R F INDUSTRIES LTD
Form 10-K
January 29, 2010

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K

FOR ANNUAL AND TRANSITION REPORTS
PURSUANT TO SECTIONS 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended October 31, 2009

or

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ______________ to ________________.

Commission File Number 0-13301

RF INDUSTRIES, LTD.
(Name of registrant as specified in its charter)

Nevada (State or other jurisdiction of incorporation or organization)	88-0168936 (I.R.S. Employer Identification No.)

7610 Miramar Road, Bldg. 6000, San Diego, California 92126-4202
(Address of principal executive offices) (Zip Code)
(858) 549-6340
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:
Common Stock, $.01 par value.

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well known seasoned issuer, as defined in Rule 405 of the Securities Act. ¨ Yes x No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. ¨ Yes x No

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. x Yes ¨ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ¨ Yes ¨ No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulations S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer ¨		Accelerated Filer	¨
Non-accelerated Filer ¨	(Do not check if a smaller reporting company)	Smaller reporting company	x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ¨ Yes x No

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter. $9,722,364.

On January 19, 2010, the Registrant had 2,850,928 outstanding shares of Common Stock, $.01 par value.

DOCUMENTS INCORPORATED BY REFERENCE

None.

Forward-Looking Statements:

Certain statements in this Annual Report on Form 10-K, and other oral and written statements made by the Company from time to time are “forward looking statements” within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, including those that discuss strategies, goals, outlook or other non-historical matters, or projected revenues, income, returns or other financial measures. In some cases forward-looking statements can be identified by terminology such as “may,” “will,” “should,” “except,” “plan,” “anticipate,” “believe,” “estimate,” “predict,” “po “continue,” the negative of such terms or other comparable terminology. These forward-looking statements are subject to numerous risks and uncertainties that may cause actual results to differ materially from those contained in such statements. Among the most important of these risks and uncertainties are the ability of the Company to continue to source its raw materials and products from its suppliers and manufacturers, the market demand for its products, which market demand is dependent to a large part on the state of the telecommunications industry, the Company’s dependence on the success of its largest division, and competition.

Important factors which may cause actual results to differ materially from the forward looking statements are described in the Section entitled “Risk Factors” in the Form 10-K, and other risks identified from time to time in the Company’s filings with the Securities and Exchange Commission, press releases and other communications. The Company assumes no obligation to update these forward-looking statements to reflect actual results or changes in factors or assumptions affecting such forward-looking statements.

PART I

ITEM 1. BUSINESS

General

RF Industries, Ltd. (hereinafter the “Company”) is a provider of interconnect products and systems for radio frequency (RF) communications devices and wireless digital transmission systems. For internal operational purposes, and for marketing purposes, the Company currently classifies its operations into the following six related divisions: (i) The Connector and Cable Assembly Division designs, manufactures and distributes coaxial connectors and cable assemblies that are integrated with coaxial connectors; (ii) the Aviel Electronics Division designs, manufactures and distributes specialty and custom RF connectors primarily for aerospace and military customers, (iii) the Worswick Division sells coaxial and other connectors and cable assemblies primarily on a retail basis to local multi-media and communications customers; (iv) the Bioconnect Division manufactures and distributes cabling and interconnect products to the medical monitoring market; (v) the Neulink Division is engaged in the design, manufacture and sales of RF data links and wireless modems for receiving and transmitting control signals for remote operation and monitoring of equipment, personnel and monitoring services; and (vi) the RadioMobile Division is an original equipment manufacturer (OEM) provider of end-to-end mobile management solutions implemented over wireless networks that supplement the operations of the Company’s Neulink division.

The Company’s principal executive office is located at 7610 Miramar Road, Building #6000, San Diego, California. The Company was incorporated in the State of Nevada on November 1, 1979, completed its initial public offering in March 1984 under the name Celltronics, Inc. and changed its name to RF Industries, Ltd. in November 1990. Unless the context requires otherwise, references to the “Company” in this report include RF Industries, Ltd. and its divisions.

The Company maintains an Internet website at http://www.rfindustries.com. The Company’s annual reports, quarterly reports, current reports on Form 8-K and amendments to such reports filed or furnished pursuant to section 13(a) or 15(d) of the Securities and Exchange Act of 1934, as amended (the “Exchange Act”), and other information related to the Company, are available, free of charge, on our website as soon as we electronically file those documents with, or otherwise furnish them to, the Securities and Exchange Commission. The Company’s Internet website and the information contained therein, or connected thereto, are not and are not intended to be incorporated into this Annual Report on Form 10-K.

Operating Divisions

Connector and Cable Division The Connector and Cable Division is engaged in the design, manufacture and distribution of coaxial connector solutions for companies that design, build, operate, maintain and use wireless voice, data, messaging, and location tracking systems. Coaxial connector products consist primarily of connectors which, when attached to a coaxial cable, facilitate the transmission of analog and digital signals in various frequencies. Although most of the connectors are designed to fit standard products, the Company also sells custom connectors specifically designed and manufactured to suit its customers' requirements such as the Wi-Fi and broadband wireless markets. The Company's Connector and Cable Division typically carries over 1,200 connectors, adapters, tools, and assembly, test and measurements kits. The Company's RF connectors are used in thousands of different devices, products and types of equipment. While the models and types of devices, products and equipment may change from year to year, the demand for the types of connectors used in such products and offered by the Company does not fluctuate with the changes in the end product incorporating the connectors. In addition, since the Company's standard connectors can be used in a number of different products and devices, the discontinuation of one product does not make the Company's connectors obsolete. Accordingly, most connectors carried by the Company can be marketed for a number of years and are only gradually phased out. Furthermore, because the Company's connector products are not dependent on any line of products or any market segment, the Company's overall sales of connectors do not fluctuate materially when there are changes to any product line or market segment. Sales of the Company's connector products are more dependent upon the overall economy, infrastructure build out by large telecommunications firms and on the Company's ability to market its products. Sales of the Company's connectors and cable assemblies decreased in the fiscal year ended October 31, 2009 compared to the prior fiscal year as the economy and the overall market demand for our wireless products decreased. However, the Company believes that sales of its connector and cable products will again increase if, and when, the overall demand for new wireless products increases.

Third party foreign manufacturers located in Asia manufacture a significant portion of the Company's RF connectors for the Company. The Company also manufactures RF connectors (primarily specialty connectors) in its Las Vegas facility.

The Company has been designing, producing and selling coaxial connectors since 1987 and the Connector and Cable Division therefore represents the Company's oldest and most established division. The Connector and Cable Division has during all of the recent fiscal years, generated the majority of the Company's revenues.

Cable assembly products consist of various types of coaxial cables that are attached to connectors (usually the Company's connectors) for use in a variety of communications applications. Cable assemblies are manufactured at the Company's California facilities using state of the art automation equipment and are sold through distributors or directly to major OEM accounts. Cable assemblies consist of both standard cable assemblies and assemblies that are custom manufactured for the Company's clients. The Company offers a line of cable assemblies with over 100,000 cable products. The Company launched its cable assembly operations in 2000, and cable assembly products constituted the second largest source of revenues for the Company during the fiscal year ended October 31, 2009.

Aviel Electronics Division The Company acquired the business and all of the assets of Aviel Electronics in August 2004. Aviel has a 50 year history of serving the microwave transmission industries, and is an approved vendor to leading aerospace, electronics, OEM's and government agencies in the United States and abroad. Aviel complements the Company's Connector and Cable Division's capabilities by providing additional custom design and manufacturing capabilities, thereby expanding the Company's products in the military and commercial aerospace markets, and expanding the Company's overall client base. Aviel's operations are based in Las Vegas, Nevada.

Worswick Division The Company acquired the assets of Worswick Industries, Inc., a privately held 20 year old California company based in San Diego, in September 2005 as another complementary operation to the Connector and

Cable Division. Worswick Industries sells coaxial connector solutions and manufactures RF cable assemblies for both individual customers and companies that design, build, operate, and maintain personal and private multi-media, wireless voice, data and messaging systems. Worswick Industries primarily sells its products on a retail basis at its retail outlet in San Diego, California. Worswick, however, also sells its products on-line under the e-commerce brand OddCables.com.

Bioconnect Division The Bioconnect Division is engaged in product development, design, manufacture and sale of cables and interconnects for medical monitoring applications, such as disposable ECG cables, EEG leads, infant apnea monitors in hospitals, patient leads, snap leads and connecting wires. The Company acquired the Bioconnect operations in 2000.

RF Neulink Division The RF Neulink Division designs and manufactures, through outside contractors, wireless data products commonly known as RF data links and wireless modems since 1984. These radio modems and receivers provide high-speed wireless connections over longer distances where wire connections may not be desirable or feasible. In addition to selling its own radio modem, RF Neulink also distributes antennas, transceivers and related products of other manufacturers. The RF Neulink Division also offers complete turn-key packages for numerous remote data transmission applications.

RadioMobile Division The Company acquired substantially all of the assets and assumed certain liabilities of RadioMobile Inc., a privately held San Diego, California on September 1, 2007. The RadioMobile Division is an OEM provider of end-to-end mobile management solutions implemented over wireless networks. Although the RadioMobile Division operates as a separate division, its operations supplement the operations of the Company's Neulink division.

For financial reporting purposes, the Company aggregates its operations into three segments. Connector and Cable Assembly, Aviel Electronics, and Worswick divisions are aggregated into one reporting segment (the RF Connector and Cables Assembly segment) because they have similar economic characteristics, while RF Neulink and RadioMobile are aggregated in the RF Wireless segment. Bioconnect makes up the Company's newest segment, the Medical Cabling and Interconnector segment.

