HALIFAX CORP OF VIRGINIA
Form PRER14A
January 29, 2010

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934 (Amendment No. 1)

Filed by the Registrant þ
Filed by a Party other than the Registrant o
Check the appropriate box:
þ Preliminary Proxy Statement
o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
o Definitive Proxy Statement
o Definitive Additional Materials
o Soliciting Material Pursuant to §240.14a-12

Halifax Corporation of Virginia

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):
o No fee required.
þ 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:

Common Stock, par value $.24 per share

(2) Aggregate number of securities to which transaction applies:

3,175,206 shares of common stock outstanding as of January 19, 2010

24,000 shares of underlying options outstanding as of January 19, 2010

(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):

The filing fee was determined by adding (1) the product of 3,175,206 shares of common stock and the merger consideration of $1.20 in cash per share of common stock (which product is equal to $3,810,247), plus (2) the difference between $1.20 and the exercise price of each of the 24,000 shares of common stock subject to options to purchase shares of common stock at an exercise price less than $1.20 per share (which in the aggregate is equal to $17,040)

(4) Proposed maximum aggregate value of transaction:

$3,827,287

(5) Total fee paid:

$273

þ Fee paid previously with preliminary materials:

o 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:

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REVISED PRELIMINARY PROXY STATEMENT, SUBJECT TO COMPLETION
DATED JANUARY 29, 2010
HALIFAX CORPORATION OF VIRGINIA
5250 Cherokee Avenue
Alexandria, Virginia 22312

ANNUAL MEETING OF SHAREHOLDERS

Dear Shareholder:

You are cordially invited to attend the Annual Meeting of shareholders of Halifax Corporation of Virginia (Halifax, we, or the Company) to be held at 5250 Cherokee Avenue, Alexandria, Virginia 22312, on Tuesday, March 2, 2010, at 10:00 a.m. local time. The Board of Directors has fixed the close of business on January 25, 2010 as the record date for the purpose of determining the shareholders entitled to receive notice of and vote at the annual meeting and any adjournment or postponement of the annual meeting.

At the annual meeting, you will be asked to consider and vote upon a proposal to approve the Agreement and Plan of Merger by and among Global Iron Holdings, LLC, a Delaware limited liability company, Global Iron Acquisition, LLC, a Delaware limited liability company and Halifax, dated January 6, 2010 and the transactions contemplated thereby, as the same may be amended from time to time. If the merger is completed, the Company s shareholders will have the right to receive, for each share of the Company s common stock they hold at the time of the merger, $1.20 in cash.

After careful consideration, the Halifax Board of Directors has determined that the merger agreement and the proposed merger are in the best interests of the shareholders of the Company and has therefore approved the merger agreement and the transactions contemplated thereby, including the merger. Accordingly, the Halifax Board of Directors recommends that you vote FOR approval of the merger agreement and the transactions contemplated thereby.

In addition, you are being asked at the annual meeting to elect seven (7) directors, each for a one (1) year term, until his successor is duly elected and qualified. The Halifax Board of Directors unanimously recommends (with each nominee abstaining with respect to his election) that you vote FOR the election of each nominee for director as proposed. The accompanying notice of annual meeting and proxy statement provide information regarding the matters to be acted on at the annual meeting, including any adjournment or postponement of the annual meeting. Please read these materials carefully.

YOUR VOTE IS VERY IMPORTANT, regardless of the number of shares you own. Once you have read the accompanying materials, please take the time to vote on the matters submitted to shareholders at the annual meeting, whether or not you plan to attend the annual meeting. I urge you to vote your shares promptly by using the Internet or by signing and

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returning a proxy card. Voting by proxy will not prevent you from voting your Halifax shares in person if you subsequently choose to attend the annual meeting in person. Your vote in person will revoke any proxy previously submitted.

If your shares are held in street name by your bank, brokerage firm or other nominee, your bank, brokerage firm or other nominee will be unable to vote your shares on the merger proposal without instructions from you. You should instruct your bank, brokerage firm or other nominee to vote your shares by following the procedures provided by your bank, brokerage firm or other nominee.

Thank you for your support of Halifax Corporation of Virginia.

Sincerely,

/s/ Charles L. McNew
Charles L. McNew
President and Chief Executive Officer

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REVISED PRELIMINARY PROXY STATEMENT, SUBJECT TO COMPLETION
DATED JANUARY 29, 2010
HALIFAX CORPORATION OF VIRGINIA
NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD MARCH 2, 2010

To the Shareholders of Halifax Corporation of Virginia:

NOTICE IS HEREBY GIVEN THAT our annual meeting of shareholders will be held at our executive offices located at 5250 Cherokee Avenue, Alexandria, VA 22312 on March 2, 2010, at 10:00 a.m., local time.

