

R F INDUSTRIES LTD
Form DEF 14A
May 09, 2007

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

SCHEDULE 14A

**PROXY STATEMENT PURSUANT TO SECTION 14(A) OF THE
SECURITIES EXCHANGE ACT OF 1934**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Materials Under Rule 14a-12

RF INDUSTRIES, LTD.
(Name of Registrant as Specified in its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

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

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Edgar Filing: R F INDUSTRIES LTD - Form DEF 14A

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

RF INDUSTRIES, LTD.
7610 Miramar Road
San Diego, California 92126-4202

NOTICE IS HEREBY GIVEN THAT THE ANNUAL MEETING OF STOCKHOLDERS
WILL BE HELD ON JUNE 1, 2007

An Annual Meeting of Stockholders of RF Industries, Ltd., a Nevada corporation (the "Company"), will be held at the Company's corporate office at 7610 Miramar Road, Suite 6000, San Diego, California 92126-4202 on Friday June 1, 2007, at 1:30 p.m., Pacific Standard Time, for the following purposes:

1. To elect six directors of the Company who shall serve until the 2008 Annual Meeting of Stockholders (and until the election and qualification of their successors).
2. To authorize an amendment to the Company's 2000 Stock Option Plan to increase the number of shares of Common Stock reserved for issuance thereunder by 100,000 shares.
3. To ratify the selection of J.H. Cohn LLP as the Company's independent registered public accounting firm for the fiscal year ending October 31, 2007.
4. To transact such other business as may properly come before the Annual Meeting of Stockholders or any adjournment thereof.

The Board of Directors has fixed the close of business on April 6, 2007 as the record date for determination of stockholders entitled to notice of and to vote at the Annual Meeting of Stockholders or any adjournment thereof.

All stockholders are cordially invited to attend the Annual Meeting of Stockholders in person. Regardless of whether you plan to attend the meeting, please sign and date the enclosed Proxy and return it promptly in the accompanying envelope, postage for which has been provided if mailed in the United States. The prompt return of Proxies will ensure a quorum and save the Company the expense of further solicitation. Any stockholder returning the enclosed Proxy may revoke it prior to its exercise by voting in person at the meeting or by filing with the Secretary of the Company a written revocation or a duly executed Proxy bearing a later date.

By Order of the Board of Directors

James Doss,
Acting Chief Financial Officer and Corporate
Secretary

San Diego, California
April 27, 2007

RF INDUSTRIES, LTD.
7610 Miramar Road
San Diego, California 92126-4202

PROXY STATEMENT

General

The enclosed Proxy is solicited on behalf of the Board of Directors of RF Industries, Ltd., a Nevada corporation (the “Company”), for use at the Annual Meeting of Stockholders (“Annual Meeting”) to be held on Friday, June 1, 2007, at 1:30 p.m., local time, or at any adjournment or postponement thereof. The Annual Meeting will be held at the corporate office at 7610 Miramar Road, Suite 6000, San Diego, California 92126-4202. The Company mailed this Proxy Statement and the accompanying Proxy and Annual Report to all stockholders entitled to vote at the Annual Meeting on or about April 27, 2007.

Voting

Only stockholders of record at the close of business on April 6, 2007, will be entitled to notice of and to vote at the Annual Meeting. On April 6, 2007, there were 3,318,233 shares of Common Stock outstanding. The Company is incorporated in Nevada, and is not required by Nevada corporation law or its Articles of Incorporation to permit cumulative voting in the election of directors.

With regard to the election of directors, the six nominees receiving the greatest number of votes cast will be elected provided a quorum is present. On each other matter properly presented and submitted to a vote at the Annual Meeting, each share will have one vote and an affirmative vote of a majority of the shares represented at the Annual Meeting and entitled to vote will be necessary to approve the matter. Shares represented by proxies that reflect abstentions or broker non-votes (that is, shares held by a broker or nominee which are represented at the meeting, but with respect to which such broker or nominee is not empowered to vote on a particular proposal) will be counted as shares that are present and entitled to vote for purposes of determining the presence of a quorum. Abstentions will be counted towards the tabulation of votes cast on matters properly presented to the stockholders (except the election of directors) and will have the same effect as negative votes. Broker non-votes will not be counted as votes cast and, therefore, will have no effect on the outcome of the matters presented at the Annual Meeting. If the enclosed proxy is properly executed and returned to, and received by, the Company prior to voting at the Annual Meeting, the shares represented thereby will be voted in accordance with the instructions marked thereon. In the absence of instructions, the shares will be voted “FOR” (i) the nominees of the Board of Directors in the election of the six directors whose terms of office will extend until the 2008 Annual Meeting of Stockholders and until their respective successors are duly elected and qualified, (ii) amendment to the Company’s 2000 Stock Option Plan to increase the number of shares of Common Stock reserved for issuance thereunder by 100,000 shares, and (iii) the approval of the re-appointment of J.H. Cohn LLP as the Company’s independent registered public accounting firm for the 2007 fiscal year.