Product Description

The Company produces a broad range of interconnect products and assemblies. The products that are offered and sold by the Company's various divisions consist of the following:

Connector and Cable Products

The Company's Connector and Cable Division designs and distributes coaxial connectors and coaxial cable assemblies for the numerous products, devices and instruments. Coaxial connectors have applications in commercial, industrial, automotive, scientific and military markets. The types of connectors offered by the RF Connector Division include 2.4mm and 3.5mm, 7-16 DIN, BNC, MCX, MHV, Mini-UHF, MMCX, N, SMA, SMB, TNC, QMA and UHF. These connectors are offered in several configurations for both plugs and jacks. There are hundreds of applications for these connectors, some of which include digital applications, cellular and PCS telephones, Wi-Fi and broadband wireless applications, cellular and PCS infrastructure, GPS (Global Positioning Systems), mobile radio products, aircraft, video surveillance systems, cable assemblies and test equipment. Users of the Company's connectors include telecommunications companies, circuit board manufacturers, OEM, consumer electronics manufacturers, audio and video product manufacturers and installers, and satellite companies. The Connector Division markets over 1,200 types of connectors, adapters, tools, assembly, test and measurement kits, which range in price from under $1 to over $1,000 per unit.   The kits satisfy a variety of applications including, but not limited to, lab operations, site requirements, and adapter needs.

The Connector Division designs and sells a variety of connector tools and hand tools that are assembled into kits used by lab and field technicians, R&D technicians and engineers. The Company also designs and now offers some of its own tools, which differ from those offered elsewhere in the market. These tools are manufactured for the Company by outside contractors. Tool products are carried as an accommodation to the Company's customers and have not materially contributed to the Company’s revenues.

The Cable Assembly component of the Connector and Cable Division markets and manufactures cable assemblies in a variety of sizes and combinations of RF coaxial connectors and coax cabling. Cabling is purchased from a variety of major unaffiliated suppliers and is assembled with the Company's connectors as complete cable assemblies. Coaxial cable assemblies have thousands of applications including local area networks, wide area networks, Internet systems, PCS/cellular systems, TV/dish network systems, test equipment, military/aerospace (mil-standard and COTS (Commercial Off The Shelf)) and entertainment systems. Most cable assemblies are manufactured to the purchaser's specifications.

Aviel Electronics Products

The Aviel Electronics Division designs, manufactures and sells specialized and custom designed RF coaxial connectors. Aviel's standard configuration and custom connectors include connectors ranging from standard, miniature, sub-miniature and unique interfaces. Aviel also specializes in the design and manufacture of custom and non-standard configurations required for specific applications as well as hard to locate and discontinued connectors for commercial, aerospace, military and other unique applications.

Worswick Products

Worswick sells coaxial connectors and cable assemblies for numerous multi-media products, devices and instruments in the local San Diego area. Worswick also produces and markets cable assemblies in a variety of sizes and combinations of RF coaxial connectors and coaxial cabling. Cabling is purchased from a variety of major unaffiliated suppliers and is assembled with the Company's connectors or third party connectors as complete cable assemblies. Coaxial cable assemblies have thousands of applications including local area networks, wide area networks, Internet systems, PCS/cellular systems, TV/dish network systems, test equipment, military/aerospace (mil-standard and COTS (Commercial Off The Shelf)) and entertainment systems. Most cable assemblies are manufactured to the purchaser's specifications.

Bioconnect Products

Bioconnect designs, manufactures, sells and provides product development services to OEMs for Standard and custom cable assemblies, adapters and electromechanical wiring harnesses for medical market and computer industries These products consist primarily of patient monitoring cables, ECG cables, snap leads, and molded safety leads for neonatal monitoring electrodes. The products, which are used in hospitals, clinics, doctor offices, ambulances and at home are frequently replaced in order to ensure maximum performance of medical diagnostic equipment.

RF Neulink Products

The wireless data products available from the RF Neulink Division come in a variety of configurations to satisfy the requirements of certain high-speed wireless connection markets. Transmitter and receiver modules come in a wide range of power output and frequency ranges and are used to transmit data, video or voice information from point to point. Additionally, standard or smart programmable modems are available in a wide range of speeds and frequency/price ranges. Accessory modules have been developed for remotely controlling and monitoring electrical devices.

The products sold by the RF Neulink Division include both its own products and products of other manufacturers that are distributed by the Neulink Division. The products offered by the Neulink Division include:

- NL5000 - (replaced the RF 9600) as a cost effective, high performance telemetry modem

- NL5500 - The NL5500 Transceiver Series is a price/performance leader both the VHF and UHF frequency range & NL6000 compatible
- NL6000 - UHF and VHF feature, high performance wireless modem

- NL900 - 900 MHz Spread Spectrum point to point wireless modem
- Teledesign high-speed wireless modems in VHF, UHF and 900 MHz frequencies
- BlueWave, Maxrad, and Antenex antennas
- NL 900S – High-speed, high performance wireless 900 MHz data modem. Software Defined Radio employing FPGA technology.

Current applications in use worldwide for Neulink products are various and include seismic and volcanic monitoring, industrial remote censoring/control in oil fields, pipelines and warehousing, lottery remote terminals, various military applications, remote camera control and tracking, perimeter and security system control/monitoring, water and waste management, inventory control, HVAC remote control and monitoring, biomedical hazardous material monitoring, fish farming automation of food dispensing, water aeration and monitoring, remote emergency generator startup and monitoring, and police usage for mobile warrant database access.

RadioMobile Products

RadioMobile provides complete hardware and software solutions for wireless mobile data management application. Most of RadioMobile systems are custom engineered and designed for specific markets. Accordingly, RadioMobile sales consist of hardware, software and networking products as well as design and installation services. The primary markets include public safety (police, fire, and emergency medical services) and utilities and transportation (rail, bus, taxi and courier services). Software applications for both host (Computer Aided Dispatch, CAD) and mobile environments are developed by in house engineers and contractors. Current and new products that RadioMobile offers include:

- IQ CAD911 – a host based call-taking, dispatch and resource management application suite utilizing the IQ Locator mapping module for integrated control and management functions. RadioMobile is initially focusing this product on Fire, Police and EMS markets.

- IQ Mobile V6 - is the latest mobile or client application that supports computing needs for receiving priority messages, sending timely status, text messages, file transfers and location data. Version 6 can utilize a combination of any wireless network facility via IP or private protocols.

- IQ Mobile V4, V5 - a mobile or client application that supports computing needs for receiving priority messages, sending timely status, text messages, file transfers and location data. IQ Mobile can utilize any wireless network facility via IP or private protocols.

  - IQ Map is an option that works with IQ Mobile to provide the mobile operator map functions to show current location, destination or a combination of both as well as groups of predefined vehicles.

- IQ Locator – a host based mapping application allowing agencies to track and oversee fleet location and status.

- IQ Gateway and Link - a host based networking concentrator and manager for all wireless network interfaces including the customer's private conventional data channels.

- MCT8000- a rugged mobile computing platform that utilizes all off the shelf components for CPU, display, keyboard and network modules maintaining full upgradeability for all elements.

- CMX6000- a status and short message terminal capable of standalone interface to the network facilities.

- IQ Liberator – a software defined modem capable of emulating legacy protocols as well as generic IP packets operating at data rates from 2400 to 22,000bps.

Foreign Sales

Direct export sales by the Company to customers in South America, Canada, Mexico, Europe, Australia, the Middle East, and Asia accounted for $2,397,000 or approximately 17% of Company's sales for the fiscal year ended October 31, 2009. Foreign sales accounted for $2,724,000 or approximately 15% of Company's sales for the fiscal year ended October 31, 2008. The majority of the export sales during these periods were to Israel, Canada and Mexico. Foreign sales orders from individual customers tend to be larger than U.S. product orders and therefore have a larger impact on the Company's foreign sales.

The Company does not own, or directly operate any manufacturing operations or sales offices in foreign countries.

Distribution, Marketing and Customers

Sales methods vary greatly between its divisions. The Connector and Cable Assembly Division currently sell their products primarily through warehousing distributors and OEM customers who utilize coaxial connectors and cable assemblies in the manufacture of their products. Since there are many OEMs who are not served by any of the Company's distributors, the Company's goal is to increase the number of OEMs that purchase connectors directly from the Company.

The Aviel Division sells its products to its current customer base with the addition of customers referred through the Connector and Cable Division. The Aviel and Connector and Connector divisions sell to similar customer market segments and combine marketing efforts where economically advantageous.

The Worswick Division operates from a single store-front location in San Diego and sells primarily to walk-in or local multi-media (video, voice, gaming, etc.) and communications systems customers. This division also operates an e-commerce website called OddCables.com that it launched in 2007 for the distribution of its products.

The Bioconnect group markets its products to the medical market through major hospital suppliers, dealers and distributors. The Bioconnect Division also sells its products to OEMs who incorporate the leads and cables into their product offerings.

The Neulink Division sells its products directly or through manufacturers representatives, system integrators and OEM's. System integrators and OEMs integrate and/or mate Company's products with their hardware and software to produce turnkey wireless systems. These systems are then either sold or leased to other companies, including utility companies, financial institutions, petrochemical companies, government agencies, and irrigation/water management companies.

The RadioMobile division sells its products direct and through value added resellers and dealers. Customers include police, fire, emergency medical services, rail, bus, taxi and courier services.

