

R F INDUSTRIES LTD  
Form 10-Q  
June 14, 2012

UNITED STATES

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

Form 10-Q

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended April 30, 2012

Commission file number: **0-13301**

**RF INDUSTRIES, LTD.**

(Exact 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.)

**92126**

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7610 Miramar Road, Building 6000

San Diego, California

(Address of principal executive offices)

(Zip Code)

**(858) 549-6340**

(Registrant's telephone number, including area code)

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. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, 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 whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

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

The number of shares of the issuer's Common Stock, par value \$0.01 per share, outstanding as of June 14, 2012 was 6,860,477.

**Part I. FINANCIAL INFORMATION****Item 1: Financial Statements****RF INDUSTRIES, LTD. AND SUBSIDIARY****CONDENSED CONSOLIDATED BALANCE SHEETS**

	April 30, 2012 (Unaudited)	October 31, 2011 (Note 1)
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents (\$420,663 for settlement of VIE obligations at October 31, 2011)	\$ 3,812,724	\$ 1,760,816
Restricted cash (all related to VIE)	-	66,926
Certificates of deposit	748,258	4,094,724
Trade accounts receivable, net of allowance for doubtful accounts of \$66,174 and \$102,736 (\$809,120 for settlement of VIE obligations at October 31, 2011)	3,107,941	2,605,965
Inventories (\$487,687 for settlement of VIE obligations at October 31, 2011)	6,448,990	6,189,601
Prepaid income taxes	249,026	572,642
Other current assets (\$33,263 for settlement of VIE obligations at October 31, 2011)	513,533	511,832
Deferred tax assets (\$42,100 for settlement of VIE obligations at October 31, 2011)	610,700	610,700
<b>TOTAL CURRENT ASSETS</b>	<b>15,491,172</b>	<b>16,413,206</b>
<b>Property and Equipment:</b>		
Land and building (\$1,548,100 of collateral for VIE obligations at October 31, 2011)	-	1,548,100
Equipment and tooling (\$305,399 for settlement of VIE obligations at October 31, 2011)	3,163,330	2,938,388
Furniture and office equipment (\$16,150 for settlement of VIE obligations at October 31, 2011)	795,021	575,586
	3,958,351	5,062,074
Less accumulated depreciation	2,710,935	2,619,336
<b>TOTALS</b>	<b>1,247,416</b>	<b>2,442,738</b>
Goodwill	3,076,023	3,076,023
Amortizable intangible assets, net	1,737,317	1,866,171
Non-amortizable intangible assets	410,000	410,000
Note receivable from stockholder	66,980	66,980
Other assets (\$70,668 for settlement of VIE obligations at October 31, 2011)	32,159	102,828
<b>TOTAL ASSETS</b>	<b>\$ 22,061,067</b>	<b>\$ 24,377,946</b>



**Item 1: Financial Statements** (continued)**RF INDUSTRIES, LTD. AND SUBSIDIARY****CONDENSED CONSOLIDATED BALANCE SHEETS**

	April 30, 2012 <b>(Unaudited)</b>	October 31, 2011 (Note 1)
<b>LIABILITIES AND EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 1,001,737	\$ 521,174
Accrued expenses	1,289,837	1,579,445
Mortgages payable (\$1,394,230 recourse limited to VIE creditors at October 31, 2011)	-	1,394,230
<b>TOTAL CURRENT LIABILITIES</b>	<b>2,291,574</b>	<b>3,494,849</b>
Deferred tax liabilities	1,072,202	1,072,202
Other long-term liabilities	115,467	132,867
<b>TOTAL LIABILITIES</b>	<b>3,479,243</b>	<b>4,699,918</b>
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>EQUITY</b>		
Common stock - authorized 20,000,000 shares of \$0.01 par value; 6,859,811 and 7,110,507 shares issued and outstanding	68,598	71,105
Additional paid-in capital	11,561,570	11,382,605
Retained earnings	6,951,656	8,010,701
Total RF Industries, Ltd. and Subsidiary	18,581,824	19,464,411
Noncontrolling interest	-	213,617
<b>TOTAL EQUITY</b>	<b>18,581,824</b>	<b>19,678,028</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 22,061,067</b>	<b>\$ 24,377,946</b>

See Notes to Unaudited Condensed Consolidated Financial Statements.

