$2.78	1,097,669
3/12/2015 4,000	\$2.80	1,101,669
3/13/2015 -72,600	\$2.96	1,029,069
3/16/2015 1,100	\$2.81	1,030,169
3/16/2015 -3,700	\$2.91	1,026,469
3/16/2015 -200	\$2.90	1,026,269
3/16/2015 -8,800	\$2.89	1,017,469
3/16/2015 -6,400	\$2.89	1,011,069
3/16/2015 -5,700	\$2.86	1,005,369
3/16/2015 -300	\$2.86	1,005,069
3/16/2015 -9,000	\$2.83	996,069
3/18/2015 156,700	\$3.29	1,152,769
3/19/2015 8,000	\$3.50	1,160,769
3/19/2015 3,925	\$3.46	1,164,694
3/19/2015 75	\$3.47	1,164,769
3/19/2015 3,200	\$3.48	1,167,969
3/19/2015 800	\$3.47	1,168,769
3/20/2015 62935	\$3.29	1,231,704
3/23/2015 11	\$3.30	1,231,715
3/24/2015 100	\$3.31	1,231,815
3/25/2015 2,027	\$3.23	1,233,842
4/10/2015 400	\$3.05	1,234,242
4/22/2015 200	\$2.87	1,234,442
4/24/2015 5,000	\$2.84	1,239,442
4/24/2015 5,000	\$2.83	1,244,442
4/28/2015 400	\$2.77	1,244,842
4/28/2015 3,800	\$2.82	1,248,642
5/5/2015 100	\$2.71	1,248,742
5/14/2015 960	\$2.54	1,249,702
5/15/2015 5,000	\$2.61	1,254,702
5/15/2015 300	\$2.60	1,255,002
5/15/2015 7,700	\$2.59	1,262,702
5/19/2015 -2,200	\$2.47	1,260,502
5/19/2015 3,000	\$2.45	1,263,502
5/26/2015 1,500	\$2.51	1,265,002
5/26/2015 3,300	\$2.47	1,268,302
5/26/2015 800	\$2.46	1,269,102
5/26/2015 10,000	\$2.51	1,279,102
5/27/2015 646	\$2.46	1,279,748
5/27/2015 100	\$2.46	1,279,848

Edgar Filing: AROTECH CORP - Form DFAN14A

5/27/2015	6,000	\$2.47	1,285,848
5/27/2015	6,000	\$2.47	1,291,848
5/27/2015	6,000	\$2.46	1,297,848
5/27/2015	4,800	\$2.47	1,302,648
5/27/2015	1,100	\$2.48	1,303,748
5/27/2015	4,900	\$2.48	1,308,648
6/5/2015	6,000	\$2.55	1,314,648
6/5/2015	3,000	\$2.56	1,317,648
6/5/2015	1,800	\$2.55	1,319,448

7/7/2015	3,000	\$2.23	1,322,448
7/7/2015	3,000	\$2.22	1,325,448
7/7/2015	6,000	\$2.19	1,331,448
7/7/2015	3,000	\$2.20	1,334,448
7/7/2015	3,000	\$2.19	1,337,448
8/11/2015	3,500	\$1.60	1,340,948
8/11/2015	10,000	\$1.63	1,350,948
8/11/2015	3,872	\$1.60	1,354,820
8/17/2015	3,300	\$1.54	1,358,120
8/17/2015	700	\$1.54	1,358,820
8/17/2015	3,200	\$1.54	1,362,020
8/17/2015	800	\$1.54	1,362,820
8/18/2015	4,000	\$1.57	1,366,820
8/18/2015	4,000	\$1.57	1,370,820
8/18/2015	100	\$1.54	1,370,920
8/18/2015	4,000	\$1.56	1,374,920
8/18/2015	1,200	\$1.56	1,376,120
8/18/2015	2,800	\$1.57	1,378,920
8/19/2015	589	\$1.56	1,379,509
8/19/2015	8,000	\$1.55	1,387,509
8/20/2015	4,500	\$1.47	1,392,009
8/21/2015	3,500	\$1.47	1,395,509
8/26/2015	7,500	\$1.36	1,403,009
8/26/2015	11,000	\$1.36	1,414,009
8/26/2015	4,500	\$1.41	1,418,509
8/26/2015	9,000	\$1.35	1,427,509
8/26/2015	600	\$1.32	1,428,109
8/26/2015	11,000	\$1.35	1,439,109
8/26/2015	8,200	\$1.36	1,447,309
8/26/2015	2,800	\$1.36	1,450,109
8/31/2015	9,200	\$2.50	1,459,309
9/1/2015	20,300	\$1.46	1,479,609
9/1/2015	770	\$1.42	1,480,379
9/1/2015	20,000	\$1.51	1,500,379
9/1/2015	19,203	\$1.51	1,519,582
9/1/2015	7,700	\$1.50	1,527,282
9/1/2015	6,000	\$1.46	1,533,282
9/8/2015	700	\$1.36	1,533,982
9/8/2015	100	\$1.36	1,534,082
9/8/2015	500	\$1.36	1,534,582
9/8/2015	200	\$1.36	1,534,782
9/8/2015	400	\$1.36	1,535,182
9/8/2015	100	\$1.36	1,535,282
9/8/2015	600	\$1.35	1,535,882
9/9/2015	2,000	\$1.35	1,537,882
9/9/2015	305	\$1.35	1,538,187