Manufacturing

The Company contracts with outside third parties for the manufacture of a significant portion of its coaxial connectors and for all the components of its Neulink products. However, virtually all of RF cable assemblies sold by the Connector and Cable Assembly Division during the fiscal year ended October 31, 2009 were assembled by that division at the Company's facilities in California, and the Neulink products are assembled at the Company's California facilities. The Connector and Cable Division has its cables manufactured at numerous International Standards Organization (ISO) approved factories with plants in Japan, Korea, the United States and Taiwan. The Company is dependent on a few manufacturers for its coaxial connectors and cable assemblies. Although the Company does not have manufacturing agreements with these manufacturers for its connectors, cable and Neulink products, the Company does have long-term purchasing relationships with these manufacturers. The Company has in-house design engineers who create the engineering drawings for fabrication and assembly of connectors and cable assemblies and certain of the components of its Neulink products. Accordingly, the manufacturers are not primarily responsible for design work related to the manufacture of the connectors and cable assemblies. However, the third party manufacturers of the Neulink products are solely responsible for design work related to the manufacture of the Neulink Division’s products. Neulink products are manufactured by numerous manufacturers in the United States, and the Company is not dependent on one or a few manufacturers for its Neulink products.

The Bioconnect Division has designed and manufactured its own products for over 21 years (including as an unaffiliated company before being acquired by the Company in 2000). Bioconnect products are manufactured by the Company at its own California facilities. The manufacturing process for the Bioconnect medical cables includes all aspects of the product, from the design to mold design, mold fabrication, assembly and testing. The Bioconnect product line produces its medical interconnect products in both high volume manufacturing and for custom or low volume uses.

The Aviel Electronics Division manufactures all its connectors at its Las Vegas, Nevada manufacturing facility. The Aviel Electronics Division has designed and manufactured its own products for 51 years (including as an unaffiliated company before being acquired by the Company in August 2004). The manufacturing process for the Aviel connectors includes all aspects of the product from design, tooling, fabrication, assembly and testing. The Aviel Electronics product line produces its connector products for low volume custom manufacturing uses, for the military, aerospace, communications and other unique applications.

The Worswick Division designs and produces low to medium volume connector and cable assemblies for local and niche customers, as well as a few medium and large market customers. These services are conducted in San Diego, California.

The RadioMobile Division products are purchased from various U.S. and overseas suppliers. Some products are designed and manufactured by third party manufactures to RadioMobile’s specifications. The Company designs much of the software used in its RadioMobile systems.

There are certain risks associated with the Company’s dependence on third party manufacturers for some of its products, including reduced control over delivery schedules, quality assurance, manufacturing costs, and the potential lack of adequate capacity during periods of excess demand and increases in prices. See “Risk Factors” below.

Raw Materials

Connector materials are typically made of commodity metals such as copper, brass and zinc and include small applications of precious materials, including silver and gold. The Connector and Cable Division purchases most of its connector products from contract manufacturers located in Asia and the United States. The Company believes that the raw materials used in its products are readily available and that the Company is not currently dependent on any supplier for its raw materials. The Company does not currently have any long-term purchase or supply agreements with its connector or Neulink product suppliers. The RF Connector and Cable assembly division obtains coaxial connectors from RF Connector. The Company believes there are numerous domestic and international suppliers of coaxial connectors.

Neulink purchases its electronic products from various U.S. suppliers, and all Neulink wireless modem transceivers are built in the United States. The Company believes electronic components used in these products are readily available from a number of domestic suppliers and from other foreign suppliers.

Aviel connector materials are typically made of commodity metals and include some application of precious materials, including silver and gold. The Aviel Electronic Division purchases almost all of its connector material from vendors in Asia and the United States. The Company believes the connector materials used in the manufacturing of its connector products are readily available from a number of foreign and domestic suppliers.

Worswick connectors and cable are typically acquired from the Connector and Cable Division or purchased from other high quality manufacturers and distributors.

Bioconnect cable assembly materials are typically made of commodity materials such as plastics, rubber, resins and wire. The Company believes materials and components used in these products are readily available from a number of domestic suppliers and from other foreign suppliers.

RadioMobile purchases its electronic products from various U.S. and overseas suppliers.

Employees

As of October 31, 2009, the Company employed 87 full-time employees, of whom 29 were in accounting, administration, sales and management, 54 were in manufacturing, distribution and assembly, and four were engineers engaged in design, engineering and research and development. The Company also occasionally hires part-time employees. The Company believes that it has a good relationship with its employees and, at this time, no employees are represented by a union.

Research and Development

The Company's research and development activities are intended to produce new proprietary products that it can market to the wireless connectivity industry. The Company engaged in approximately $243,000 of research and development activities in fiscal year ended October 31, 2009, primarily related to the RF Wireless segment. Research and development expense during the fiscal year ended October 31, 2008 were approximately $256,000.

In addition to research and development activities, the Company also invested approximately $1,602,000 during the past two fiscal years on engineering. Engineering activities consist of the design and development of new products for specific customers, as well as the design and engineering of new or redesigned products for in the industry in general. Engineering work often is carried out in collaboration with the Company's customers.

Patents, Trademarks and Licenses

The Company does not own any patents on any of its products, nor has it registered any product trademarks. Because of the Company carries thousands of separate types of connectors and other products, most of which are available to the Company's customers from other sources, the Company does not believe that its business or competitive position is dependent on patent protection.

Warranties and Terms

The Company warrants its products to be free from defects in material and workmanship for varying warranty periods, depending upon the product. Products are generally warranted to the dealer for one year, with the dealer responsible for any additional warranty it may make. Certain Neulink products are sold directly to end-users and are warranted to those purchasers. The RF Connector products are warranted for the useful life of the connectors. Although the Company has not experienced any significant warranty claims to date, there can be no assurance that it will not be subjected to such claims in the future.

The Company usually sells to customers on 30-day terms pursuant to invoices and does not generally grant extended payment terms. Sales to most foreign customers are made on cash terms at time of shipment. Customers may delay, cancel, reduce, or return products after shipment subject to a restocking charge.

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Competition

Management estimates that the Connector and Cable Divisions has over 50 competitors in the RF connector market. The RF connector market is estimated at $1.5 - $2.0 billion worldwide, with North America sales estimated at $400 - $450 million. Management believes no one competitor has over 15% of the total market. Many of the competitors of the Connector and Cable Division have significantly greater financial resources and broader product lines. The Connector and Cable division competes on the basis of product quality, product availability, price, service, delivery time and value-added support to its distributors and OEM customers. Since the Company's strategy is to provide a broad selection of products in the areas in which it competes and to have a ready supply of those products available at all times, the Company normally has a significant amount of inventory of its connector products. The Bioconnect division competes with numerous other companies in all areas of its operations, including the manufacture of OEM custom products and medical cable products. Most of the competitors of Bioconnect are larger and have significantly greater financial resources than Bioconnect.

Aviel Electronics has specialized in microwave and radio frequency (RF) custom connectors which lowers the number of its direct competitors. Because Aviel Electronics is an approved vendor of leading aerospace, electronics, OEM and government agencies in the United States and abroad, competition is limited to those manufacturers who have received formal certification or approval.

Major competitors for Neulink include Microwave Data Systems and Data Radio. Although a number of larger firms could enter Neulink's markets with similar products, Neulink's strategy is focused on serving and providing specific hardware and software combinations with the goal of maintaining a strong position in selected "niche" wireless applications. While the Neulink Division's competitors offer products that are substantially similar to Neulink's radio modems, the Neulink Division tries to enhance its competitive position by offering additional product support services before, during, and after the sale.

RadioMobile competitors include Motorola, Intergraph, Northrup Gumman, Panasonic, and cellular providers including Verizon Wireless and AT&T. Radiomobile's strategy is focusing on providing cost effective mobile data solutions to small to medium size customers.

Government Regulations

The Company's products are designed to meet all known existing or proposed governmental regulations. Management believes that the Company currently meets existing standards for approvals by government regulatory agencies for its principal products. Because the products designed and sold by the Aviel Electronics Division are used in commercial and military aerospace products, its products are regulated by various government agencies in the United States and abroad.

Neulink products are subject to the regulations of the Federal Communications Commission (FCC) in the United States, the Department of Communications (D.O.C.) in Canada, and the E.C.C. Radio Regulation Division in Europe. The Company's present equipment is "type-accepted" for use in the United States and Canada. Neulink offers products that comply with current FCC, Industry Canada, and some European Union regulations. The system integrator, or end user, is responsible for compliance with applicable government regulations.

Bioconnect products are subject to the regulations of the U.S. Food and Drug Administration.

ITEM 1.A RISK FACTORS

Investors should carefully consider the risks described below and all other information in this Form 10-K. The risks and uncertainties described below are not the only ones facing the Company. Additional risks and uncertainties not presently known to the Company or that it currently deems immaterial may also impair the Company's business and operations.

If any of the following risks actually occur, the Company's business, financial condition or results of operations could be materially adversely affected. In such case, the trading price of the Company's common stock could decline and investors may lose all or part of the money they paid to buy the Company's common stock.

The Company Is Highly Dependent Upon The RF Connector and Cable Assembly Segment, And Any Major Decline In That Division's Operations Would Negatively Affect The Company As A Whole.

Of the Company's three operating segments, the RF Connector and Cable Assembly segment is the largest; accounting for approximately 86% of the Company's total sales for the fiscal year ended October 31, 2009 compared to 79% of total sales for the fiscal year ended October 31, 2008. The Company expects the RF Connector and Cable Assembly segment products will continue to account for the majority of the Company's revenues for the near future. Accordingly, an adverse change in the operations of that segment could materially adversely affect the Company's business, operating results and financial condition. Factors that could adversely affect the RF Connector and Cable segment are described below.