**Item 1: Financial Statements** (continued)**RF INDUSTRIES, LTD. AND SUBSIDIARY****CONDENSED CONSOLIDATED STATEMENTS OF INCOME****(UNAUDITED)**

	Three Months Ended April 30 2012	2011	Six Months Ended April 30 2012	2011
Net sales	\$ 6,672,187	\$ 4,391,562	\$ 12,230,941	\$ 8,531,857
Cost of sales	3,650,018	2,154,806	6,706,769	4,125,133
Gross profit	3,022,169	2,236,756	5,524,172	4,406,724
Operating expenses:				
Engineering	283,765	333,441	573,762	629,456
Selling and general	1,839,681	1,281,585	3,850,937	2,627,100
Totals	2,123,446	1,615,026	4,424,699	3,256,556
Operating income	898,723	621,730	1,099,473	1,150,168
Other income - interest	6,311	10,760	25,023	21,246
Income before provision for income taxes	905,034	632,490	1,124,496	1,171,414
Provision for income taxes	302,682	225,978	406,784	413,409
Net income attributable to RF Industries, Ltd. and Subsidiary	602,352	406,512	717,712	758,005
Net income attributable to deconsolidation of VIE	-	-	1,848	-
Consolidated net income	\$ 602,352	\$ 406,512	\$ 719,560	\$ 758,005
Basic earnings per share:				
Net income attributable to RF Industries, Ltd. and Subsidiary	\$ .09	\$ .07	\$ .10	\$ .13
Net income attributable to VIE	\$ .00	\$ .00	\$ .00	\$ .00

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Consolidated net income	\$ .09	\$ .07	\$ .10	\$ .13
Diluted earnings per share:				
Net income attributable to RF Industries, Ltd. and Subsidiary	\$ .08	\$ .06	\$ .09	\$ .11
Net income attributable to VIE	\$ .00	\$ .00	\$ .00	\$ .00
Consolidated net income	\$ .08	\$ .06	\$ .09	\$ .11
Basic weighted average shares outstanding	6,872,439	6,009,849	6,938,395	5,954,628
Diluted weighted average shares outstanding	7,623,805	7,050,310	7,673,266	6,914,030
Dividends paid	\$ 342,538	\$ 130,512	\$ 695,230	\$ 215,321

See Notes to Unaudited Condensed Consolidated Financial Statements.

**Item 1: Financial Statements** (continued)**RF INDUSTRIES, LTD. AND SUBSIDIARY****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****SIX MONTHS ENDED APRIL 30****(UNAUDITED)**

	2012	2011
<b>OPERATING ACTIVITIES:</b>		
Consolidated net income	\$719,560	\$758,005
Adjustments to reconcile consolidated net income to net cash provided by operating activities:		
Bad debt expense adjustment	(5,878 )	(4,505 )
Depreciation and amortization	303,520	102,094
Stock-based compensation expense	120,669	142,368
Excess tax benefit from stock-based compensation	(60,655 )	(39,432 )
Changes in operating assets and liabilities (net of effects of deconsolidation of VIE on January 25, 2012):		
Restricted cash	4,471	-
Trade accounts receivable	(496,098 )	433,124
Inventories	(259,389 )	(701,790 )
Other current assets	(25,502 )	(188,292 )
Other long-term assets		
Accounts payable	480,563	(253,541 )
Income taxes prepaid (payable)	384,271	(84,477 )
Accrued expenses	(289,608 )	140,273
Other long-term liabilities	(17,400 )	(12,095 )
Net cash provided by operating activities	858,524	291,732
<b>INVESTING ACTIVITIES:</b>		
Purchase of certificates of deposit	-	(4,648,775)
Maturity of certificates of deposit	3,346,466	2,904,000
Capital expenditures	(446,134 )	(119,027 )
Net cash provided by (used in) investing activities	2,900,332	(1,863,802)
<b>FINANCING ACTIVITIES:</b>		
Proceeds from exercise of stock options	76,351	405,989
Purchase of treasury stock	(1,143,243)	-
Excess tax benefit from stock-based compensation	60,655	39,432