Edgar Filing: AROTECH CORP - Form DFAN14A

9/9/2015	1,195	\$1.35	1,539,382
9/9/2015	3,400	\$1.35	1,542,782
9/9/2015	100	\$1.34	1,542,882
9/9/2015	3,500	\$1.35	1,546,382
9/10/2015	25,000	\$1.35	1,571,382
9/10/2015	7,613	\$1.35	1,578,995
9/17/2015	6,900	\$1.51	1,585,895
9/17/2015	12,000	\$1.50	1,590,995
9/18/2015	10,000	\$1.48	1,600,995

9/21/2015	600	\$1.53	1,601,595
9/23/2015	1,120	\$1.45	1,602,715
9/23/2015	200	\$1.50	1,602,915
9/23/2015	1,500	\$1.50	1,604,415
9/25/2015	14,800	\$1.44	1,619,215
9/28/2015	200	\$1.38	1,619,415
10/1/2015	25,000	\$1.31	1,644,415
10/15/2015	7,785	\$1.42	1,652,200
10/15/2015	200	\$1.32	1,652,400
10/15/2015	9,000	\$1.36	1,661,400
10/26/2015	100	\$1.38	1,661,500
10/26/2015	600	\$1.40	1,662,100
10/26/2015	1,500	\$1.39	1,663,600
10/26/2015	1,700	\$1.39	1,665,300
10/28/2015	400	\$1.40	1,665,700
10/28/2015	4,600	\$1.41	1,670,300
10/28/2015	2,800	\$1.41	1,673,100
10/28/2015	1,400	\$1.41	1,674,500
10/28/2015	1,850	\$1.41	1,676,350
10/28/2015	1,600	\$1.40	1,677,950
10/28/2015	250	\$1.39	1,678,200
10/28/2015	3,700	\$1.40	1,681,900
10/28/2015	6,000	\$1.40	1,687,900
10/28/2015	2,490	\$1.40	1,690,390
10/29/2015	131	\$1.41	1,690,521
10/30/2015	100	\$1.41	1,690,621
10/30/2015	100	\$1.45	1,690,721
10/30/2015	2,600	\$1.46	1,693,321
10/30/2015	2,700	\$1.43	1,696,021
10/30/2015	300	\$1.42	1,696,321
10/30/2015	2,500	\$1.44	1,698,821
11/2/2015	1,600	\$1.53	1,700,421
11/2/2015	1,700	\$1.56	1,702,121
11/2/2015	900	\$1.55	1,703,021
11/9/2015	4,000	\$1.74	1,707,021
11/9/2015	2,500	\$1.74	1,709,521
11/9/2015	2,500	\$1.74	1,712,021
11/9/2015	300	\$1.73	1,712,321
11/9/2015	1,100	\$1.74	1,713,421
11/9/2015	300	\$1.72	1,713,721
11/9/2015	4,000	\$1.71	1,717,721
11/10/2015	52,600	\$1.56	1,770,321
11/11/2015	4,875	\$1.57	1,775,196
11/11/2015	100	\$1.56	1,775,296
11/11/2015	1,200	\$1.56	1,776,496
11/11/2015	400	\$1.56	1,776,896

Edgar Filing: AROTECH CORP - Form DFAN14A

11/12/2015	1,700	\$1.58	1,778,596
11/13/2015	3,000	\$1.52	1,781,596
11/13/2015	5,200	\$1.51	1,786,796
11/17/2015	4,000	\$1.49	1,790,796
11/17/2015	300	\$1.53	1,791,096
11/17/2015	2,400	\$1.50	1,793,496
11/17/2015	700	\$1.51	1,794,196
11/17/2015	600	\$1.51	1,794,796
11/27/2015	7,000	\$1.51	1,801,796

Below are Mr. Fields Transactions during the past two years in the over the counter market American-style put options which have an exercise price of \$2.50 per Share and expire on February 19, 2016.