We are holding the annual meeting for the following purposes:

1. To consider and vote on a proposal to approve the Agreement and Plan of Merger by and among Global Iron Holdings, LLC, a Delaware limited liability company, Global Iron Acquisition, LLC, a Delaware limited liability company and Halifax Corporation of Virginia, dated January 6, 2010 and the transactions contemplated thereby, as the same may be amended from time to time (the Merger Proposal);

2. To elect seven (7) directors, each for a one (1) year term, until his successor is duly elected and qualified;

3. To consider and vote on a proposal to adjourn the annual meeting, if necessary or appropriate to solicit additional proxies, if there are insufficient votes at the time of the meeting to achieve a quorum or approve the Merger Proposal; and

4. The transaction of such other business as may properly come before the annual meeting or any postponement or adjournment thereof.

Our Board of Directors is not aware of any other matters to be brought before the annual meeting.

Under Virginia law, shareholders have the right to assert appraisal rights with respect to the merger and demand in writing that we pay the fair value of your shares of our common stock. In order to exercise and perfect appraisal rights, generally you must:

not vote any of the shares of our common stock owned by you in favor of the Merger Proposal;

deliver written notice of your intent to demand payment for your shares to us before the vote is taken on the Merger Proposal at the annual meeting;

complete, sign and return the form to be sent to you pursuant to Section 13.1-734 of the Virginia Stock Corporation Act; and

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if you hold certificated shares, deposit your shares of our common stock certificates in accordance with the instructions in such form.

A copy of the applicable Virginia statutory provisions is included in the joint proxy statement as Annex C, and a more detailed description of the procedures to demand and perfect appraisal rights is included in the section entitled Proposal I Approval of the Merger and Related Matters Rights of Appraisal or Dissenter s Rights.

The accompanying proxy statement further describes the matters to be considered at the annual meeting. A copy of the Agreement and Plan of Merger has been included as Annex A to the accompanying proxy statement.

A copy of our 2009 Annual Report to Shareholders and quarterly report on Form 10-Q for the quarter ended September 30, 2009, which is not part of the proxy soliciting materials, is also enclosed.

Our Board of Directors has fixed the close of business on January 25, 2010, as the record date for the determination of shareholders entitled to vote at the Annual Meeting. Only shareholders of record at the close of business on that date will be entitled to notice of, and to vote at, the Annual Meeting or any postponement or adjournment thereof.

Your vote is important, regardless of the number of shares of our common stock you own. Approval of the merger agreement requires the affirmative vote of two-thirds of the votes entitled to be cast by our shareholders. The election of directors will be determined by a plurality of the votes cast by our shareholders present in person or by proxy at the annual meeting who are entitled to vote. Even if you plan to attend the annual meeting in person, you are encouraged to vote your shares by using the Internet or complete, sign, date and return the enclosed proxy card according to the instructions on the enclosed proxy card, to ensure that your shares will be represented at the annual meeting. If you do attend the annual meeting and wish to vote in person, your vote in person will revoke any proxy previously submitted.

If you provide your proxy without indicating how you wish to vote, your proxy will be voted in favor of the approval of the Merger Proposal, in favor of each nominee for director, in favor of the adjournment proposal and in accordance with the recommendation of the Halifax Board of Directors on any other matters properly brought before the annual meeting for a shareholder vote.

Attendance at the annual meeting is limited to shareholders. If you hold shares in street name (that is, through a bank, broker or other nominee) and would like to attend the special meeting, you will need to bring an account statement or other acceptable evidence of ownership of the Company s common stock as of the close of business on January 25, 2010, the record date. In addition, if you would like to attend the special meeting and vote in person, in order to vote, you must contact the person in whose name your shares are registered, obtain a proxy from that person and bring it to the special meeting. The use of cell phones, PDAs, pagers, recording and photographic equipment, camera phones and/or computers is not permitted in the meeting rooms at the annual meeting.

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If you have any questions about the Merger Proposal or require assistance in submitting your proxy, please contact Regan & Associates, Inc., the firm assisting us in the solicitation of proxies, toll-free at (800) 737-3426. Banks and brokerage firms can call collect at (212) 587-3005.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON MARCH 2, 2010.

Our proxy statement is attached. Financial and other information concerning the Company is contained in our Annual Report to Shareholders for the fiscal year ended March 31, 2009 and quarterly report for the quarter ended September 30, 2009. Under rules issued by the Securities and Exchange Commission, we are providing access to our proxy materials both by sending you this full set of proxy materials, including a proxy card, and by notifying you of the availability of our proxy materials on the Internet. The Proxy Statement and our 2009 Annual Report to Shareholders (including the Annual Report on Form 10-K) and quarterly report on Form 10-Q for the quarter ended September 30, 2009 are available at www.amstock.com/ProxyServices/ViewMaterial.asp?CoNumber=07821.