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Principal payments on long-term debt	(5,481 )	
Dividends paid	(695,230 )	(215,321 )
Net cash provided by (used in) financing activities	(1,706,948)	230,100
Net increase (decrease) in cash and cash equivalents	2,051,908	(1,341,970)
Cash and cash equivalents, beginning of period	1,760,816	4,728,884
Cash and cash equivalents, end of period	\$3,812,724	\$3,386,914
Supplemental cash flow information – income taxes paid	\$-	\$560,000
Supplemental schedule of noncash investing and financing activities:		
Retirement of treasury stock	\$1,143,243	\$-
Assets and liabilities of VIE as of January 25, 2012:		
Restricted cash	\$62,455	\$-
Other current assets	\$23,801	\$-
Property and equipment, net	\$1,467,674	\$-
Other assets, net	\$69,784	\$-
Mortgages payable	\$1,408,249	\$-
Net equity	\$215,465	\$-

See Notes to Unaudited Condensed Consolidated Financial Statements.

**RF INDUSTRIES, LTD. AND SUBSIDIARY**

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**Note 1 - Unaudited interim condensed consolidated financial statements**

The accompanying unaudited condensed financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments which are normal and recurring have been included in order to make the information not misleading. Information included in the consolidated balance sheet as of October 31, 2011 has been derived from, and certain terms used herein are defined in, the audited financial statements of the Company as of October 31, 2011 included in the Company's Annual Report on Form 10-K ("Form 10-K") for the year ended October 31, 2011 that was previously filed with the Securities and Exchange Commission ("SEC"). Operating results for the three and six month periods ended April 30, 2012 are not necessarily indicative of the results that may be expected for the year ending October 31, 2012. The unaudited condensed consolidated financial statements should be read in conjunction with the financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended October 31, 2011.

**Principles of consolidation**

The accompanying unaudited condensed consolidated financial statements include the accounts of RF Industries, Ltd. and its wholly owned subsidiary, Cables Unlimited, Inc. ("Cables Unlimited"), collectively (the "Company"). All intercompany balances and transactions have been eliminated in consolidation. See Note 2 for a discussion of the Cables Unlimited acquisition, which occurred on June 15, 2011.

**Revenue Recognition**

Four basic criteria must be met before revenue can be recognized: (1) persuasive evidence of an arrangement exists; (2) delivery has occurred or services rendered; (3) the fee is fixed and determinable; and (4) collectability is reasonably assured. The Company recognizes revenue from product sales after purchase orders are received which contain a fixed price and the products are shipped. Most of the Company's products are sold to continuing customers with established credit histories.

## Note 2 - Business Acquisition

On June 15, 2011, RF Industries, Ltd. completed its acquisition of Cables Unlimited. Cables Unlimited is an established fiber optic custom cable manufacturer based on Long Island, New York. Cables Unlimited is a Corning Cable Systems CAH Connections SM Gold Program member, authorized to manufacture optic products that are backed by Corning Cable Systems' extended warranty. The products manufactured by Cables Unlimited include custom fiber optic cable assemblies, adapters and electromechanical wiring harnesses for communications, computer, LAN, automotive and medical equipment. All of Cables Unlimited's assets are located in the United States. There were no earnouts or contingent considerations included in the acquisition agreement.

The acquisition was accounted for in accordance with the acquisition method of accounting. The acquired assets and assumed liabilities were recorded by RF Industries, Ltd. at their estimated fair values. RF Industries, Ltd. determined the estimated fair values with the assistance of appraisals or valuations performed by an independent third party specialist. Cables Unlimited is an established fiber optic custom cable manufacturer based on Long Island, New York. Cables Unlimited is a Corning Cable Systems CAH Connections SM Gold Program member, authorized to manufacture optic products that are backed by Corning Cable Systems' extended warranty. The products manufactured by Cables Unlimited include custom fiber optic cable assemblies, adapters and electromechanical wiring harnesses for communications, computer, LAN, automotive and medical equipment. These products supplement and enhance the existing markets of RF Industries, Ltd. as well as tap into new fiber optic cable markets that the Company would not have been able to enter without incurring substantially more costs than incurred in the purchase of Cables Unlimited. The capital and other resources required to enter the fiber optic market would have greatly exceeded the purchase price of \$5.6 million. These factors, among others, contributed to a purchase price in excess of the estimated fair value of Cables Unlimited's net identifiable assets acquired, and as a result, goodwill was recorded in connection with this transaction.

