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# Hauppauge firm's largest shareholder seeks 'poison pill' rollback

Zeff Capital, which owns about 22.3 percent of TSR shares, is waging a proxy fight to force management to undo the shareholder rights measure and seat two dissident directors.



The largest shareholder of TSR Inc., an IT staffing company based in Hauppauge, is seeking to roll back a "poison pill" measure. Photo Credit: Steve Pfost

**By Ken Schachter**

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The largest shareholder of Hauppauge-based TSR Inc. is waging a proxy fight against incumbent management ahead of the Nov. 28 annual meeting.

Manhattan-based Zeff Capital LP issued a proxy on Oct. 17 that seeks to replace two incumbent directors with dissident candidates and roll back a shareholder rights measure announced Aug. 29.

Such measures, also known as "poison pills," sometimes are adopted by companies to dilute the holdings of unwanted suitors in efforts to fend off hostile acquisition attempts.

Zeff Capital's proxy also calls for an annual election for all seven board seats.

The proxy challenge by Zeff Capital, which controls about 22.3 percent of TSR common stock, is the latest move in a months-long struggle over control of the IT staffing company.

In a Sept. 19 letter to board member Raymond Roel, Zeff Capital described the poison pill as "onerous" and said that chief executive Christopher Hughes was "focused on lining his own pockets."

Christopher Hughes, who was named TSR CEO and chairman when his father, Joseph Hughes, retired from those posts in July 2017, said Monday he would have "no comment right now."

In June 2018, Joseph Hughes and his wife, Winifred Hughes, sent a letter to TSR's board calling for the company to be sold. The following month they sold their 41.8 percent stake to Zeff Capital and two other institutional investors.

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"Family companies are great--while they work," said Christine Malafi, a partner at Ronkonkoma-based Campolo, Middleton & McCormick LLP. "It's family, which doubles the emotions."

Zeff Capital and the other two investors, QAR Industries Inc., based in Mineral Wells, Texas, and Fintech Consulting LLC, based in Iselin, New Jersey, together now own about 48 percent of the common stock, according to Bloomberg.

When asked Monday about the proxy battle, Daniel Zeff, president of Zeff Capital, said, "I can't comment at this time."

Shares of TSR rose 4.5 percent Monday to close at \$5.85. Twelve months ago, the stock was trading at \$4.95.

To defend its decision to adopt a poison pill, management should communicate its strategic plans to stockholders, "if nothing more than to shed light on its opposition to Zeff," said Greg Stoller, a partner at Lake Success-based law firm Abrams, Fensterman.

Malafi said proxy fights "are expensive" as costs for legal advice and soliciting proxies from shareholders can mount.

In the quarter ended Aug. 31, TSR reported net income of \$37,795 on revenue of \$16.6 million. That was down from net income of \$141,089 on revenue of \$17 million in the year-earlier period.

TSR, founded in 1969, has offices in Hauppauge, Manhattan, and Edison, New Jersey. It provides IT staffing services to the utility, insurance, publishing, pharmaceutical and financial services industries.



Post.

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Ken Schachter covers corporate news, including technology and aerospace, and other business topics for Newsday. He has also worked at The Miami Herald and The Jerusalem

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