Difficult Conditions In The Global Economy In General Have Adversely Affected the Company's Business And Results Of Operations And It Is Uncertain If These Conditions Will Improve In The Near Future, And They May Worsen.

The economic downturn during the past fiscal year has substantially reduced the Company's sales and net income. A prolonged economic downturn, both in the U.S. and worldwide, may continue to lead to lower sales or reduced sales growth, reduced prices, lower gross margins, and increased bad debt risks, all of which could adversely affect the Company's results of operations, financial condition and cash flows. Slowing economic activity, particularly in the telecommunication and data communication and wireless communications industries that represent the Company's largest target market, may adversely impact the demand for the Company's products. Although the Company has been able to operate profitably despite the factors noted above, if the current economic downturn continues or intensifies, the Company's results could be more adversely affected in the future. There could be a number of other adverse follow-on effects from the credit crisis on the Company's business, including insolvency of certain key distributors, key suppliers, contract manufacturers and customers.

The Company Depends On Third-Party Contract Manufacturers For A Majority Of Its Connector Manufacturing Needs. If They Are Unable To Manufacture A Sufficient Quantity Of High-Quality Products On A Timely And Cost-Efficient Basis, The Company's Net Revenue And Profitability Would Be Harmed And Its Reputation May Suffer.

Substantially all of the Company's RF Connector products are manufactured by third-party contract manufacturers. The Company relies on them to procure components for RF Connectors and in certain cases to design, assemble and test its products on a timely and cost-efficient basis. If the Company's contract manufacturers are unable to complete design work on a timely basis, the Company will experience delays in product development and its ability to compete may be harmed. In addition, because some of the Company's manufacturers have manufacturing facilities in Taiwan and China, their ability to provide the Company with adequate supplies of high-quality products on a timely and cost-efficient basis is subject to a number of additional risks and uncertainties, including earthquakes and other natural disasters and political, social and economic instability. If the Company's manufacturers are unable to provide it with adequate supplies of high-quality products on a timely and cost-efficient basis, the Company's operations would be disrupted and its net revenue and profitability would suffer. Moreover, if the Company's third-party contract manufacturers cannot consistently produce high-quality products that are free of defects, the Company may experience a higher rate of product returns, which would also reduce its profitability and may harm the Company's reputation and brand.

The Company does not currently have any agreements with any of its contract manufacturers, and such manufacturers could stop manufacturing products for the Company at any time. Although the Company believes that it could locate alternate contract manufacturers if any of its manufacturers terminated their business, the Company's operations could be impacted until alternate manufacturers are found.

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The Company's Dependence On Third-Party Manufacturers Increases The Risk That It Will Not Have An Adequate Supply Of Products Or That Its Product Costs Will Be Higher Than Expected.

The risks associated with the Company's dependence upon third parties which develop and manufacture and assemble the Company's products, include:

- reduced control over delivery schedules and quality;
- risks of inadequate manufacturing yields and excessive costs;
- the potential lack of adequate capacity during periods of excess demand; and
- potential increases in prices due to raw material and/or labor costs.

These risks may lead to increased costs or delay product delivery, which would harm the Company's profitability and customer relationships.

If The Manufacturers of the Company's Coaxial Connectors Or Other Products Discontinue The Manufacturing Processes Needed To Meet The Company's Demands Or Fail To Upgrade Their Technologies, the Company May Face Production Delays.

The Company's coaxial connector and other product requirements typically represent a small portion of the total production of the third-party manufacturers. As a result, the Company is subject to the risk that a third party manufacturer will cease production of some of the Company's products or fail to continue to advance the process design technologies on which the manufacturing of the Company's products are based. Each of these events could increase the Company's costs, harm its ability to deliver products on time, or develop new products.

The Company's Dependence Upon Independent Distributors To Sell And Market The Company's Products Exposes The Company To The Risk That Such Distributors May Decrease Their Sales Of The Company's Products Or Terminate Their Relationship With The Company.

The Company's sales efforts are primarily affected through independent distributors, of which there were more than 70 as of the end of fiscal 2009. Sales through independent distributors accounted for approximately 51% the net sales of the Company for the fiscal year ended October 31, 2009. Although the Company has entered into written agreements with most of the distributors, the agreements are nonexclusive and generally may be terminated by either party upon 30-60 days' written notice. The Company's distributors are not within the control of the Company, are not obligated to purchase products from the Company, and may also sell other lines of products. There can be no assurance that these distributors will continue their current relationships with the Company or that they will not give higher priority to the sale of other products, which could include products of competitors. A reduction in sales efforts or discontinuance of sales of the Company's products by its distributors would lead to reduced sales and could materially adversely affect the Company's financial condition, results of operations and business. Selling through indirect channels such as distributors may limit the Company's contact with its ultimate customers and the Company's ability to assure customer satisfaction.

A Portion Of The Company's Sales Is Dependent Upon A Few Principal Customers, The Loss Of Whom Could Materially Negatively Affect The Company's Total Sales.

One customer accounted for approximately 15% of the total sales of the Company for the fiscal year ended October 31, 2009. Although this customer has been an on-going major customer of the Company for at least the past ten years and the Company has entered into a written distributor agreement with this customer, this customer does not have any minimum purchase obligations and could stop buying the Company's products at any time. A reduction, delay or cancellation of orders from this customer or the loss of this customer could significantly reduce the Company's revenues and profits. The Company cannot provide assurance that this customer or any of its current customers will continue to place orders, that orders by existing customers will continue at current or historical levels or that the Company will be able to obtain orders from new customers.

Certain of The Company's Markets Are Subject To Rapid Technological Change, So the Company's Success In These Markets Depends On Its Ability To Develop And Introduce New Products.

Although most of the Company's products have a stable market and are only gradually phased out, certain of the new and emerging markets, such as the wireless digital transmission markets, are characterized by:

- rapidly changing technologies;
- evolving and competing industry standards;
- short product life cycles;
- changing customer needs;
- emerging competition;
- frequent new product introductions and enhancements; and
- rapid product obsolescence.

To develop new products for the connector and wireless digital transmission markets, the Company must develop, gain access to and use new technologies in a cost-effective and timely manner. In addition, the Company must maintain close working relationship with key customers in order to develop new products that meet customers' changing needs. The Company also must respond to changing industry standards and technological changes on a timely and cost-effective basis.

Products for connector applications are based on industry standards that are continually evolving. The Company's ability to compete in the future will depend on its ability to identify and ensure compliance with these evolving industry standards. If the Company is not successful in developing or using new technologies or in developing new products or product enhancements, its future revenues may be materially affected. The Company's attempt to keep up with technological advances may require substantial time and expense.

Because The Markets In Which The Company Competes Are Highly Competitive, A Failure To Effectively Compete Could Result In An Immediate And Substantial Loss Of Market Share.

The markets in which the Company operates are highly competitive and the Company expects that competition will increase in these markets. In particular, the connector and communications markets in which the Company's products are sold are intensely competitive. A failure to effectively compete in this market could result in an immediate and substantial loss of revenues and market share. Because most of the Company's sales are derived from products that are not proprietary or that can be used to distinguish the Company from its competitors, the Company's ability to compete successfully in these markets depends on a number of factors, including:

- product quality;
- reliability;
- customer support;
- time-to-market;

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- price;
- market acceptance of competitors' products; and
- general economic conditions.

In addition, the Company's competitors or customers may offer enhancements to its existing products or offer new products based on new technologies, industry standards or customer requirements that have the potential to replace or provide lower-cost or higher performance alternatives to the Company's products. The introduction of enhancements or new products by the Company's competitors could render its existing and future products obsolete or unmarketable.

Many of the Company's competitors have significantly greater financial and other resources. In certain circumstances, the Company's customers or potential customers have internal manufacturing capabilities with which the Company may compete.

If The Industries Into Which The Company Sells Its Products Experience Recession Or Other Cyclical Effects Impacting The Budgets Of Its Customers, The Company's Operating Results Could Be Negatively Impacted.

The primary customers for the Company's coaxial connectors are in the communications industries. Any significant downturn in the Company's customers' markets, in particular, or in general economic conditions which result in the cut back of budgets would likely result in a reduction in demand for the Company's products and services and could harm the Company's business. Historically, the communications industry has been cyclical, affected by both economic conditions and industry-specific cycles. Depressed general economic conditions and cyclical downturns in the communications industry have each had an adverse effect on sales of communications equipment, OEMs and their suppliers, including the Company. No assurance can be given that the connector industry will not experience a material downturn in the near future. Any cyclical downturn in the connector and/or communications industry could have a material adverse effect on the Company.

Because The Company Sells Its Products To Foreign Customers, The Company Is Exposed To All Of The Risks Associated With International Sales, Including Foreign Currency Exposure.

Sales to customers located outside the United States, either directly or through U.S. and foreign distributors, accounted for approximately 17% and 15% of the net sales of the Company during the years ended October 31, 2009 and 2008 respectively. International revenues are subject to a number of risks, including:

- longer accounts receivable payment cycles;
- difficulty in enforcing agreements and in collecting accounts receivable;
- tariffs and other restrictions on foreign trade;
- economic and political instability; and the
- burdens of complying with a wide variety of foreign laws.

The Company's foreign sales are also affected by general economic conditions in its international markets. A prolonged economic downturn in its foreign markets could have a material adverse effect on the Company's business. There can be no assurance that the factors described above will not have an adverse material effect on the Company's future international revenues and, consequently, on the financial condition, results of operations and business of the

Company.