<u>Date of Transaction</u>	<u>Amount of Puts Acquired/(Sold)</u>	<u>Price Per Put</u>	<u>Total Shares Then Long/(Short)</u>
8/12/2015	(200)	\$0.90	-200
8/13/2015	(800)	\$0.90	-1,000
8/28/2015	(400)	\$0.95	-1,400

Transactions by Cruiser Capital Advisors, LLC during the past two years:

<u>Date of Transaction</u>	<u>Amount of Shares Acquired</u>		<u>Amount of Shares Disposed</u>		<u>Total Shares Then Beneficially Owned at End of Month</u>
	<u>Number</u>	<u>Price Per Share</u>	<u>Number</u>	<u>Price Per Share</u>	
3/27/2014			25,000	5.48	(25,000)
3/28/2014			7,216	5.95	(32,216)
3/31/2014	3,000	5.5583			(29,216)
4/23/2014	29,216	3.8109			-
7/11/2014	100,000	3.5			100,000
8/12/2014			5,900	3.99572	94,100
8/20/2014			2,400	3.75	91,700
8/21/2014			72,600	3.8629	19,100
9/10/2014			16,100	3.9048	3,000
9/12/2014			2,678	3.768279	322
9/15/2014			322	3.56	-
11/26/2014	4,200	2.2490476			4,200
11/28/2014	11,400	2.2467			15,600
12/1/2014	14,270	2.2189			29,870
12/2/2014	1,000	2.24			30,870
12/3/2014	1,000	2.35			31,870
12/5/2014	10,100	2.3197			41,970
12/8/2014	10,000	2.22			51,970
12/11/2014	20,000	2.245			71,970
12/15/2014	5,100	2.24			77,070
12/17/2014	863	2.46			77,933
12/18/2014	10,000	2.5			87,933
12/19/2014	25,000	2.35			112,933
12/19/2014	1,000	2.5			113,933
12/22/2014	5,194	2.26			119,127



Edgar Filing: AROTECH CORP - Form DFAN14A

12/23/2014	2,500	2.29	121,627
12/29/2014	13,500	2.2893	135,127
12/30/2014	21,439	2.25	156,566
12/31/2014	12,500	2.25	169,066
1/2/2015	10,000	2.2199	179,066
1/5/2015	35,000	2.2014	214,066
1/6/2015	10,000	2.19	224,066
1/7/2015	20,000	2.2	244,066
1/8/2015	6,371	2.26	250,437
1/9/2015	10,000	2.25	260,437
1/20/2015	10,800	2.2861111	271,237
1/21/2015	20,071	2.321252	291,308
1/23/2015	10,000	2.28	301,308
2/5/2015	10,000	2.25	311,308

5/11/2015		7,179	2.83	304,129
5/11/2015		100,000	2.7642	204,129
5/12/2015	25,000		2.65	229,129
5/15/2015	2,900		2.5784	232,029
5/18/2015	7,100		2.58	239,129
5/20/2015	1,298		2.55	240,427
5/21/2015	20,000		2.56	260,427
5/26/2015	10,000		2.51	270,427
6/22/2015	9,981		2.49	280,408
10/7/2015		7,683	1.46	272,725
11/19/2015	19,118		1.5931	291,843
11/20/2015	10,000		1.5996	301,843
11/20/2015	10,813		1.567	312,656
11/20/2015	2,300		1.54	314,956
11/23/2015	8,472		1.6	323,428
12/7/2015	13,300		1.6560902	336,728

Transactions by Keith Rosenbloom during the past two years:

<u>Date of Transaction</u>	<u>Amount of Shares Acquired</u>		<u>Amount of Shares Disposed</u>		<u>Total Shares Then Beneficially Owned at End of Month</u>
	<u>Number</u>	<u>Price Per Share</u>	<u>Number</u>	<u>Price Per Share</u>	
5/29/2015	504	2.43			504
6/22/2015	19	2.49			523

CONSENT OF PROPOSED NOMINEE

I, Ephraim Fields, hereby consent to be named in the proxy statement of Ephraim Fields to be used in connection with his solicitation of proxies from the Stockholders of Arotech Corporation for use in voting at the 2016 Annual Meeting of Stockholders of Arotech Corporation and I hereby consent and agree to serve as director of Arotech Corporation if elected at such Annual Meeting.