By Order of the Board of Directors

/s/ Ernest L. Ruffner
Ernest L. Ruffner
Secretary

Alexandria, Virginia
_____, 2010

The proxy statement and the accompanying proxy card will first be sent or given to shareholders on or about _____, 2010.

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SUMMARY MERGER TERM SHEET

The following summary, together with Questions and Answers About the Annual Meeting of Shareholders highlights selected information contained in this proxy statement. It may not contain all of the information that may be important in your consideration of the proposals. Accordingly, we encourage you to read carefully this entire proxy statement, its annexes and the documents referred to or incorporated by reference in this proxy statement. Each item in this Summary Merger Term Sheet includes a page reference directing you to a more complete description of that item.

The Parties to the Merger (Page 30)

The Company

Halifax Corporation of Virginia
5250 Cherokee Ave.
Alexandria, VA 22312
(703) 750-2202

Founded in 1967, Halifax Corporation of Virginia, a Virginia Corporation (the Company, Halifax, we, us or ou provides a comprehensive range of enterprise maintenance services and solutions to a broad base of clients throughout the United States. We provide 7x24x365 technology solutions that can meet stringent enterprise service requirements. The Company is a nation-wide, high-availability, multi-vendor enterprise maintenance services and solutions provider for enterprises, including businesses, global service providers, governmental agencies and other organizations. The Company is headquartered in Alexandria, Virginia with additional facilities in Richmond, Virginia, Harrisburg, Pennsylvania, Trenton, New Jersey, Charleston, South Carolina and Kent, Washington.

Parent

Global Iron Holdings, LLC
c/o Global Equity Capital, LLC
6260 Lookout Road
Boulder, CO 80301
(303) 531-1000

Global Iron Holdings, LLC is a Delaware limited liability company (Parent) that was formed for the purpose of acquiring Halifax and similar IT services businesses and has not engaged in any business except for activities incidental to its formation, exploration of possible transactions and as contemplated by the Merger Agreement.

Parent is, and upon the consummation of the Merger will be, owned by affiliates of the private equity firm, Global Equity Capital, LLC, which is the entity organizing equity and other financing for the Merger.

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Merger Sub
Global Iron Acquisition, LLC
c/o Global Equity Capital, LLC
6260 Lookout Road
Boulder, CO 80301
(303) 531-1000

Global Iron Acquisition, LLC is a Delaware limited liability company (Merger Sub) that was organized solely for the purpose of acquiring Halifax. Merger Sub is a wholly-owned subsidiary of Parent and has not engaged in any business except for activities incidental to its formation and as contemplated by the Merger Agreement. Upon consummation of the proposed Merger, Halifax will merge with and into Merger Sub and Merger Sub will continue as the Surviving Entity (as defined below). It is expected that Merger Sub will be renamed Halifax Technology LLC. after the consummation of the Merger.

The Merger (Page 30)

The Agreement and Plan of Merger, dated as of January 6, 2010, by and among Parent, Merger Sub and the Company, as it may be amended from time to time (the Merger Agreement), provides that the Company will merge with and into Merger Sub (the Merger) with Merger Sub continuing as the surviving Company (the Surviving Entity). In the Merger, each share of common stock, par value $.24 per share, of the Company, issued and outstanding immediately prior to the effective time of the Merger (other than shares as to which appraisal rights are properly asserted under Virginia law and shares owned by the Company, Merger Sub, Parent or any affiliate of Parent) will be converted into the right to receive a cash amount of $1.20 (the Merger Consideration).

Effects of the Merger (Page 31)

If the Merger is completed, you will be entitled to receive $1.20 in cash for each share of the Company s common stock owned by you. As a result of the Merger, the Company will be merged with and into Merger Sub, a wholly owned subsidiary of Parent. You will not own any shares of the Surviving Entity.

Treatment of Outstanding Options (Page 31)

Upon consummation of the Merger, each outstanding in-the-money option to purchase the Company s common stock will be converted into the right to receive a cash amount equal to the excess, if any, of the Merger Consideration over the exercise price per share for each share subject to the option, less any applicable withholding taxes. In-the-money options are options that have an exercise price per share less than $1.20 per share. Each outstanding out-of-the-money option immediately prior to consummation of the Merger will be cancelled without consideration.

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Interests of Certain Persons in the Merger (Page 27)

In considering the recommendation of the Company s Board of Directors, you should be aware that some members of our management and Board of Directors have interests in the Merger that are different from, or in addition to, your interests as a shareholder generally, and that may present actual or potential conflicts of interest. These interests may include rights of the executive officers under severance agreements and rights to continued indemnification and directors and officers liability insurance to be provided to current and former directors and officers for acts or omissions occurring prior to the Merger. It is currently contemplated that the Company s officers will retain their existing positions in the Surviving Entity. The special committee and the Board of Directors considered these interests, among other matters, in approving the Merger.