Revocability of Proxies

When the enclosed Proxy is properly executed and returned, the shares it represents will be voted at the Annual Meeting in accordance with any directions noted thereon, and if no directions are indicated, the shares it represents will be voted in favor of the proposals set forth in the notice attached hereto. Any person giving a Proxy in the form accompanying this Proxy Statement has the power to revoke it any time before its exercise. It may be revoked by filing with the Secretary of the Company's principal executive office, 7610 Miramar Road, San Diego, California 92126-4202, an instrument of revocation or a duly executed Proxy bearing a later date, or it may be revoked by attending the Annual Meeting and voting in person. *Please note, however, that if your shares are held of record by a broker, bank or other nominee and you wish to vote in person at the Annual Meeting, you must obtain from the record holder a proxy issued in your name.*

Solicitation

The Company will bear the entire cost of solicitation of Proxies, including the preparation, assembly, printing, and mailing of this Proxy Statement, the Proxy, and any additional material furnished to stockholders. Copies of solicitation material will be furnished to brokerage houses, fiduciaries, and custodians holding shares in their names that are beneficially owned by others to forward to such beneficial owners. In addition, the Company may reimburse such persons for their cost of forwarding the solicitation material to such beneficial owners. The solicitation of Proxies by mail may be supplemented by telephone, telegram, and/or personal solicitation by directors, officers, or employees of the Company. No additional compensation will be paid for any such services. Except as described above, the Company does not intend to solicit Proxies other than by mail.

PROPOSAL 1: NOMINATION AND ELECTION OF DIRECTORS

Each director to be elected will hold office until the next Annual Meeting and until his or her successor is elected and has qualified, or until his or her death, resignation, or removal. Six directors are to be elected at the Annual Meeting. All six nominees are currently members of the Board of Directors. All six nominees are currently members of the Board of Directors.

The six candidates receiving the highest number of affirmative votes cast at the Annual Meeting shall be elected as directors of the Company. Each nominee listed below has agreed to serve if elected. If any of such nominees shall become unavailable or refuse to serve as a director (an event that is not anticipated), the Proxy holders will vote for substitute nominees at their discretion. Unless otherwise instructed, the Proxy holders will vote the Proxies received by them for the six nominees named below.

Nominees

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 Director nominees are Messrs. Ehret, Fink, Jacobs, Kester and Reynolds.

Set forth below is information regarding the nominees, including information furnished by them as to their principal occupations for the last five years, and their ages as of October 31, 2006, the end of the Company's last fiscal year.

| Name | Age | Director Since |
|---------------------|-----|----------------|
| John R. Ehret | 69 | 1991 |
| Marvin H. Fink | 70 | 2001 |
| Howard F. Hill | 66 | 1979 |
| Robert Jacobs | 55 | 1997 |
| Linde Kester | 61 | 2001 |
| William L. Reynolds | 70 | 2005 |

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 33 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, a 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 40 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 21 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 40 years. (see "Nominees," above)

Mr. Doss, 38 is the acting Chief Financial Officer since his appointment in February 2007. He joined the Company as its Director of Accounting in February 2006. From April 2003 until his employment with the Company Mr. Doss was an independent accounting and finance consultant at Doss Financial Solutions. From December 2000 to April 2003, Mr. Powers was the Director of Finance at HomeRelay Communications, Inc., an internet service provider. Prior thereto, Mr. Doss also served as Controller of CliniComp, International and as Senior Staff Accountant at Merrick & Company. Mr. Doss received his B.S. in Finance and Economics from San Diego State University in 1993 and his MBA from San Diego State University in 2005.

Board of Director 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, 2006, the Board of Directors held six meetings at which each director attended at least 75% of the meetings of the Board of Directors and at least 75% of the meetings of the committees on which he served.

Director Attendance at Annual Meetings

Although the Company does not have a formal policy regarding attendance by Board members at the annual meeting of stockholders, directors are strongly encouraged to attend annual meetings of the Company's stockholders. All of the directors except John Ehret attended the 2006 annual meeting of the Company's stockholders, and all directors are expected to attend the 2007 Annual Meeting.