/s/ Ephraim Fields

Ephraim Fields

Dated: December 10, 2015

CONSENT OF PROPOSED NOMINEE

I, Keith Rosenbloom, hereby consent to be named in the proxy statement of Ephraim Fields to be used in connection with his solicitation of proxies from the Stockholders of Arotech Corporation for use in voting at the 2016 Annual Meeting of Stockholders of Arotech Corporation and I hereby consent and agree to serve as director of Arotech Corporation if elected at such Annual Meeting.

/s/ Keith Rosenbloom

Keith Rosenbloom

Dated: December 10, 2015

CONSENT OF PROPOSED NOMINEE

I, Lawrence F. Hagenbuch, hereby consent to be named in the proxy statement of Ephraim Fields to be used in connection with his solicitation of proxies from the Stockholders of Arotech Corporation for use in voting at the 2016 Annual Meeting of Stockholders of Arotech Corporation and I hereby consent and agree to serve as director of Arotech Corporation if elected at such Annual Meeting.

/s/ Lawrence F. Hagenbuch\_\_\_\_\_

Lawrence F. Hagenbuch

Dated: December 10, 2015

**Press Release**

**Ephraim Fields of Echo Lake Capital Intends To Nominate Alternate Slate Of Directors To Arotech's Board**

- *Stock has significantly underperformed; down 29% in one year; down 76% over the past 10 years.*
- *Believes Training/Simulation unit (which generated \$9.5 million of LTM EBITDA) alone is worth more than ARTX's entire enterprise value.*
- *Over the past 15 years the Company has paid Ehrlich and Esses combined compensation of over \$25 million, which equates to over 60% of Company's current market cap.*
- *Believes corporate overhead is too high and can be easily reduced.*
- *Believes there are many, readily identifiable ways to create long-term shareholder value.*
- *Believes alternate slate is in best interests of ARTX's shareholders, employees and other stakeholders.*
- *Notes the price paid for just the UEC and Armour acquisitions exceeds Company's current enterprise value.*

**NEW YORK, NY / ACCESSWIRE / December 10, 2015** / Ephraim Fields of Echo Lake Capital today sent a letter announcing his intention to nominate an alternate slate of directors to the Board of Arotech Corporation ("ARTX" or the "Company") (NasdaqGM: ARTX). Mr. Fields is ARTX's largest single shareholder, owning 8.1% of the Company's shares (which includes shares underlying sold-short put options exercisable within 60 days hereof). The alternate slate seeks to replace three directors, including the current Executive Chairman and President/CEO. Mr. Fields believes that after years of shareholder value being destroyed, while insiders have personally benefitted from excessive compensation packages and questionable related party transactions, that changes at the Company are urgently needed.

As the following table[1] illustrates, ARTX's stock price has underperformed over an extended period of time, both on an absolute and relative basis:

[1] Data as per Bloomberg as of December 5, 2015.

Mr. Fields stated that he intends to nominate an alternate slate because, among other things, two of three directors up for re-election in 2016 have served for over 12 years and overseen what he believes is the Company's significant underperformance, excessive payments to management, poor corporate governance and failed acquisitions.

It is the view of Mr. Fields that ARTX shareholders deserve a Board that is committed to acting in the best interests of all shareholders, and he firmly believes that electing his nominees is in the best interests of ARTX's shareholders, employees, customers and other stakeholders, because it will bring fresh insights to help address the Company's prolonged underperformance.

Mr. Fields noted that despite significant underperformance by the Company, rather than replacing senior management, the Board has continued to retain them and, remarkably, to increase their already significant compensation. Over the past 15 years, the Board has granted Ehrlich and Esses combined compensation of over \$25 million, which equates to over 60% of the Company's current market capitalization. He believes this compensation is excessive considering management's disappointing performance and the Company's small size.