Required Vote of Merger (Page 30)

Under Virginia law, the affirmative vote of shareholders representing at least two-thirds of the votes entitled to be cast by shareholders at the annual meeting is required to approve the Merger Proposal (as defined under Questions and Answers about the Annual Meeting of Shareholders Q: What matters will be voted on at the annual meeting? if a quorum is present. Abstentions and broker non-votes will not count as votes cast. **Because, however, approval of the Merger Proposal requires the affirmative vote of at least two-thirds of the shares of the Company s common stock outstanding on the Record Date, abstentions and broker non-votes will have the same effect as votes against the Merger Proposal.**

Our directors, executive officers and certain significant shareholders, which in the aggregate hold approximately 31.1% of the Company s outstanding shares of common stock, have agreed to vote such shares in favor of the Merger. See Proposal 1 - Approval of the Merger and Related Matters - The Voting Agreement.

Approval of any motion to adjourn or postpone the annual meeting to permit further solicitation of proxies to achieve a quorum or approval of the Merger Proposal requires that the votes cast for the proposal exceed the votes cast against the proposal, whether or not a quorum is present. Abstentions and broker non-votes will not count as votes cast for this purpose and will have no effect for purposes of determining whether a proposal to adjourn or postpone the annual meeting is approved.

Rights of Appraisal or Dissenters Rights (Page 43)

Under the Virginia Stock Corporation Act, shareholders who follow the procedures set forth in Article 15 of the Virginia Stock Corporation Act will be entitled to appraisal rights and to receive payment of the fair value of their shares of the Company s common stock. Any shareholder who wishes to exercise appraisal rights should review the discussion in Proposal I Approval of the Merger and Related Matters Rights of Appraisal or Dissenter s Rights and Annex C carefully because failure to comply in a timely and proper manner with the procedures specified may result in the loss of appraisal rights under the Virginia Stock Corporation Act.

A vote in favor of the Merger Proposal by a shareholder will result in a waiver of such shareholder s appraisal rights.

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Share Ownership of Directors and Executive Officers (Page 30)

As of the record date, executive officers and directors beneficially owned approximately 5.8% of the Company s common stock (exclusive of outstanding options).

Recommendation of the Company s Board of Directors (Page 19)

The Company s Board of Directors unanimously recommends that you vote FOR approval of the Merger Proposal and FOR the Adjournment Proposal if necessary or appropriate to solicit additional proxies, if there are not sufficient votes in favor of approval of the Merger Proposal. For a discussion of the material factors considered by the Company s Board of Directors in reaching its conclusions, see Proposal I Approval of the Merger and Related Matters Reasons for the Merger; Recommendation of the Board of Directors beginning on page 19.

Opinion of Woodward Group (Page 21 and Annex B)

The Woodward Group, Ltd (Woodward Group) delivered a written opinion, dated January 5, 2010, to the Company s Board of Directors that, as of December 28, 2009 and based upon the assumptions and limitations set forth therein, the Merger Consideration to be offered in the Merger to the holders of the Company s common stock (other than shares as to which appraisal rights are properly asserted under Virginia law and shares owned by the Company, Merger Sub, Parent or any affiliate of Parent) was fair from a financial point of view to such holders.

The full text of the written opinion of Woodward Group, dated January 5, 2010, is attached as Annex B to this proxy statement. The written opinion of Woodward Group sets forth, among other things, the assumptions made, procedures followed, matters considered and limitations on the reviews undertaken in connection with rendering the opinion. Woodward Group provided its opinion for information and assistance to the Company s Board of Directors in connection with its consideration of the Merger. The Woodward Group opinion is not a recommendation as to how any holder of the Company s common stock should vote with respect to the Merger.

When will the Merger be Completed (Page 42)

Subject to adoption of the Merger Agreement by the Company s shareholders and the satisfaction of the other closing conditions set forth in the Merger Agreement, the Company anticipates completing the Merger during the fourth quarter of the fiscal year ending March 31, 2010.

Conditions to the Merger (Page 36)

The obligations of the Company, Parent and Merger Sub to complete the merger depend on a number of conditions being met. These conditions include, without limitation:

approval of the Merger Proposal by the Company s shareholders;

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holders of not more than 5% of the issued and outstanding shares of the Company s common stock entitled to vote at the annual meeting of shareholders have not properly made or withdrawn a demand for appraisal;

holders of the Company s 8% promissory notes due July 1, 2010 entered into an agreement with Parent and Merger Sub to exchange at the effective time of the Merger all of the Company s 8% promissory notes for notes issued by Surviving Company (At September 30, 2009, such notes had an aggregate principal amount of $1.0 million and accrued interest of $322,000); and

the voting agreement (discussed below) has not been amended, modified or terminated.