Since sales made to foreign customers or foreign distributors have historically been in U.S. dollars, the Company has not been exposed to the risks of foreign currency fluctuations. However, if the Company in the future is required to accept sales denominated in the currencies of the countries where sales are made, the Company will thereafter also be exposed to currency fluctuation risks.

The Loss Of Key Personnel Could Adversely Affect The Company’s Operations.

The Company’s success will depend to a significant extent on the continued service of the Company’s senior executives including Howard Hill, its President and Chief Executive Officer, and certain other key employees, including certain technical and marketing personnel. The Company’s employment agreement with Mr. Hill expires by its terms on June 20, 2011. If the Company lost the services of Mr. Hill or one or more of the Company’s key executives or employees (including if one or more of the Company’s officers or employees decided to join a competitor or otherwise compete directly or indirectly with the Company), this could materially adversely affect the Company’s business, operating results, and financial condition.

The Company May Make Future Acquisitions, Which Will Involve Numerous Risks.

Since August 2004, the Company has purchased the operations of three smaller businesses (it purchased Aviel Electronics in Las Vegas, Nevada, in August 2004, Worswick Industries Inc. in San Diego, California, in September 2005, and Radiomobile, Inc. in San Diego, California, in September 2007). The Company periodically considers potential acquisitions of other companies that could expand the Company’s product line or customer base and may in the future make additional acquisitions. Accordingly, the Company may in the future acquire one or more additional companies. The risks involved with such future acquisitions include:

- diversion of management’s attention;
- the effect on the Company’s financial statements of the amortization of acquired intangible assets;
- the cost associated with acquisitions and the integration of acquired operations;
- the Company may not be able to secure capital to finance future acquisitions to the extent additional debt or equity is needed; and
- assumption of unknown liabilities, or other unanticipated events or circumstances.

Any of these risks could materially harm the Company’s business, financial condition and results of operations. There can be no assurance that any business that the Company acquires will achieve anticipated revenues or operating results.

The Company Has No Patent Rights In The Technology Employed In Its Products, Which May Limit the Company’s Ability To Compete.

The Company does not hold any United States or foreign patents and does not have any patents pending. The Company does not seek to protect its rights in the technology that it develops or that the Company’s third-party contract manufacturers develop by means of the patent laws, although it does protect some aspects of its proprietary products and technologies by means of copyright and trade secret laws. Accordingly, competitors can and do sell many of the same products as the Company, and the Company cannot prevent or restrict such competition.

Volatility of Trading Prices Of The Company’s Stock Could Result In A Loss On An Investment In The Company’s Stock.

In the past several years the market price of the Company’s common stock has varied greatly, and the volume of the Company’s common stock traded has fluctuated greatly as well. These fluctuations often occur independently of the Company’s performance or any announcements by the Company. Factors that may result in such fluctuations include:

- any shortfall in revenues or net income from revenues or net income expected by securities analysts
- fluctuations in the Company's financial results or the results of other connector and communications-related companies, including those of the Company's direct competitors
- changes in analysts' estimates of the Company's financial performance, the financial performance of the Company's competitors, or the financial performance of connector and communications-related public companies in general
- general conditions in the connector and communications industries
- changes in the Company's revenue growth rates or the growth rates of the Company's competitors
- sales of large blocks of the Company's common stock
- conditions in the financial markets in general

In addition, the stock market may from time to time experience extreme price and volume fluctuations, which may be unrelated to the operating performance of any specific company. Accordingly, the market prices of the Company's common stock may be expected to experience significant fluctuations in the future.

Future Goodwill Impairment Could Impair Our Future Profitability Or Increase Any Future Losses.

As of October 31, 2009, the Company's remaining goodwill balance relates solely to the Aviel division. This goodwill balance could be impaired in the future if the Aviel division were to experience a recurring decrease in sales and or recurring losses. Such events could cause a write down or complete write off of the goodwill balance.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. DESCRIPTION OF PROPERTY

The Company leases its corporate headquarters building at 7610 Miramar Road, Building 6000, San Diego, California. The building consists of approximately 13,000 square feet which houses its corporate administration, sales and marketing, and engineering plus production and warehousing for the Company's Connector and Cable Assembly and Bioconnect Divisions. The lease for this facility expires on March 31, 2014. In addition, the Company also leases the following facilities:

(i) The cable assembly manufacturing portion of the Connector and Cable Assembly Division operates in a separate 3,180 square foot facility that is located adjacent to the Company's corporate headquarters. The lease for this space expires on March 31, 2014.

(ii) The Neulink and Radiomobile Divisions operate from a separate building that is located near the Company's corporate headquarters at 7606 Miramar Road, Building 7200. Neulink's building consists of approximately 2,500 square feet of administrative and manufacturing space and houses the production and sales staff of the Neulink Division. The lease for this space expires on March 31, 2014.

(iii) The Aviel Electronics Division currently leases approximately 3,000 square feet of a facility located at 5530 S. Valley View Blvd., Suite 103, Las Vegas, Nevada. The lease for this space expires March 31, 2010. During fiscal 2009, Aviel entered into an additional facility lease agreement for space at 3060 Post Road, Suite 100 Las Vegas Nevada. The lease term commenced September 1, 2009 and will expire March 31, 2015.

(iv) The Worswick Division entered into a new facility lease agreement during fiscal 2009, which commenced March 1, 2009. The new facility is approximately 4,000 square foot facility located at 7642 Clairmont Mesa Boulevard Suite 211, San Diego, California. The lease for this space expires December 31, 2013.

The aggregate monthly rental for all the Company's facilities currently was approximately $30,100 per month, plus utilities, maintenance and insurance as of October 31, 2009.

The Company currently believes that its facilities are sufficient to meet its foreseeable needs. However, should the Company require additional space; the Company believes that suitable additional space is available near the Company's current facilities. In addition, the Company believes that it will be able to renew its existing leases upon the expiration of the current leases or, if desirable or necessary, relocate to alternate facilities on substantially similar terms.

ITEM 3. LEGAL PROCEEDINGS

From time to time, the Company is involved in legal proceedings that are related to its business operations. The Company is not currently a party to any legal proceedings that could have a material adverse effect upon its financial position or results of operations.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

We did not submit any matters to the vote of our shareholders in the fourth quarter of fiscal 2009.

PART II

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS AND SMALL BUSINESS ISSUER PURCHASES OF EQUITY SECURITIES

The Company's Common Stock is listed and trades on the NASDAQ Capital Market under the symbol "RFIL."

For the periods indicated, the following tables set forth the high and low sales prices per share of Common Stock. These prices represent inter-dealer quotations without retail mark-up, markdown or commission and may not necessarily represent actual transactions.

Quarter	High	Low
Fiscal 2009		
November 1, 2008 - January 31, 2009	$ 6.11	$ 3.50
February 1, 2009 - April 30, 2009	4.21	2.85
May 1, 2009 - July 31, 2009	4.50	3.40
August 1, 2009 - October 31, 2009	4.89	3.87
Fiscal 2008		

November 1, 2007 - January 31, 2008	$ 7.53	$ 5.20
February 1, 2008 - April 30, 2008	6.26	5.20
May 1, 2008 - July 31, 2008	8.50	5.69
August 1, 2008 - October 31, 2008	8.98	2.66

Stockholders. As of October 31, 2009 there were 447 holders of the Company's Common Stock according to the records of the Company's transfer agent, Continental Stock Transfer & Trust Company, New York, New York, not including holders who hold their stock in "street name".

Dividends. The Company paid dividends of $0.03 per share, for a total of $94,780, during fiscal 2009. The Board of Directors may resume dividends in the future depending on the Company's financial condition and its financial needs.

Recent Sales of Unregistered Securities. There were no previously unreported sales of equity securities by the Company that were not registered under the Securities Act during fiscal 2009.

Repurchase of Securities. In March 2009, Company announced that our Board of Directors had authorized a stock repurchase program to repurchase up to 300,000 shares of the Company's common stock. Repurchases under this program were made in open market transactions in compliance with the Securities Exchange Act of 1934 (the "Exchange Act") Rule 10b-18. The following table sets forth repurchases made on a monthly basis during the fourth quarter of the fiscal year ending October 31, 2009.

Period:	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans of Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
September 1, 2009 through September 31, 2009	940	$ 4.10	940	0

EQUITY COMPENSATION PLAN INFORMATION

The following table provides information as of October 31, 2009 with respect to the shares of Company common stock that may be issued under the Company's existing equity compensation plans.

Plan Category	A Number of Securities to be Issued Upon Exercise of Outstanding Options	B Weighted Average Exercise Price of Outstanding Options ($)	C Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column A)
Equity Compensation Plans Approved by Stockholders (1)	742,435	$ 5.23	364,604
Equity Compensation Plans Not Approved by Stockholders (2)	500,871	$ 1.53	0
Total	1,243,306	$ 3.74	364,604

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(1) Consists of options granted under the R.F. Industries, Ltd. (i) 2000 Stock Option Plan, (ii) the 1990 Incentive Stock Option Plan, and (iii) the 1990 Non-qualified Stock Option Plan. The 1990 Incentive Stock Option Plan and Non-qualified Stock Option Plan have expired, and no additional options can be granted under these plans. Accordingly, all 364,604 shares remaining available for issuance represent shares under the 2000 Stock Option Plan.

(2) Consists of options granted to six officers and/or key employees of the Company under employment agreements entered into by the Company with each of these officers and employees.