In light of the Company's significant underperformance over such an extended period of time, Mr. Fields does not believe that continuing to pay Messrs. Ehrlich and Esses generous compensation packages is in the best interests of the Company and its shareholders. Furthermore, considering that they have both been with the Company for over 12 years, he wonders how much more time the Board considers reasonable to give them before the Board concludes that they should be replaced.

Mr. Fields stated that he believes that there are many, identifiable ways to create significant long-term shareholder value at the Company, and he noted that he believes the inherent value of the Company's assets significantly exceeds the Company's current stock price. For example, he believes that just one of these assets (the Training/Simulation division, which generated \$9.5 million of LTM EBITDA) alone is worth more than the Company's entire current enterprise value. Mr. Fields also stated that he believes the Company's remaining three assets have significant additional value as well:

- The Power Systems division which generated LTM revenue of \$43 million and could generate increased profitability next year,
- U.S. federal net operating losses (NOLs) of \$35 million and foreign NOLs of \$85 million, and
- Iron Flow, an early stage battery designed to provide storage for grid power.

Mr. Fields further believes there are many other easily implemented ways of creating meaningful additional shareholder value including:

- 1) reducing corporate overhead, which YTD appears to be over \$4 million (excluding non-recurring gains), an amount that almost equals the Company's total projected Adjusted EBITDA for the entire year,
- 2) hiring more effective and U.S. based senior management team with the skills necessary to maximize ARTX's potential,
- 3) conducting a strategic review of all the Company's assets in an effort to maximize their long-term value, and
- 4) improving corporate governance in an effort to make it more shareholder friendly.

Finally, Mr. Fields stated that he believes that his nominees have significant financial, operational, strategic and capital markets experience, as evidenced by their business backgrounds, that can be used to help address the Company's significant underperformance.

A full copy of the letter can be found below.

**CONTACT:**



EPHRAIM FIELDS

ef@echolakecapital.com

**Important Information**

This filing is not a solicitation of a proxy from any security holder of Arotech Corporation (the "Company"). Ephraim Fields has nominated Mr. Ephraim Fields, Mr. Keith Rosenbloom and Mr. Lawrence F. Hagenbuch as nominees to the Company's board of directors and intends to solicit votes for the election of Mr. Ephraim Fields, Mr. Keith Rosenbloom and Mr. Lawrence F. Hagenbuch as members of the Company's board of directors (the "Nominees"). Ephraim Fields will send a definitive proxy statement, WHITE proxy card and related proxy materials to stockholders of the Company seeking their support of the Nominees at the Company's 2016 Annual Meeting of Stockholders. **Stockholders are urged to read the definitive proxy statement and WHITE proxy card when they become available, because they will contain important information about Ephraim Fields, the other Nominees, the Company and related matters.** Stockholders may obtain a free copy of the definitive proxy statement and WHITE proxy card (when available) and other documents filed by Ephraim Fields with the Securities and Exchange Commission ("SEC") at the SEC's web site at [www.sec.gov](http://www.sec.gov). The definitive proxy statement (when available) and other related SEC documents filed by Ephraim Fields with the SEC may also be obtained free of charge from Ephraim Fields.

**Participants in Solicitation**

The following persons are participants in the solicitation from the Company's stockholders of proxies in favor of the Nominees: Ephraim Fields, Keith Rosenbloom, Cruiser Capital Advisors, LLC and Lawrence F. Hagenbuch. The participants may have interests in the solicitation, including as a result of holding shares of the Company's common stock. **Information regarding the participants and their interests may be found in the Notice of Intent to Nominate Directors that Ephraim Fields sent to the Company on December 10, 2015, as filed with the SEC on that same date under Rule 14a-12 of the Securities Exchange Act of 1934, as amended.**

**Letter to Board**

December 10, 2015

The Board of Directors

Arotech Corporation

1229 Oak Valley Drive

Ann Arbor, Michigan 48108

Dear Members of the Board of Directors

Kenneth W. Cappell - Yeshiva University

Jay M. Eastman - Lucid, Inc.

Robert S. Ehrlich - Arotech Corp.

Steven Esses - Arotech Corp.

Seymour Jones - New York University

Michael E. Marrus - Chardan Capital Markets

Richard I. Rudy - Advanced Energy Capital, LLC:

I am the single largest shareholder of Arotech Corporation (“ARTX” or the “Company”), owning 8.1% of its outstanding shares (which includes shares underlying sold-short put options exercisable within 60 days hereof). I have been extremely disappointed with the Board of Directors’ performance in representing the best interests of the Company and its stockholders, for the reasons expressed in this letter. As discussed in this letter, questionable decisions by the Board have contributed to significant shareholder losses, while members of the Board have continued to personally benefit from a generous compensation package.