Where the law permits, the parties to the Merger Agreement could choose to waive a condition to its obligation to complete the Merger, although that condition has not been satisfied. We cannot be certain when, or if, the conditions to the Merger will be satisfied or waived, or that the Merger will be completed.

No Solicitation of Other Offers (Page 35)

The Company may not directly or indirectly, (a) solicit, initiate or encourage the submission of any Acquisition Proposal (as defined under Proposal I Approval of the Merger and Related Matters-Conduct Pending the Merger-No Solicitation of Other Offers) or (b) participate in any discussions or negotiations regarding, or furnish to any person any information with respect to, or agree to or endorse, or take any other action to facilitate any acquisition proposal or any inquiries or the making of any proposal that constitutes, or may reasonably be expected to lead to, any Acquisition Proposal. The Merger Agreement does, however, permit the Company s Board of Directors to take the above described actions in connection with a bona fide Acquisition Proposal that is or would reasonably be expected to result in a Superior Proposal (as defined under Proposal I Approval of the Merger and Related Matters-The Merger Agreement Conduct Pending the Merger-No Solicitation of Other Offers).

Termination of the Merger Agreement (Page 38)

The Merger Agreement may be terminated before consummation under a number of specified circumstances. The Merger Agreement may generally be terminated at any time before the effective time of the Merger in any of the following ways, among others:

by mutual written consent of the Company, Parent and Merger Sub;

by either the Company or Parent if:

a governmental entity issues a final, non-appealable order or takes action that permanently restrains, enjoins or otherwise prohibits the payment for shares pursuant to the Merger provided that the party terminating the Merger Agreement used its commercially reasonable efforts to remove or lift such order or action;

the Merger is not consummated on or before July 5, 2010 provided the terminating party was not the principal cause of the resulted event and the

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action or failure to act did not constitute a material breach of the Merger Agreement; or

the Company s shareholders did not approve the Merger Proposal provided the terminating party was not the principal cause of the resulted event and the action or failure to act did not constitute a material breach of the Merger Agreement.

by the Company if:

the Company s Board of Directors approves the Company entering into an agreement constituting a Superior Proposal provided, certain conditions are met; or

any of Parent s or Merger Sub s representations and warranties are not true and correct, or Parent failed to perform its covenants or other agreements contained in the Merger Agreement and such breach or failure is not cured in all material respects within ten (10) business days following receipt of written notice from the Company of such breach; and

By Parent, if

the Company s Board of Directors withdraws, modifies or changes its recommendation to the Company s shareholders of the Merger Agreement or takes action to recommend to the Company s shareholders an Acquisition Proposal;

the Company s Board of Directors approves or recommends a Superior Proposal;

the Merger Agreement is not approved and adopted by the Company s shareholders at least three business days prior to July 5, 2010; or

any of the Company s representations and warranties are not true and correct, or the Company fails to perform its covenants or other agreements contained in the Merger Agreement and such breach or failure is not cured in all material respects within ten (10) business days following receipt of written notice from Parent of such breach.

Termination Fees and Expenses (Page 40)

Upon termination of the Merger Agreement under specified circumstances, including failure to obtain the requisite shareholder vote in favor of the Merger, failure to timely hold a shareholder meeting or the Company accepting a Superior Proposal, the Company is required to pay Parent a termination fee of $240,000 and up to $200,000 of the reasonable expenses incurred by Parent in connection with the transactions contemplated by the Merger Agreement.

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Upon termination of the Merger Agreement by the Company due to Parent s or Merger Sub s representations and warranties not being correct or Parent s or Merger Sub s failure to perform covenants contained in the Merger Agreement where such failure was not cured in all material respects within ten business days following receipt of written notice of such breach by the Company, Parent is required to pay the Company up to $120,000 of the reasonable expenses incurred by Parent in connection with the transactions contemplated by the Merger Agreement.

Specific Performance (Page 41)

The Company, Parent and Merger Sub are each entitled to seek an injunction to prevent breaches of the Merger Agreement and to enforce specifically the terms and provisions of the Merger Agreement, in addition to any other legal or equitable remedy to which they are entitled.

Financing (Page 42)

Parent and Merger Sub estimate that the total amount of funds necessary to consummate the Merger, refinance certain indebtedness and pay fees and expenses (including Company expenses) associated with the Merger and related transactions will be approximately $6.2 million, which Parent and Merger Sub expect will be funded by equity and debt financing arranged by Global Equity Capital, LLC. In addition, the Company s $1.0 million in subordinated notes will remain outstanding. Notwithstanding the financing arrangements that Parent has in place, the consummation of the Merger is not subject to any financing conditions.

As of the date of this proxy statement, we have been advised by Parent and Merger Sub that they are not relying on third party debt financing to consummate the Merger. In the event no third party financing is available, or is not available on commercially reasonable terms, Parent will have at closing, subject to the satisfaction of all closing conditions set forth in the Merger Agreement, equity and other funding commitments from investors and their affiliates in an amount required to pay in full the Merger Consideration, retire any indebtedness accelerated as a result of the Merger, and to pay all Company expenses.