ITEM 6. SELECTED FINANCIAL DATA

Not applicable to a "smaller reporting company" as defined in Item 10(f)(1) of SEC Regulation S-K.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our financial statements have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make significant estimates and judgments that affect the reported amounts of assets, liabilities, revenues, expenses and related disclosure of contingent assets and liabilities. We evaluate our estimates, including those related to bad debts, inventory reserves and contingencies on an ongoing basis. We base our estimates on historical experience and on various other assumptions that are believed to be appropriate under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

One of the accounting policies that involves significant judgments and estimates concerns our inventory valuation. Inventories are valued at the weighted average cost value. Certain items in the inventory may be considered obsolete or excess and, as such, we establish an allowance to reduce the carrying value of these items to their net realizable value. Based on estimates, assumptions and judgments made from the information available at the time, we determine the amounts of these allowances. Because inventories have, during the past few years, represented approximately one-third of our total assets, any reduction in the value of our inventories would require us to take write-offs that would affect our net worth and future earnings.

Another accounting policy that involves significant judgments and estimates is our accounts receivable allowance valuation. The Company routinely assesses the financial strength of its customers and maintains an allowance for doubtful accounts that management believes will adequately provide for credit losses.

Another critical accounting policy that involves significant judgments and estimates is management's assessment of goodwill for impairments. We review our goodwill for impairment annually in the fourth quarter at the reporting unit level. We also analyze each quarter whether any indicators of impairment exist.

The Company uses the Black-Scholes model to value the stock option grants which involves significant judgments and estimates.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

For recently issued accounting pronouncements that may affect us, see Note 1 of Notes to Financial Statements.

OVERVIEW

The Company markets connectors and cables to numerous industries for use in thousands of products, primarily for the wireless market. The Company aggregates operating divisions into operating segments which have similar economic characteristics and divisions are similar in the majority of the following areas: (1) the nature of the product and services; (2) the nature of the production process; (3) the type or class of customer for their products and services; (4) the methods used to distribute their products or services; (5) if applicable, the nature of the regulatory environment. The Company has three segments - RF Connector and Cable Assembly segment, Medical Cabling and Interconnector segment, and RF Wireless segment- based upon this evaluation.

The RF Connector and Cable Assembly segment is comprised of three divisions; the Medical Cabling and Interconnector segment is comprised of one division, while the RF Wireless segment is comprised of two divisions. The three divisions that meet the quantitative thresholds for segment reporting are Connector / Cable Assembly, Bioconnect and RF Neulink. Each of the other divisions aggregated into these segments that have similar products that are marketed to their respective customer base; production and product development processes are similar in nature. The specific customers are different for each division; however, there is some overlapping of product sales to them. The methods used to distribute products are similar within each division aggregated.

Management identifies the Company’s segments based on strategic business units that are, in turn, based along market lines. These strategic business units offer products and services to different markets in accordance with their customer base and product usage. For segment reporting purposes, the Company aggregates Connector and Cable Assembly, Aviel Electronics and Worswick divisions into the RF Connector Cable Assembly segment while RF Neulink and RadioMobile are part of the RF Wireless segment. The Bioconnect division makes up the Company’s Medical Cabling and Interconnector segment. Prior to 2008, the Company aggregated BioConnect within the RF Connector and Cable Assembly segment as it represented only a small portion and had similar economic characteristics of the overall segment. However, during the fiscal year ended October 31, 2008, the BioConnect division met one of the quantitative threshold required for separate segment reporting.

Historically, over 79% of the Company’s revenues are generated from the sale of RF connector products and connector cable assemblies (the Connector and Cable Assembly division accounted for approximately 86% of the Company’s total sales for the fiscal year ended October 31, 2009). Sales of connectors are expected to continue to be the largest portion of revenues in the future. Accordingly, Company revenues are heavily dependent upon sales of RF connectors and cable assemblies. However, the Company sells thousands of connector products for uses in thousands of end products and sales are not dependent upon any one industry sector or any single product. The Company’s sales do, however, track sales in the wireless industry as a whole. Accordingly, the Company’s sales in 2009 decreased as a result of industry wide sales decreases.

Notwithstanding the decrease in sales in the fiscal year ended October 31, 2009 compared to sales in the prior year, the Company generated net income for the fiscal year ended October 31, 2009. The net income in fiscal 2009 represented the 16th consecutive year that the Company has been profitable.

The Company generated cash from operations of $1,703,000, but used $1,707,000 to pay dividends and repurchase shares of its common stock. Overall, the amount of cash and cash equivalents, and short-term investments held by the Company as of October 31, 2009 decreased approximately $222,000 from $7,925,000 at October 31, 2008 to $7,703,000 at October 31, 2009. Since the Company has no debt other than normal accounts payable, accrued expenses, and other long-term liabilities, the Company will continue to have sufficient cash to fund all of its anticipated financing and liquidity needs for the foreseeable future.

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Financial Condition

The following table presents certain key measures of financial condition as of October 31, 2009 and 2008:

	2009		2008	
	Amount	% Total Assets	Amount	% Total Assets
Cash and cash equivalents, CDs and short-term investments	$ 7,702,908	46.4%	$ 7,924,549	44.6%
Current assets	15,769,656	95.0%	16,705,149	94.0%
Current liabilities	973,188	5.9%	1,323,198	7.4%
Working capital	14,796,468	89.1%	15,381,951	86.6%
Property and equipment - net	565,804	3.4%	565,860	3.2%
Total assets	16,598,200	100.0%	17,767,773	100.0%
Stockholders' equity	15,253,482	91.9%	16,121,690	90.7%

Liquidity and Capital Resources

Management believes that its existing current assets and the amount of cash it anticipates it will generate from current operations will be sufficient to fund the anticipated liquidity and capital resource needs of the Company for the fiscal year ending October 31, 2010. The Company does not, however, currently have any commercial banking arrangements providing for loans, credit facilities or similar matters should the Company need to obtain additional capital. Management believes that its existing assets and the cash it expects to generate from operations will be sufficient during the current fiscal year based on the following:

- As of October 31, 2009, the amount of cash and cash equivalents and short-term investments was equal to $7,702,908 in the aggregate. Accordingly, the Company believes that it has sufficient cash available to operate its current business and fund its currently anticipated capital expenditure for the upcoming year.

- As of October 31, 2009, the Company had $15,769,656 in current assets and only $973,188 in current liabilities.

Management believes that based on the Company's financial condition at October 31, 2009, the absence of outstanding bank debt, and its recent operating results, there are sufficient capital resources to fund its operations and future acquisitions for at least the next twelve months. Should the Company need to obtain additional funds for its unexpected acquisitions of assets or other expansion activities, based on its balance sheet and its history of profitability, the Company believes that it would be able to obtain bank loans to finance these expenditures. However, there can be no assurance any bank loan would be obtainable, or if obtained, would be on favorable terms or conditions.

The Company is not a party to off-balance sheet arrangements and does not engage in trading activities involving non-exchange traded contracts. In addition, the Company has no financial guarantees, debt or lease agreements or other arrangements that could trigger a requirement for an early payment or that could change the value of the Company's assets.

As part of its business strategy, and because of its offshore manufacturing arrangements, the Company normally maintains a significant level of inventory. As described elsewhere in this Annual Report, one of the Company's competitive advantages and strategies is to maintain customer satisfaction by having sufficient inventory on hand to fulfill most customer orders on short notice. Accordingly, the Company maintains a significant amount of inventory, which increases or decreases to reflect the Company's sales and lead times for products. Due to sales decreasing by

20% during fiscal 2009 compared to sales of prior year, the Company's year end inventory balance decreased by 16% compared to prior year's year end inventory balance. The Company continuously monitors its inventory levels and product costs. For pricing purposes, the Company may, however, increase its inventory levels from time to time to protect against future increases in raw material costs or to obtain volume discounts.

Net cash provided by operating activities for the year ended October 31, 2009 was $1,703,000. The Company's net cash from operations was more than its net income of $656,000 due primarily to a $965,000 decrease in inventory. In fiscal year ended October 31, 2008, net cash provided by operating activities was $1,144,000.

During fiscal 2009, net cash provided by investing activities was $169,000, which represents the difference between the proceeds the Company received from the sale of its treasury bills and the re-investment of its funds in certificates of deposit, less $217,000 that the Company invested in additional capital equipment (primarily for the Connector and Cable division). During fiscal 2008, net cash used in investing activities was $2,793,000, of which $2,332,000 was for the purchase of treasury bills and other available-for-sale securities. The balance represents $461,000 invested in additional capital equipment (primarily for the Aviel division).

In fiscal 2009, financing activities decreased the Company's net cash by $1,707,000 due to dividends paid of $95,000 and $1,613,000 used to repurchase 385,358 shares of its own common stock. In fiscal 2008, financing activities decreased the Company's net cash by $691,000 due to dividends paid of $394,000 and $533,000 used to repurchase 100,000 shares of its own common stock of which expenditures were partially offset by the receipt of $190,000 from the exercise of stock options.