Today I am announcing my intention to nominate an alternate slate for ARTX’s Board of Directors (the “Board”). Attached hereto as Exhibit A is information regarding my nominees. I intend to nominate an alternate slate because, among other things, two of three directors up for re-election in 2016 have served for over 12 years and overseen the

Company's significant underperformance, excessive payments to management, poor corporate governance and failed acquisitions, all as detailed in this letter, and I believe a change is urgently needed. I am particularly concerned that some members of the Board appear to be less interested in acting in shareholders' best interests and are more interested in maintaining their own personal lifestyles and increasing their ARTX-related income.

ARTX shareholders deserve a Board that is committed to acting in the best interests of all shareholders, and I firmly believe that electing my nominees is in the best interests of ARTX's shareholders, employees, customers and other stakeholders, because it will bring fresh insights to help address the prolonged underperformance.

Here are the key considerations addressed in this letter:

- Stock has significantly underperformed; down 29% in one year; down 76% over the past 10 years.
- Over the past 15 years the Company has paid excessive executive compensation, as evidenced by the fact that the Board has granted Ehrlich and Esses combined compensation of over \$25 million, which equates to over 60% of Company's current market cap.
- Corporate overhead is too high, as evidenced by the fact that overhead year-to-date is over \$4 million (excluding non-recurring gains), which seems staggeringly high for a company that expects to generate only approximately \$5.5 million of Adjusted EBITDA for the entire year.
- The Board has approved questionable related party transactions, as evidenced by the Company paying for the use of what appears to be a private residence in Brooklyn, NY as an ancillary New York office.
- The Board appears to be not fully aligned with shareholders, as evidenced by the fact that most of them have never purchased even a single share of ARTX stock.
- There is significant value in the Company's assets and the stock is undervalued. For example, I believe the Training/Simulation unit alone is worth more than ARTX's entire enterprise value.
- The Board has not adequately protected Company assets. For example, the price paid by the Company for the UEC and Armour acquisitions significantly exceeds the Company's current enterprise value.

### **Stock Has Significantly Underperformed**

As the following table[2] illustrates, ARTX's stock price has underperformed over an extended period of time, both on an absolute and relative basis:

*[2] Data as per Bloomberg as of December 5, 2015.*

Yet, despite the Company's prolonged underperformance, it does not appear the Board has taken necessary steps to improve performance because the underperformance continues.

### **Over the Past 15 Years the Company has Paid Excessive Executive Compensation**

Despite significant underperformance by the Company, rather than replacing senior management, the Board has continued to retain them and, remarkably, to increase their already significant compensation. Over the past 15 years, the Board has granted Ehrlich and Esses combined compensation of over \$25 million, which equates to over 60% of the Company's current market capitalization. I believe this compensation is excessive considering management's disappointing performance and the Company's small size.

I was also shocked to learn that the employment contracts that the Board approved for Messrs. Ehrlich and Esses provide them such an excessive number of paid sick/vacation days that they can effectively get paid for (but not have to work) one out of every 5 days in a given work week.

In light of the Company's significant underperformance over such an extended period of time, I do not believe that continuing to pay Messrs. Ehrlich and Esses generous compensation packages is in the best interests of the Company and its shareholders. Furthermore, considering that they have both been with the Company for over 12 years, I wonder how much more time the Board considers reasonable to give them before you conclude that they should be replaced.

### **Corporate Overhead is Too High**

I am concerned that the Company's top two executive officers (but not the CFO) live in Israel when virtually all of the Company's revenue is generated in the USA. This atypical organizational structure seems illogical and ineffective and

requires executives to embark on time consuming and costly travel, at the Company's expense, which means it is at the expense of shareholders as they are the true owners of the Company. Perhaps this willingness to expend Company resources for what I view as unnecessary expenses helps explain why ARTX's corporate overhead year-to-date is over \$4 million (excluding non-recurring gains), which seems staggeringly high for a company that expects to generate only approximately \$5.5 million of Adjusted EBITDA for the entire year.