The Voting Agreement (Page 42)

All of the Company s directors and executive officers and certain significant shareholders have entered into a voting agreement pursuant to which they agreed to, among other things, (i) vote all shares of the Company s common stock they own in favor of the adoption of the Merger Agreement and approval of the Merger at the annual meeting and (ii) not offer or agree to, sell, transfer, tender, assign, hypothecate or otherwise dispose of their shares, or create or permit to exist any security interest, lien, claim, pledge, option, right of first refusal, agreement, limitation on their voting rights, charge or other encumbrance of any nature whatsoever with respect to their shares of the Company s common stock during the term of the voting agreement. The voting agreement covers approximately 31.1% of the Company s outstanding shares of common stock.

Material United States Federal Income Tax Consequences (Page 27)

The exchange of shares of the Company s common stock for cash in the Merger by a U.S. person will be a taxable transaction for U.S. federal income tax purposes. In general, for U.S. federal income tax purposes, a shareholder will recognize capital gain or loss equal to the

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difference, if any, between the amount of cash received with respect to the shares of the Company s common stock exchanged and the shareholder s adjusted tax basis in such shares. Shareholders should consult their tax advisors to determine the particular tax consequences to them (including the application and effect of any state, local or foreign income and other tax laws) of the Merger.

QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING OF SHAREHOLDERS

The following questions and answers address briefly some questions you may have regarding the annual meeting and the transactions. These questions and answers may not address all questions that may be important to you. Please refer to the more detailed information contained elsewhere in this proxy statement, the annexes to this proxy statement and the documents referred to or incorporated by reference in this proxy statement.

Q: When and where is the annual meeting?

A: The annual meeting of shareholders will be held on March 2, 2010, at 10:00 a.m., local time, at the Company s executive offices located at 5250 Cherokee Avenue, Alexandria, VA 22312. The approximate date on which this proxy statement and the accompanying proxy card will first be sent or given to shareholders is _____, 2010.

Q: What matters will be voted on at the annual meeting?

A: The enclosed proxy is being solicited on behalf of our Board of Directors for use in voting at the Annual Meeting, including any postponements or adjournments thereof. You will be asked to consider and vote on the following proposals:

To consider and vote on a proposal to approve the Agreement and Plan of Merger by and among Parent, Merger Sub and the Company, dated January 6, 2010, and the transactions contemplated thereby, as the same may be amended from time to time (the Merger Proposal);

To elect seven (7) directors, each for a one (1) year term, until his successor is duly elected and qualified; and

To consider and vote on a proposal to adjourn the annual meeting, if necessary or appropriate to solicit additional proxies, if there are insufficient votes at the time of the meeting to achieve a quorum or to approve the Merger Proposal (the Adjournment Proposal).

Our Board of Directors is not aware of any other matter to be brought before the annual meeting.

Q: How does the Board of Directors recommend that I vote on the proposals?

A: The Company s Board of Directors unanimously recommends that you vote FOR the approval of the Merger Proposal, FOR all of the nominees for director and FOR the

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Adjournment Proposal, if necessary or appropriate to solicit additional proxies, if there are not sufficient votes in favor of approval of the Merger Proposal.

Q: Who is entitled to attend and vote at the annual meeting?

A: The record date for the annual meeting is January 25, 2010. Only holders of shares of our common stock, par value $0.24 per share, as of the close of business on the record date are entitled to notice of, and to vote at, the annual meeting or any adjournment or postponement of the annual meeting. As of the record date, there were 3,175,206 shares of our common stock outstanding.

If you want to attend the annual meeting and your shares are held in an account at a brokerage firm, bank or other nominee, you must bring to the annual meeting a proxy from the record holder (your broker, bank or nominee) of the shares authorizing you to vote at the annual meeting.

Q: What constitutes a quorum for the annual meeting?

A: In order for a quorum to be present at the annual meeting, one-third (1/3) of the common stock issued and outstanding at the close of business on the record date entitled to vote at the annual meeting must be present in person or represented by proxy at the annual meeting. All such shares that are present in person or represented by proxy at the annual meeting will be counted in determining whether a quorum is present, including abstentions and broker non-votes.

Broker non-votes (i.e., when a nominee holding shares of common stock cannot vote on a particular proposal because the nominee does not have discretionary voting power with respect to that proposal and has not received voting instructions from the beneficial owner) are counted in determining whether a quorum is present. Abstentions and shares held of record by a broker or nominee that are voted on any matter are counted in determining whether a quorum is present.

Q: What vote is required to approve the Merger and Adjournment Proposal?