Goodwill acquired was allocated to the Company's operating segment and reporting unit, Cables Unlimited, as part of the purchase price allocation. The goodwill is not expected to be deductible for income tax purposes. Acquired amortizable intangible assets are being amortized on a straight-line basis over their estimated useful lives ranging from 6 months to 9.6 years. The purchase price allocation was finalized in the fourth quarter of fiscal 2011.

The following table summarizes the components of the purchase price at fair value:

Cash consideration paid	\$2,800,000
RF Industries, Ltd. common shares issued (762,738 shares)	2,800,000
Total consideration	\$5,600,000

The following table summarizes the allocation of the purchase price at fair value:

Other assets	\$6,000
Accounts receivable	814,000
Inventories	442,000
Property, plant and equipment	313,000
Intangible assets	2,415,000
Goodwill (all non-deductible for tax purposes)	3,076,000
Interest bearing liabilities	(7,000 )
Non-interest bearing liabilities	(423,000 )
Deferred tax liabilities	(1,036,000)
Net assets	\$5,600,000

The results of Cables Unlimited operations subsequent to June 15, 2011 have been included in the Company's consolidated results of operations.

The following unaudited pro forma financial information presents the combined operating results of RF Industries, Ltd. and Cables Unlimited as if the acquisition had occurred as of the beginning of the periods presented. Pro forma data is subject to various assumptions and estimates, and is presented for informational purposes only. This pro forma data does not purport to represent or be indicative of the consolidated operating results that would have been reported had the transaction been completed as described herein, and the data should not be taken as indicative of future consolidated operating results.

Pro forma financial information is presented in the following table:

(Unaudited)	(Unaudited)
Three Months	Six Months
Ended April 30,	Ended April
2011	30, 2011

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Revenue	\$ 5,759,983	\$ 11,396,508
Net income	461,853	857,099

Earnings per share:

Basic	\$ .08	\$ .14
Diluted	\$ .07	\$ .12

**Note 3 - Variable interest entity**

The Company's unaudited condensed consolidated financial statements as of October 31, 2011 reflect consolidation of its variable interest entity, K&K Unlimited, LLC (K&K), in accordance with generally accepted accounting principles. K&K was formed on August 14, 2009 for the purpose of establishing a separation of legal ownership of the building where Cables Unlimited conducts its operations. Cables Unlimited's former sole stockholder is the sole member of K&K. Cables Unlimited was deemed the primary beneficiary of K&K even though it has no direct ownership in K&K as it had the power to direct the activities of K&K that most significantly impacted its economic performance and provided significant financial support through a lease agreement between Cables Unlimited and K&K. Cables Unlimited was also guarantor of K&K's mortgage notes payable to Teacher's Federal Credit Union ("TFCU") and Small Business Administration ("SBA") establishing a direct obligation to absorb any losses of K&K.

In November 2011, the mortgage note to the SBA was paid in full, thereby releasing Cables Unlimited from any guarantee on said note. In addition, Cables Unlimited was released as a guarantor on the mortgage note payable to TFCU, which was repaid through a refinancing on January 25, 2012. Based on these factors, it was determined that Cables Unlimited is no longer the primary beneficiary and has deconsolidated the operations of K&K as of January 25, 2012. As a result, the Company's unaudited condensed consolidated balance sheet at April 30, 2012 reflects a reduction in total assets of approximately \$1.6 million with a reduction in liabilities of approximately \$1.4 million. The effect of the deconsolidation did not have a material impact on the Company's unaudited condensed consolidated results of operations for the three and six months ended April 30, 2012.

As of October 31, 2011, K&K had assets of \$1,627,346 (\$66,926 in cash, \$12,827 in other current assets, \$1,476,925 in land and building, net and \$70,668 in other assets) and liabilities of \$1,413,730.