**The Board has Approved Questionable Related Party Transactions**

I have grave concerns about the Board's approval of related party transactions because it appears that such transactions may not be in the best interests of the Company and its stockholders. In addition to a non-recourse loan given to Ehrlich, I question the agreement with Sampen Corporation, an entity controlled by Steven Esses's family. Under this agreement, ARTX pays Sampen for Esses to serve as ARTX's President and CEO. The agreement also requires ARTX to pay Sampen for the use of what appears to be a private residence in Brooklyn, NY "as an ancillary New York office for the Company, for meetings, mail and package deliveries, fax receptions, etc." This is in my experience a highly unusual agreement that appears to be more favorable to Steven Esses and Sampen than the Company. The agreement raises many troubling questions, including:

- Since Esses already has an employment contract directly with ARTX, why is the Company also making additional payments to Sampen for his services?

- Does ARTX really need “an ancillary” office in NYC and, if so, is what appears to be a private home in Brooklyn really the most appropriate place for such an office?

- If ARTX really does need an ancillary office in NYC (even though it appears to have no operations there), can't the Company rent space on an arm's length transaction from a landlord who is not related to senior management? Better yet, instead of renting office space, can't ARTX occasionally use the NYC offices of its Board members, law firm, investment bank or IR firm?

Public records indicate Sampen is located at 1133 East 22nd Street Brooklyn, New York 11210, and we encourage you to visit there as we have. Considering that last year ARTX provided Esses with \$1.4 million in compensation (excluding additional payments to Sampen), despite ARTX's stock price declining by 33%, we do not believe approving the Sampen transaction was in the best interests of the Company and its shareholders.

### **Board is not Fully Aligned with Shareholders**

As most of the members of the Board have not purchased even a single share of ARTX stock, despite numerous years of Board service and the associated compensation, I fear that the Board does not fully understand and appreciate the position of the owners of the Company.

It is clear to me that in order to protect the value of the investment of all the shareholders of the Company that change at the Company must occur. I believe these changes are long overdue and need to occur immediately. The first change I am proposing is to reconfigure the Board by adding some highly qualified and highly incentivized directors, while removing some existing directors. As a result, I have notified the Company that I intend to nominate an alternate slate of directors to ARTX's Board. I believe that my nominees have significant financial, operational, strategic and capital markets experience, as evidenced by their business backgrounds, that can be used to help address the Company's significant underperformance.

### **There is Significant Value in the Company's Assets and the Stock is Undervalued**

There are many, identifiable ways to create significant long-term shareholder value at ARTX. I believe that beneath an excessively paid yet ineffective senior management team (as reflected in the underperformance and high corporate overhead), is a core business with both a highly motivated workforce and four valuable assets.

I believe the inherent value of these assets significantly exceeds ARTX's current stock price. For example, I believe that just one of these assets (the Training/Simulation division, which generated \$9.5 million of LTM EBITDA) alone is worth more than ARTX's entire current enterprise value. ARTX's remaining three assets have significant additional value as well:

- The Power Systems division which generated LTM revenue of \$43 million and could generate increased profitability next year,
- U.S. federal net operating losses (NOLs) of \$35 million and foreign NOLs of \$85 million, and
- Iron Flow, an early stage battery designed to provide storage for grid power.

I believe that significant shareholder value could be created by dramatically reducing corporate overhead. I believe much of this overhead is unnecessary, as evidenced by the atypical corporate structure, and yields a low (and perhaps negative) return on investment for shareholders. I feel shareholders would be far better served if the Company reduced corporate overhead and used this precious capital to either grow the business or buyback stock.



I believe ARTX's stock would appreciate if the Board adopted more shareholder friendly corporate governance policies. The Board is currently staggered and has a non-independent Chairman. In my experience, many investors avoid companies with these provisions because these provisions are often reflective of an entrenched Board that does not act in the best interests of shareholders.

Finally, considering ARTX's performance and the location of its customers, employees and shareholders, I believe significant shareholder value could be created by hiring, empowering and properly incentivizing a senior management team that lives in the U.S. These individuals must have the credibility, skill set and vision necessary to lead ARTX and fully maximize its potential.

### **The Board has not Adequately Protected Company Assets**

Rather than acting in shareholders' best interests, I believe the Board has wasted significant amounts of shareholders' money on a variety of things including:

- Excessive and ineffective compensation for executive officers, as the Company has continually underperformed;
- The April 2014 acquisition of UEC in which the company paid over \$35 million (a sum which approximates ARTX's current market capitalization) for an asset whose results to-date have disappointed, as noted below. ARTX's stock price was \$6.22 the day before the acquisition was announced. Since then the stock price has declined rapidly and consistently and is down 73% in aggregate.
- The Armour acquisitions in which the Company spent over \$20 million but suffered significant losses and ended up taking large write-offs and paying \$2.9 million to settle a Class Action Complaint regarding management's actions.