A: Under Virginia law, the affirmative vote of shareholders representing at least **two-thirds** of the votes entitled to be cast by shareholders at the annual meeting is required to approve the Merger Proposal if a quorum is present. Abstentions and broker non-votes will not count as votes cast. **Because, however, approval of the Merger Proposal requires the affirmative vote of at least two-thirds of the shares of the Company s common stock outstanding on the Record Date, abstentions and broker non-votes will have the same effect as votes against the Merger Proposal.**

Our directors, executive officers and certain significant shareholders, which in the aggregate hold approximately 31.1% of the Company s outstanding shares of common stock, have agreed to vote such shares in favor of the Merger. See Proposal 1 - Approval of the Merger and Related Matters - The Voting Agreement.

Approval of any motion to adjourn or postpone the annual meeting to permit further solicitation of proxies to achieve a quorum or approval of the Merger Proposal requires that the votes cast for the proposal exceed the votes cast against the proposal, whether or not a quorum is present. Abstentions and broker non-votes will not count as votes cast for this purpose and will have no effect for purposes of determining whether a proposal to adjourn or postpone the annual meeting is approved.

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Q: What vote is required for the election of directors?

A: Directors are elected by a plurality of the votes cast by shareholders present in person or by proxy at the annual meeting who are entitled to vote if a quorum is present. Accordingly, the seven nominees receiving the most FOR votes will be elected.

Q: How many votes do I have?

A: You have one vote for each share of our common stock you own as of the record date per proposal.

Q: How do I vote?

A: In order to vote your shares, you may attend the Annual Meeting and vote in person or you may vote by proxy.

You may vote by proxy by either (i) via the Internet at: www.voteproxy.com (using the 12-digit number included on your proxy card or notice of annual meeting) or (ii) completing and signing the enclosed proxy card and returning the card in the postage-paid envelope the Company has provided you. The deadline for voting by Internet is 11:59 p.m. (EST) on March 1, 2010 (the day before the annual meeting). If you receive more than one control number, in order for all of your shares to be voted, you must vote using all control numbers you receive.

Please review the voting instructions on the proxy card and read the entire text of each proposal prior to voting. If you submit a proxy and do not indicate how you want to vote, your proxy will be counted as a vote for approval of the Merger Proposal, for all of the director nominees and for the Adjournment Proposal, if necessary or appropriate to solicit additional proxies, if there are not sufficient votes in favor of approval of the Merger Proposal, and in accordance with the recommendation of our board of directors on any other matters properly brought before the annual meeting for a shareholder vote.

If your shares are held by your brokerage firm, bank or other nominee, see If my shares are held by my brokerage firm, bank or other nominee, how do I vote my shares? below.

Q: Can I change my vote?

A: Yes. You can change your vote at any time before your proxy is voted at the Annual Meeting. If you are a stockholder of record, you may revoke your proxy by:

properly submitting a later-dated proxy by Internet or mail;

send a written notice stating that you would like to revoke your proxy to Corporate Secretary, 5250 Cherokee Avenue, Alexandria, VA 22312; or

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attending the Annual Meeting and voting in person. Your attendance alone will not revoke your proxy. You must also vote in person at the Annual Meeting.

The last vote received chronologically will supersede any prior vote. The deadline for voting by Internet is 11:59 p.m. (EST) on March 1, 2010 (the day before the annual meeting).

If you hold your shares in street name, you must contact your broker, bank or other nominee regarding how to change your vote.

Q: If my shares are held by my brokerage firm, bank or other nominee, how do I vote my shares?

A: If your shares are held in a stock brokerage account or by another nominee, such as a bank or trust, then the brokerage firm or other nominee is considered to be the shareholder of record with respect to those shares. However, you still are considered to be the beneficial owner of those shares, with your shares being held in street name. Street name holders generally cannot vote their shares directly and must instead instruct the brokerage firm, bank, trust or other nominee how to vote their shares. Your brokerage firm, bank or other nominee will only be permitted to vote your shares for you only if you instruct them how to vote. Therefore, it is important that you promptly follow the directions provided by your brokerage firm regarding how to instruct them to vote your shares.

In addition, because any shares you may hold in street name will be deemed to be held by a different shareholder than any shares you hold of record, shares held in street name will not be combined for voting purposes with shares you hold of record. To be sure your shares are voted, you should instruct your brokerage firm, bank or other nominee to vote your shares. Similarly, if you own shares in various registered forms, such as jointly with your spouse, as trustee of a trust or as custodian for a minor, you will receive, and will need to sign and return, a separate proxy card for those shares because they are held in a different form of record ownership. Shares held by a corporation or business entity must be voted by an authorized officer of the entity.

Q: What if I fail to instruct my brokerage firm, bank or other nominee how to vote?