#### Note 4 - Inventories and major vendors

Inventories, consisting of materials, labor and manufacturing overhead, are stated at the lower of cost or market. Cost has been determined using the weighted average cost method.

	April 30, 2012	October 31, 2011
Raw materials and supplies	\$2,303,463	\$2,023,108
Work in process	140,451	5,425
Finished goods	4,095,076	4,309,914
Less inventory reserve	(90,000 )	(148,846 )
Totals	\$6,448,990	\$6,189,601

Purchases of connector products from two major vendors in the six months period ended April 30, 2012 represented 16% and 10% compared to three major vendors who represented 28%, 19%, and 14% of total inventory purchases for the same period in 2011. The Company has arrangements with these vendors to purchase products based on purchase orders periodically issued by the Company.

#### Note 5 - Earnings per share

Basic earnings per share is computed by dividing net income by the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed by dividing net income by the weighted average number of common shares outstanding increased by the effects of assuming that other potentially dilutive securities (such as stock options) outstanding during the period had been exercised and the treasury stock method had been applied. At April 30, 2012, the effects of the assumed exercise of options to purchase 699,897 shares of the Company's common stock, at a price range of \$3.16 to \$3.91 per share, were not included in the computation of diluted per share amounts because they were anti-dilutive for that purpose. At April 30, 2011, the effects of the assumed exercise of options to purchase 608,320 shares of the Company's common stock, at a price of \$3.14 to \$3.78 per share, were not included in the computation of diluted per share amounts because they were anti-dilutive for that purpose.

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The following table summarizes the computation of basic and diluted weighted average shares outstanding:

	Three Months Ended April 30		Six Months Ended April 30	
	2012	2011	2012	2011
Weighted average shares outstanding for basic net earnings per share	6,872,439	6,009,849	6,938,395	5,954,628
Add effects of potentially dilutive securities -assumed exercise of stock options	751,366	1,040,461	734,871	959,402
Weighted average shares for diluted net earnings per share	7,623,805	7,050,310	7,673,266	6,914,030

**Note 6 - Stock-based compensation and equity transactions**

The stock incentive plans provide for the granting of qualified and nonqualified options to the Company's officers, directors and employees. Non-qualified stock options granted during the six months ended April 30, 2012 vest and are exercisable immediately with an expiration of five years from date of grant. During the six months ended April 30, 2012, the Company granted a total of 28,500 non-qualified stock options to its directors. The Company satisfies the exercise of options by issuing previously unissued common shares.

The weighted average fair value of employee stock options granted by the Company in the six months ended April 30, 2012 and 2011 was estimated to be \$1.33 and \$0.99 per share, respectively, using the Black-Scholes option pricing model with the following assumptions:

	2012		2011	
Risk-free interest rate	0.39	%	1.03	%
Dividend yield	4.99	%	1.91	%
Expected life of the option	3.5 years		2.5	years
Volatility factor	66.16	%	55.78	%

Expected volatilities are based on historical volatility of the Company's stock and other factors. The Company used the expected term method to calculate the expected life of the 2012 option grants. The expected life represents the period of time that options granted are expected to be outstanding. The risk-free rate is based on the U.S. Treasury rate with a maturity date corresponding to the options' expected life. The dividend yield is based upon the historical dividend yield.

**Issuances of common stock by the Company**

During the six months ended April 30, 2012, the Company issued 74,175 shares of common stock and received net proceeds of \$76,351 in connection with the exercise of employee stock options.