As a result of these and other actions, significant shareholder value has been destroyed and the Company's financial position has been weakened.

### **Need to Act Now**

While I had hoped to address the need I perceive for change to the Board without nominating my own directors, I found the Company was unwilling to engage in a timely manner to bring about this change. Believing that there is no time like the present to address the Company's significant underperformance, excessive payments to management and poor corporate governance, I acted now to bring about change. I hope the Board lets shareholders make a

determination on what direction the Company should go, and that the Company does not waste more of shareholders' precious money in resisting proposed change at the Board level.

In the near future, I will be publishing additional information regarding the Board and what I perceive to be the questionable qualifications of some of its members. In light of the prolonged underperformance and the other actions referenced in this letter, I wonder why anyone would have confidence that the Board will act in the best interests of stockholders.

I am happy to meet with the Board to discuss this letter and actions that the Company can take to increase shareholder value.

Sincerely,

/s/ Ephraim Fields

Ephraim Fields

**Exhibit A**

**Ephraim Field's Nominees**

**Ephraim Fields:**

Mr. Ephraim Fields is the founder of Echo Lake Capital, a value-oriented investment firm which invests in publicly traded U.S. equities. Prior to founding Echo Lake, Ephraim was the founder and portfolio manager of Clarus Capital, a value-oriented investment fund which invested primarily in small cap and microcap U.S. listed stocks. Earlier in his career Ephraim was an investment banker at Credit Suisse, Donaldson, Lufkin and Jenrette, and Wasserstein Perella. Ephraim has an MBA from the Wharton School at the University of Pennsylvania and a BSBA from Washington University in St. Louis. Ephraim has extensive experience in mergers and acquisitions, debt and equity capital markets, microcap stocks and private equity investing. Mr. Fields is the son of an Israeli mother and has spent significant time in Israel.

**Keith Rosenbloom:**

Mr. Keith Rosenbloom is the co-founder of Cruiser Capital Advisors, LLC, which acts as the investment advisor to pooled investment vehicles (the "Cruiser Portfolios") on a discretionary basis. He has managed the Cruiser Portfolios since inception. Mr. Rosenbloom has over 25 years of investing experience with an emphasis on applying traditional value oriented private equity techniques to public and private special situations. Prior to founding Cruiser Capital, Keith, co-founded and managed the CARE Capital Group, an investment company focused on investing in hedge funds and creating alternative investment opportunities, where he served as Portfolio Manager of the CARE Fund and CARE Market Neutral Fund. Prior to CARE Capital, Keith co-managed Comvest Venture Partners, a private equity and bridge loan fund, and served as Director of Merchant Banking for Commonwealth Associates. Keith also serves on a number of charitable boards including, Hillel International (Board of Governors), and Hatzalah (Israel's private EMT service). Keith acts as an advisor to two family offices on their alternative investment portfolios. Keith graduated cum laude from Yale University. Keith has extensive experience in corporate finance, mergers and acquisitions, and public market and private equity investing.

**Lawrence F. Hagenbuch:**

Mr. Lawrence Hagenbuch is currently the Chief Operating Officer and Chief Financial Officer for J. Hilburn, Inc., a custom clothier for men. The principal offices of J. Hilburn is located at located at 12700 Park Central Drive, Suite

2000, Dallas, TX 75251. Mr. Hagenbuch has been with J Hilburn since May 2010. Mr. Hagenbuch also serves on the board of directors of Remy International (NASDAQ REMY), since November 18, 2008, and currently serves on Remy International's audit and compensation committees. Mr. Hagenbuch has served in senior management positions for Suntx Capital partners, Alix Partners, GE / GE capital, and American National Can. Mr. Hagenbuch began his professional career in the United States Navy. Mr. Hagenbuch earned an undergraduate in engineering degree from Vanderbilt University and an MBA from the Wharton School of the University of Pennsylvania. Mr. Hagenbuch has extensive experience in supply chain, operational and profitability improvements, and through his background as a consultant and in senior management roles at various companies, he brings considerable experience in implementing lean manufacturing discipline and in creating innovative business and marketing strategies.