A: Without instructions, your bank, brokerage firm or other nominee will not vote any of your shares held in street name on any of the proposals. For your shares to be voted, you must instruct your bank, broker or other nominee to vote your shares. When a nominee holding shares for a beneficial owner does not vote on a particular proposal because the nominee has not received instructions from the beneficial owner, this is called a broker non-vote.

Q: What does it mean if I receive more than one proxy?

A: If you receive more than one proxy, it means that you hold shares that are registered in more than one account. To ensure that all of your shares are voted, you will need to sign and return each proxy you receive.

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Q: What happens if I do not vote or abstain from voting?

A: Abstentions and broker non-votes will have the same legal effect as a vote against the Merger Proposal. Abstentions and broker non-votes are not counted as votes cast in the election of directors or with respect to the Adjournment Proposal. Accordingly, abstentions and broker non-votes will not have an effect on whether a director is elected or the Adjournment Proposal is approved.

Q: What will a Halifax shareholder receive when the Merger occurs?

A: If the Merger is completed, you will receive $1.20 in cash for each share of the Company s common stock that you own immediately prior to the effective time of the Merger, unless you exercise and perfect your appraisal rights under Virginia law.

Q: What do I need to do now?

A: After you carefully read this proxy statement in its entirety, consider how the Merger affects you and then vote or provide voting instructions as described in this proxy statement.

Q: Should I send my stock certificates now?

A: No. After the Merger is completed, you will be sent a letter of transmittal with detailed written instructions for exchanging your shares of the Company s common stock for Merger Consideration. If your shares are held in street name by your brokerage firm, bank or other nominee you will receive instructions from your brokerage firm, bank or other nominee as to how to effect the surrender of your street name shares in exchange for the Merger Consideration. **Please do not send your certificates now.**

Q: Do I have dissenter or appraisal rights?

A: Yes. If you have **not** voted in favor of the Merger Proposal and have demanded appraisal for your shares in accordance with the Virginia Stock Corporation Act, your shares will not be converted into a right to receive the Merger Consideration. Instead, you will have only the rights given to dissenting shareholders pursuant to Article 15 of the Virginia Stock Corporation Act, unless you later fail to perfect your right to appraisal or otherwise withdraw or lose your right to appraisal. If you fail to perfect, withdraw or otherwise lose your right to appraisal, your shares will be treated as if they had converted into the right to receive the Merger Consideration that you are entitled to receive under the Merger Agreement. You are urged to consult Article 15 of the Virginia Stock Corporation Act, which is reprinted in its entirety as Annex C to this proxy statement.

Q: What will happen to our Board of Directors if the Merger is completed?

A: If the Merger is completed, the directors elected at the annual meeting will resign.

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Q: Who will bear the costs of proxy solicitation?

A: We will bear the cost of preparing, assembling and mailing the notice, proxy statement and proxy card and miscellaneous costs with respect to the same. We may, in addition, use the services of our officers, directors and employees to solicit proxies personally or by telephone and telegraph, but at no additional salary or compensation. We intend to request banks, brokerage houses and other custodians, nominees and fiduciaries to forward copies of the proxy materials to those persons for whom they hold shares and to request authority for the execution of proxies. We will reimburse them for reasonable out-of-pocket expenses incurred by them in so doing.

The Company has retained Regan & Associates, Inc. (Regan) to solicit proxies on the Board s behalf. We estimate that Regan will receive a fee of $7,500. Regan has advised the Company that approximately eight of its employees will be involved in the solicitation of proxies by Regan on our behalf.

As of the date of this proxy statement, we have spent approximately $28,000 in connection with this solicitation.

Q Who can answer further questions?

A: If you would like additional copies of this proxy statement or a new proxy card or if you have questions about the Merger Proposal, or require assistance in submitting your proxy, please contact Regan, the firm assisting us in the solicitation of proxies, toll-free at (800) 737-3426. Banks and brokerage firms can call collect at (212) 587-3005.

Q How can I obtain directions to the annual meeting?

A: Directions to the annual meeting are available by calling our executive offices at (703) 658-2400.

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CAUTIONARY STATEMENTS CONCERNING FORWARD LOOKING INFORMATION

This proxy statement contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that are subject to risks and uncertainties. The words believe, expect, target, goal, project, anticipate, predict, intend, plan, estimate, may, will, should, could and similar expressions and their intended to identify such statements. Forward-looking statements are not guarantees of future performance, anticipated trends or growth in businesses, or other characterizations of future events or circumstances and are to be interpreted only as of the date on which they are made. These forward-looking statements are subject to risks and uncertainties, including, among others, approval of the Merger by the Company s shareholders, the timing of the shareholders meeting, satisfaction of various other conditions to the closing of the Merger, termination of the Merger Agreement pursuant to its terms and risks faced by the Company described in the Company s Form 10-K for its fiscal year ended March 31, 2009. The Company undertakes no obligation to update or revise any forward-loo