Results of Operations

The following summarizes the key components of the results of operations for the fiscal years ended October 31, 2009 and 2008:

	2009		2008	
	Amount	% of Net Sales	Amount	% of Net Sales
Net sales	$ 14,213,045	100%	$ 17,695,146	100%
Cost of sales	7,308,479	51%	8,789,604	50%
Gross profit	6,904,566	49%	8,905,542	50%
Engineering expenses	1,050,398	7%	1,050,574	6%
Selling and general expenses	4,738,265	33%	5,341,576	30%
Goodwill impairment	209,763	1%		
Operating income	906,140	6%	2,513,392	14%
Other income	193,429	1%	258,381	1%
Income before income taxes	1,099,569	8%	2,771,773	16%
Income taxes	443,602	3%	1,212,540	7%
Net income	655,967	5%	1,559,233	9%

Net sales of the Company decreased by approximately $3,482,000 or 20%, for the fiscal year ended October 31, 2009 ("fiscal 2009") compared to the fiscal year ended October 31, 2008 ("fiscal 2008"). Net sales decreased in fiscal 2009 due to decreases in net sales at all three of the Company's financial reporting segments. Net sales at the Connector and Cable Assembly segment decreased from fiscal 2008 by approximately $1,783,000. The Company believes that the decrease was primarily due to the negative effects of the current global recession in general, and in a decrease in sales in the wireless industry in particular. The largest sales decreases were in the Connector and Cable Assembly segment, which experienced a $1,783,000 decrease in sales, and in the RF Wireless segment, which decreased by $1,385,000. Net sales in the Medical Cabling and Interconnect division also decreased by approximately $314,000. The substantial decrease in net sales at the RF Wireless segment was attributable to a decrease of $621,000 in sales generated by the Radiomobile Division and a decrease of $764,000 in sales generated by the Neulink division. Unlike the Connector and Cable Assembly segment that has many smaller customers and a wide variety of products, the RF Wireless segment has few products and few customers. Accordingly, the failure by the RF Wireless segment to make a few larger sales to its customers resulted in a substantial decrease in sales. The Company is evaluating the operations of the RF Wireless segment and may reorganize the operations of one or more of the RF Wireless divisions.

The Company's gross profit decreased by $2,001,000 or by 22% to $6,905,000 in 2009 from $8,906,000 in 2008 due to the decrease in net sales. As a percentage of net sales, gross profit decreased to 49% in fiscal 2009, down slightly from 50% in fiscal 2008 because the Company was not able to reduce its fixed labor costs in line with the decrease in sales.

Engineering expenses, which include research and development expenses, incurred at the Company's three segments and relating to the design, re-design or development of products for specific customers remained consistent with that of prior year at $1,050,000 in fiscal 2009 compared to $1,051,000 in fiscal 2008. As a percentage of net sales, engineering expenses increased slightly to 7% in fiscal 2009 from 6% in fiscal 2008. Engineering expense (including research and development) during fiscal 2009 related primarily to the continued development of new wireless products. RadioMobile and Neulink, which constitute the RF Wireless segment, collectively incurred approximately $243,000 of research and development expenses in fiscal 2009 in the development of new products compared to $256,000 of research and development expenses at the RF Wireless segment in fiscal 2008.

Selling and general expenses decreased by $604,000 or 11%, to $4,738,000 during fiscal 2009 from $5,342,000 in fiscal 2008. This decrease is directly related to the decrease in revenues and cost cutting measures implemented by the Company. Stock based compensation expense decreased significantly by $347,000 to $153,000 in fiscal 2009 from $500,000 in fiscal 2008 primarily due to fewer options being granted and also an increase in the vesting period of options granted in fiscal 2009 compared to fiscal 2008. Sales commission expense decreased by $60,000 or 42% to $81,000 in fiscal 2009 from $141,000 in fiscal 2008 due to the significant decrease in sales from fiscal 2008. Accounting and legal fees decreased by $114,000 to $436,000 in fiscal 2009 from $550,000 in fiscal 2008 primarily due to reductions in expenses related to Management's assessment and testing of internal controls over financial reporting and external audit and review work. Advertising costs increased by $56,000 to $254,000 in fiscal 2009 from $198,000 in fiscal 2008 due to an increase in marketing efforts in fiscal 2009 compared to prior year.

Due to current negative effects of the global recession and related triggers, during the third quarter of 2009, the Company experienced a significant decrease in sales in general, and at the Radiomobile and Worswick divisions in particular. The sales generated by these divisions were significantly lower than expected and the expected third quarter improvements did not occur. As such, triggers were evident at these two divisions in the third quarter of 2009 and management performed a goodwill impairment review. Prior to management's review, the Company had a total of $347,091 of goodwill of which $137,328 was allocated to the acquisition of the Aviel division and the balance was allocated to the more recent acquisitions of the Radiomobile and Worswick businesses. As a result of its review, management recorded a goodwill impairment charge of $209,763 for the third quarter of fiscal 2009, which is included in operating expenses in the statement of income. There were no such triggering events at the Aviel division and its goodwill was not affected.

Due to the significant decrease in sales and the decrease of $2,001,000 in gross profit compared to prior year, operating income decreased by $1,607,000 or 64% to $906,000 in fiscal 2009. Total operating expenses decreased by $394,000 or 6% as a result of decreases in selling and general administrative expenses.

Interest income decreased by approximately $65,000 from prior year due to a decrease in interest rates on the funds held by the Company in its interest bearing accounts compared to the rates received during fiscal 2008. During fiscal 2009, the Company continued to invest primarily in CDs and money market funds.

Income before taxes in fiscal 2009 decreased by 60% or by $1,672,000 to $1,100,000 compared to income before taxes of $2,772,000 in fiscal 2008. Net income for fiscal year ended October 31, 2009 decreased by $903,000 or 58% to $656,000 compared to $1,559,000 in fiscal year ended October 31, 2008.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable to a "smaller reporting company" as defined in Item 10(f)(1) of SEC Regulation S-K.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The following Financial Statements of the Company with related Notes and Report of Independent Registered Public Accounting Firm are attached hereto as pages F-1 to F-22 and filed as part of this Annual Report:

- Report of J.H. Cohn LLP, Independent Registered Public Accounting Firm
- Balance Sheets as of October 31, 2009 and 2008
- Statements of Income for the years ended October 31, 2009 and 2008
- Statements of Stockholders' Equity for the years ended October 31, 2009 and 2008
- Statements of Cash Flows for the years ended October 31, 2009 and 2008
- Notes to Financial Statements

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

ITEM 9A(T) CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)) that are designed to assure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide reasonable assurance only of achieving the desired control objectives, and management necessarily is required to apply its judgment in weighting the costs and benefits of possible new or different controls and procedures. Limitations are inherent in all control systems, so no evaluation of controls can provide absolute assurance that all control issues and any fraud have been detected.

As required by Exchange Act Rule 13a-15(b), as of the end of the period covered by this report, management, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures. Based on this evaluation, management concluded that our disclosure controls and procedures were effective as of that date.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, and for performing an assessment of the effectiveness of internal control over financial reporting as of October 31, 2009. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Our system of internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we have conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in "Internal Control—Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Based on the above evaluation, our management has concluded that, as of October 31, 2009, we did not have any material weaknesses in our internal control over financial reporting and our internal control over financial reporting was effective.

This annual report does not include an attestation report of the Company's independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this annual report.

Changes in Internal Controls

There was no change in the Company's internal control over financial reporting during the most recent fiscal quarter ended October 31, 2009 that materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B OTHER INFORMATION

Not applicable

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Set forth below is information regarding the Company's directors, including information furnished by them as to their principal occupations for the last five years, and their ages as of October 31, 2009. A majority of the Directors are "independent directors" as defined by the listing standards of the Nasdaq Stock Market, and the Board of Directors has determined that such independent directors have no relationship with the Company that would interfere with the exercise of their independent judgment in carrying out the responsibilities of a director. The independent Directors are Messrs. Ehret, Fink, Jacobs, Kester and Reynolds.

Name	Age	Director Since
John R. Ehret	72	1991
Marvin H. Fink	73	2001
Howard F. Hill	69	1979
William Reynolds	74	2005
Robert Jacobs	57	1997

Linde Kester	64	2001

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John R. Ehret has been the President of TPL Electronics of Los Angeles, California, since 1982. He holds a B.S. degree in Industrial Management from the University of Baltimore. He has been in the electronics industry for over 36 years.

Marvin H. Fink served as the Chief Executive Officer, President and Chairman of the Board of Recom Managed Systems, Inc. from October 2002 to March 2005. Prior thereto, Mr. Fink was President of Teledyne's Electronics Group. Mr. Fink was employed at Teledyne for 39 years. He holds a B.E.E. degree from the City College of New York, an M.S.E.E. degree from the University of Southern California and a J.D. degree from the University of San Fernando Valley. He is a member of the California Bar.

Howard F. Hill, a founder of the Company in 1979, has credits in Manufacturing Engineering, Quality Engineering and Industrial Management. He has been the President of the Company since July 1993. He has held various positions in the electronics industry over the past 42 years.

Robert Jacobs has been an Account Executive at Neil Berkman Associates since 1988. Neil Berkman Associates is the Company's investor relations firm, and Mr. Jacobs is the Account Executive for the Company. He holds an MBA from the University of Southern California and has been in the investor relations industry for over 27 years.

Linde Kester has been the Proprietor of Oregon's Chateau Lorane Winery since 1992. He was formerly Chairman and CEO of Xentek, an electronics power conversion manufacturer that he co-founded in 1972. Mr. Kester was also a co-founder of Hidden Valley National Bank in Escondido, California. He holds an A.A. in Electron-Mechanical Design from Fullerton College and has over two decades of experience in the electronics industry.

William Reynolds joined the Board of Directors on April 26, 2005. He was the former VP of Finance and Administration for Teledyne Controls from 1994 until his retirement in 1997. Prior thereto, for 22 years he was the Vice-President of Finance and Administration of Teledyne Microelectronics. Mr. Reynolds also was a program finance administrator of Teledyne Systems Company for five years. He has a B.B.A. degree in Accounting from Woodbury University.

Management

Howard F. Hill is the President and Chief Executive Officer of the Company. He co-founded the Company in 1979. Mr. Hill has credits in Manufacturing Engineering, Quality Engineering and Industrial Management. He has been the President of the Company since July 1993. He has held various positions in the electronics industry over the past 42 years.