**Company Stock Option Plans**



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Descriptions of the Company's stock option plans are included in Note 7 of the Company's Annual Report on Form 10-K for the year ended October 31, 2011. A summary of the status of the options granted under the Company's stock option plans as of April 30, 2012 and the changes in options outstanding during the six months then ended is presented in the table that follows:

	Shares	Weighted Average Exercise Price
Outstanding at November 1, 2011	2,099,672	\$ 2.13
Options granted	28,500	\$ 3.59
Options exercised	(74,175 )	\$ 1.03
Options canceled or expired	(7,994 )	\$ 3.22
Options outstanding at April 30, 2012	2,046,003	\$ 2.18
Options exercisable at April 30, 2012	1,565,420	\$ 2.06
Options vested and expected to vest at April 30, 2012	3,389,383	\$ 2.06

Weighted average remaining contractual life of options outstanding as of April 30, 2012: 4.00 years

Weighted average remaining contractual life of options exercisable as of April 30, 2012: 3.80 years

Weighted average remaining contractual life of options vested and expected to vest as of April 30, 2012: 3.80 years

Aggregate intrinsic value of options outstanding at April 30, 2012: \$ 3,211,739

Aggregate intrinsic value of options exercisable at April 30, 2012: \$ 2,660,594

Aggregate intrinsic value of options vested and expected to vest at April 30, 2012: \$ 7,147,209

As of April 30, 2012, \$356,136 of expense with respect to non-vested share-based arrangements has yet to be recognized and is expected to be recognized over a weighted average period of 3.64 years.

### **Stock Option Expense**

During the six-month periods ended April 30, 2012 and 2011, stock-based compensation expense totaled \$120,669 and \$142,368, respectively. In the three-month period ended April 30, 2012 and April 30, 2011, stock-based compensation expense totaled \$53,483 and \$49,760, respectively. For the six months ended April 30, 2012 and 2011, stock-based compensation classified in cost of sales amounted to \$27,783 and \$24,861, respectively, and stock-based compensation classified in selling and general expense amounted to \$92,886 and \$117,507, respectively.

### **Note 7 - Concentration of Credit Risk**

One customer accounted for approximately 14% of the Company's net sales for the three and six month periods ended April 30, 2012. This same customer accounted for approximately 19% and 20% of the Company's net sales for the three and six month periods ended April 30, 2011, respectively. Although this customer has been an on-going major customer of the Company continuously during the past thirteen years, the written agreements with this customer do not have any minimum purchase obligations and the customer could stop buying the Company's products at any time and for any reason. 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.

### **Note 8 - Segment Information**

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 four segments - RF Connector and Cable Assembly, Medical Cabling and Interconnector, RF Wireless, and Cables Unlimited based upon this evaluation.

The RF Connector and Cable Assembly segment is comprised of three divisions; the Cables Unlimited segment and the Medical Cabling and Interconnector segment are each comprised of one division, while the RF Wireless segment is comprised of two divisions. The four divisions that meet the quantitative thresholds for segment reporting are Connector & Cable Assembly, Cables Unlimited, Bioconnect and RF Wireless. Each of the other divisions aggregated

into these segments 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 the Connector & Cable Assembly, Aviel, and Oddcables.com divisions into the RF Connector and Cable Assembly segment, while the Cables Unlimited division constitutes the Cables Unlimited segment. The Bioconnect Division makes up the Medical Cabling and Interconnector segment, and the RF Neulink and RadioMobile divisions make up the RF Wireless segment.

As reviewed by the Company's chief operating decision maker, the Company evaluates the performance of each segment based on income or loss before income taxes. The Company charges depreciation and amortization directly to each division within the segment. All stock-based compensation is attributed to the RF Connector and Cable Assembly segment. Inventory, fixed assets, goodwill and intangible assets are the only assets identified by segment. Except as discussed above, the accounting policies for segment reporting are the same as for the Company as a whole.

Substantially all of the Company's operations are conducted in the United States; however, the Company derives a portion of its revenue from export sales. The Company attributes sales to geographic areas based on the location of the customers. The following table presents the sales of the Company by geographic area for the three and six month periods ended April 30, 2012 and 2011:

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	Three Months Ended April 30		Six Months Ended April 30	
	2012	2011	2012	2011
United States	\$ 6,331,240	\$ 4,176,261	\$ 11,521,111	\$ 7,686,599
Foreign countries:				
Canada	161,988	77,982	303,658	418,527
Israel	18,886	671	116,959	113,792
Mexico	138,816	93,467	234,016	207,580
All other	21,257	43,181	55,197	105,359
	\$ 6,672,187	\$ 4,391,562	\$ 12,230,941	\$ 8,531,857

Net sales, income (loss) before provision for income taxes and other related segment information for