Board Committees

During fiscal 2006, the Board of Directors maintained two committees -- the Compensation Committee and the Audit Committee. Each of these committees is described as follows:

Audit Committee. The Audit Committee meets periodically with the Company's management and independent auditors 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 that firm'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 date of this Proxy Statement, the Audit Committee consists of Mr. Ehret, Mr. Kester and Mr. Reynolds. As part of a policy to periodically change members of the Company's committees, the Board of Directors has decided that Mr. Fink will replace Mr. Ehret as a member of the Audit Committee, effective immediately after the Annual Meeting. Accordingly, assuming that all of the nominees listed herein are elected, the Audit Committee after the Annual Meeting will consist of Mr. Fink, Mr. Kester and Mr. Reynolds. Each of these individuals is a non-employee director and is independent as defined under The Nasdaq Stock Market's listing standards and each has significant knowledge of financial matters (two of the members have previously served as chief executive officers of other companies, and one was a Vice President of Finance and has a B.B.A. degree in accounting). Mr. Reynolds has been designated by the Board as the "audit committee financial expert" as defined under Item 401(e) (2) of Regulation S-B of the Securities Exchange Act of 1934, as amended. The Audit Committee met four times during fiscal 2007. The Audit Committee operates under a formal charter that governs its duties and conduct.

Compensation Committee. The Compensation Committee currently consists of Messrs. Jacobs, Fink, and Kester, each of whom is a non-employee director and is independent as defined under The Nasdaq Stock Market's listing standards. As mentioned above, as part of a policy to periodically change members of the Company's committees, the Board of Directors has decided that Mr. Ehret will replace Mr. Kester as a member of the Audit Committee, effective immediately after the Annual Meeting. The Compensation Committee is responsible for considering and authorizing remuneration arrangements for senior management. The Compensation Committee held one formal meetings during fiscal 2006, of which all committee members attended.

Nominating Directors

To date, all six of the Company's directors (five of whom are independent directors) have participated in identifying qualified director nominees. As a result, the Board of Directors has not found it necessary to have a separate Nominating Committee. However, the Board of Directors may form a Nominating Committee for the purpose of nominating future director candidates. If such a committee is formed, each member of the Nominating Committee will be "independent" as defined in the Nasdaq Stock Market's listing standards. The functions of the Nominating Committee will be to assist the Board of Directors by identifying individuals qualified to become members, and to recommend to the Board of Directors the director nominees for the next annual meeting of stockholders, and to recommend to the Board of Directors corporate governance guidelines and changes thereto.

The Board of Directors has not established any specific minimum qualifications for director candidates or any specific qualities or skills that a candidate must possess in order to be considered qualified to be nominated as a director. Qualifications for consideration as a director nominee may vary according to the particular areas of expertise being sought as a complement to the existing board composition. In making its nominations, the Board of Directors generally will consider, among other things, an individual's business experience, industry experience, financial background, breadth of knowledge about issues affecting our company, time available for meetings and consultation regarding company matters and other particular skills and experience possessed by the individual.

Stockholder Recommendations of Director Candidates The Board of Directors will consider Board nominees recommended by stockholders. In order for a stockholder to nominate a candidate for director, timely notice of the nomination must be given in writing to the Corporate Secretary of the Company. To be timely, the notice must be received at the principal executive offices of the Company as set forth under "Stockholder Proposals" below. Notice of a nomination must include your name, address and number of shares you own; the name, age, business address, residence address and principal occupation of the nominee; and the number of shares beneficially owned by the nominee. It must also include the information that would be required to be disclosed in the solicitation of proxies for election of directors under the federal securities laws, as well as whether the individual can understand basic financial statements and the candidate's other board memberships (if any). You must submit the nominee's consent to be elected and to serve. The Board of Directors may require any nominee to furnish any other information that may be needed to determine the eligibility and qualifications of the nominee.

Any recommendations in proper form received from stockholders will be evaluated in the same manner that potential nominees recommended by our Board members or management are evaluated.

Stockholder Communication with Board Members Stockholders who wish to communicate with our Board members may contact us at our principal executive office at 7610 Miramar Road, Suite 6000, San Diego, California 92126-4202. Written communications specifically marked as a communication for our Board of Directors, or a particular director, except those that are clearly marketing or soliciting materials, will be forwarded unopened to the Chairman of our Board, or to the particular director to whom they are addressed, or presented to the full Board or the particular director at the next regularly scheduled Board meeting.

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. Stockholders can obtain a copy of the Code, without charge, by writing to the Company's Corporate Secretary at RF Industries, Ltd., 7610 Miramar Road, Suite 6000, San Diego, California 92126-4202. 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.