Effective February 1, 2007, RF Industries appointed James Doss as Acting Chief Financial Officer and Corporate Secretary. Mr. Doss was appointed to Chief Financial Officer on January 25, 2008. Mr. Doss joined the Company as its full-time Director of Accounting on February 13, 2006. Mr. Doss, 41, was most recently a private consultant to a number of Software and High-Tech companies, providing Sarbanes-Oxley compliance and general accounting support. Previously, he was Director of Finance for San Diego-based HomeRelay Communications, Inc., an Internet Service Provider (ISP). From 1996 to 2000, Doss was Controller for CliniComp, International, a San Diego medical software developer and hardware manufacturer of hospital critical care units. In 1995 Mr. Doss joined Denver-based Merrick & Company as Senior Staff Accountant. Mr. Doss received his B.S. in Finance and Economics from San Diego State University in 1993 and completed graduate and advanced financial management studies, receiving his MBA from San Diego State University in 2005.

Board of Director Meetings

During the fiscal year ended October 31, 2009, the Board of Directors held six meetings. All members of the Board of Directors hold office until the next Annual Meeting of Stockholders or the election and qualification of their successors. Executive officers serve at the discretion of the Board of Directors.

During the fiscal year ended October 31, 2009, each Board of Directors members attended at least 50% of the meetings of the Board of Directors and at least 50% of the meetings of the committees on which he served.

Board Committees

During fiscal 2009, the Board of Directors maintained two committees, the Compensation Committee and the Audit Committee.

The Audit Committee meets periodically with the Company's management and independent registered public accounting firm to, among other things, review the results of the annual audit and quarterly reviews and discuss the financial statements. The audit committee also hires the independent registered public accounting firm, and receives and considers the accountant's comments as to controls, adequacy of staff and management performance and procedures. The Audit Committee is also authorized to review related party transactions for potential conflicts of interest. As of the end of fiscal 2009, the Audit Committee was composed of Mr. Reynolds, Mr. Ehret and Mr. Fink. Each of these individuals was a non-employee director and was independent as defined under the Nasdaq Stock Market's listing standards. Each of the members of the Audit Committee has significant knowledge of financial matters, and Mr. Reynolds currently serves as the "audit committee financial expert" of the Audit Committee. The Company believes that the current members of the Audit Committee can competently perform the functions required of them as members of the Audit Committee. The Audit Committee met four times during fiscal 2009. The Audit Committee operates under a formal charter that governs its duties and conduct.

The Compensation Committee currently consists of Messrs. Ehret, Fink, and Kester, each of whom is non-employee director and is independent as defined under the Nasdaq Stock Market's listing standards. The Compensation Committee is responsible for considering and authorizing remuneration arrangements for senior management. The Compensation Committee held one formal meeting during fiscal 2009, which was attended by all committee members.

Code Of Business Conduct And Ethics

The Company has adopted a Code of Business Conduct and Ethics (the "Code") that applies to all of the Company's Directors, officers and employees, including its principal executive officer and principal financial officer. The Code is posted on the Company's website at www.rfindustries.com. The Company intends to disclose any amendments to the Code by posting such amendments on its website. In addition, any waivers of the Code for Directors or executive officers of the Company will be disclosed in a report on Form 8-K.

Compliance With Section 16(a) of the Exchange Act

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's executive officers and directors, and persons who own more than 10% of a registered class of the Company's equity securities, to file reports of ownership and changes in ownership with the Securities and Exchange Commission ("SEC"). Executive officers, directors and greater than 10% stockholders are required by SEC regulations to furnish the Company with copies of all Section 16(a) forms they file.

Based solely on its review of the copies of reporting forms received by the Company, the Company believes that during its most recent fiscal year ended October 31, 2009, its officers and directors complied with the filing requirements under Section 16(a).

ITEM 11. EXECUTIVE COMPENSATION

Summary of Cash and Other Compensation. The following table sets forth compensation for services rendered in all capacities to the Company for each person who served as an executive officer during the fiscal year ended October 31, 2009 (the “Named Executive Officers”). No other executive officer of the Company received salary and bonus, which exceeded $100,000 in the aggregate during the fiscal year, ended October 31, 2009:

Name and Principal Position	Year	Annual Compensation Salary ($)	Bonus ($)	Long-Term Compensation Awards Securities Underlying Options/SARs (#)	Any Other Compensation
Howard F. Hill, President					
Chief Executive Officer,	2009	205,677	65,100	6,000	$ 23,075(1)
Director	2008	211,730	50,000	4,000	$ 24,366
James S. Doss,					
Chief Financial Officer	2009	102,402	6,100	104,000	$ 11,021(2)
	2008	111,458	6,000	2,000	$ 9,914

(1) Mr. Hill's other compensation consisted of $9,488 of accrued vacation not taken in fiscal 2009 and $13,587 for vehicle and apartment rental costs. Because Mr. Hill does not live in San Diego, the Company has maintained an apartment in San Diego for Mr. Hill and some of the other managers since 1994. The compensation attributable to the use of a Company vehicle represents the value of his personal use of a Company vehicle.

(2) Mr. Doss's other compensation consisted of $768 of accrued vacation not taken in fiscal 2009 and $10,253 for vehicle costs.

Option Grants. The following table contains information concerning the stock option grants to the Company's Named Executive Officers for the fiscal year ended October 31, 2009.

Option Grants in Last Fiscal Year

Name	Securities Underlying Options Granted (#)	% of Total Options Granted to Employees in Fiscal Year	Base Price ($/Share)	Expiration Date
Howard F. Hill, President				
Chief Executive Officer				
Incentive Stock Option	2,000	0.89	$ 4.05	January 2014
Incentive Stock Option	4,000	1.79	4.05	October 2014
James S. Doss,				
Chief Financial Officer				
Non-Qualified Stock Option	2,000	0.89	$ 4.05	January 2014
Non-Qualified Stock Option	10,000	4.47	3.95	June 2019
Incentive Stock Option	90,000	40.19	4.05	October 2019
Incentive Stock Option	2,000	0.89	4.05	October 2014

Option Exercises and Holdings. The following table sets forth information concerning option exercises and option holdings and the value, at October 31, 2009, of unexercised options held by the Named Executive Officers:

Aggregated Options/SAR Exercises in Last Fiscal Year
and Fiscal Year-End Option/SAR Values

Name	Shares Acquired Exercise #	Value Realized Market Price at Exercise Less Exercise Price ($)	Number of Unexercised Options/SARs at Fiscal Year-End (#) Exercisable	Unexercisable	Value of Unexercised In-the-Money Options/SARs at Fiscal Year-End ($) Exercisable/ Unexercisable (1)
Howard F. Hill, President, Chief Executive Officer	0	$ 0	255,204	6,667	$ 947,490/ $ 0
James S. Doss, Chief Financial Officer	0	$ 0	45,583	93,333	$ 1,000/ $ 0

(1) Represents the closing price per share of the underlying shares on the last day of the fiscal year less the option exercise price multiplied by the number of shares. The closing value per share was $4.05 on the last trading day of the fiscal year as reported on the Nasdaq Capital Market.

During the fiscal year ended October 31, 2009, the Company did not adjust or amend the exercise price of stock options awarded to the Named Executive Officers.

Employment Agreement

The Company has no employment or severance agreements with any of its executive officers other than with Mr. Howard Hill, the Company's President and Chief Executive Officer. Mr. Hill has been the President/Chief Executive Officer of the Company since 1994. On June 6, 2008 the Company entered into a new employment agreement with Mr. Hill. Under the new employment agreement, Mr. Hill agreed to serve as the Company's President and Chief Executive Officer for up to three one-year periods. The new employment agreement provides for an annual salary of $210,000. Either Mr. Hill or the Company can terminate the employment agreement at each of the first and second anniversaries of the agreement. The employment agreement will expire on June 20, 2011.

Compensation of Directors

The Company compensates its directors with an annual grant of options to purchase 2,000 shares of common stock. Options to purchase 2,000 shares of common stock were granted to each of the directors on January 15, 2009. The Chairman of the Board, Mr. Fink, was granted an additional 2,000 shares on January 15, 2009 as compensation for his service as the Chairman. All of these options vested immediately upon grant and had an exercise price of $4.05 per share, which was the closing stock price on January 15, 2009. The directors are also eligible for reimbursement of expenses incurred in connection with attendance at Board meetings and Board committee meetings.

In addition to the foregoing grant of options, all non-employee members of the Board of Directors receive an annual cash payment of $4,750 per director, and the non-employee Chairman of the Board receives an annual payment of

$9,500.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth certain information regarding the ownership of the Company's Common Stock as of October 31, 2009 for each director; (ii) the Company's Named Executive Officers; (iii) all executive officers and directors of the Company as a group; and (iv) all those known by the Company to be beneficial owners of more than 5% of the Common Stock.

Name and Address of Beneficial Owner	Number of Shares (1) Beneficially Owned	Percentage Beneficially Owned
Howard H. Hill 7610 Miramar Road, Ste. 6000 San Diego, CA 92126-4202	258,704(2)	8.3%
James Doss 7610 Miramar Road, Ste. 6000 San Diego, CA 92126-4202	45,583(3)	1.6%
John R. Ehret 7610 Miramar Road, Ste. 6000 San Diego, CA 92126-4202	26,000(4)	0.9%
Robert Jacobs 7610 Miramar Road, Ste. 6000 San Diego, CA 92126-4202	12,000(5)	