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 the Company's Chief Executive Officer during the fiscal year ended October 31, 2006 (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, 2006.

| Name and Principal Position | Year | Annual Compensation | | Long-Term Compensation Awards Securities Underlying | Any Other Compensation (\$) |
|---|------|-----------------------|------------|---|-----------------------------------|
| | | Salary (\$) | Bonus (\$) | Options/ SARs (#) | |
| Howard F. Hill, President, Chief Executive Officer, Director | 2006 | 175,000 | 50,000 | 6,000 | 31,318 ⁽¹⁾ |
| | 2005 | 175,000 | 50,000 | 6,000 | 551,000 ⁽²⁾ |
| Victor H. Powers, Chief Financial Officer | 2006 | 82,500 | 4,500 | 0 | 17,325 ⁽³⁾ |
| | 2005 | 15,378 ⁽⁴⁾ | 1,500 | 0 | |

(1) Mr. Hill's other compensation consisted of \$16,827 of accrued vacation not taken in fiscal 2006 and \$14,491 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) One-time compensation of \$551,000 as a result of the Company's purchase and retirement of 100,000 stock options in fiscal year 2005. The amount represents the approximate difference between the exercise price of the re-purchased stock options (\$0.10 per share) and the market price of the Company's common stock at the time of re-purchase.

(3) Mr. Powers other compensation of \$17,325 represents consulting fees paid to Mr. Powers for services rendered as the Company's part-time Chief Financial Officer for three months from August 1, 2006 thru October 31, 2006.

(4) Mr. Powers was hired in September 2005. Accordingly, this amount represents his salary for less than two months.

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, 2006.

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 | 6,000 | 2.2% | \$ 7.50 | October 2016 |
| Victor Powers | -0- | -- | -- | -- |

Option Exercises and Holdings. Mr. Hill, the Named Executive Officers, exercised 47,129 options during the fiscal year ended October 31, 2006. The following table sets forth information concerning option exercises and option holdings and the value, at October 31, 2006, 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 | Value Realized (Market Price at Exercise Less Exercise Price) | Number of Unexercised Options/SARs at Fiscal Year-End (#) | Value of Unexercised In-the-Money /SARs at Fiscal Year-End (\$) |
|--|-----------------|---|---|---|
| Howard F. Hill, President | 47,129 | \$ 48,953 | 304,871 | \$ 2,286,533/ \$ 45,000 |
| Victor Powers, Chief Financial Officer (2) | -0- | -- | -- | -- |

(1) Value of unexercised "in the money" options 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 \$7.50 on the last trading day of the fiscal year as reported on The Nasdaq Capital Market.

(2) Mr. Powers resigned as the Company's Chief Financial Officer in 2007.

During the fiscal year ended October 31, 2006, 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 for payments of more than \$100,000, other than with the President/Chief Executive Officer. Mr. Hill has been the President/Chief Executive Officer of the Company since 1994. On June 20, 2005 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 \$175,000. 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, if still in effect, will expire on June 20, 2008. On June 9, 2006, the Company's Board of Directors also approved a \$50,000 bonus for Mr. Hill for his services rendered during the prior year.

Compensation of Directors

The Company compensates its directors with an annual grant of options to purchase 2,000 shares of common stock. The exercise price of the options is set at the closing price of the common stock on the last day of the fiscal year. During the fiscal year ended October 31, 2006, options to purchase 2,000 shares of common stock were granted to each of the following directors: Messrs. Ehret, Mr. Fink, Hooper, and Mr. Jacobs. Mr. Hill and Mr. Kester each received a grant for 4,000 shares. All options granted were \$7.50 per share. The directors are also eligible for reimbursement of expenses incurred in connection with attendance at Board meetings and Board committee meetings. For the fiscal year ended October 31, 2006, each non-employee Director of Board also received an annual cash payment of \$5,000 and the non-employee Chairman of the Board received an annual payment of \$10,000.

Security Ownership of Certain Beneficial Owners and Management

The following table sets forth certain information regarding the ownership of the Company's Common Stock as of April 6, 2007 by: (i) each director and nominee for director; (ii) the executive officer named in the Summary Compensation Table in Executive Compensation; (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..

Edgar Filing: R F INDUSTRIES LTD - Form DEF 14A

| Name and Address of Beneficial Owner | Number of Shares (1) (2) Beneficially Owned | Percentage (1) Beneficially Owned |
|--|---|---|
| Howard H. Hill 7610 Miramar Road, Ste. 6000 San Diego, CA 92126-4202 | 304,871(2) | 9.2% |
| John R. Ehret 7610 Miramar Road, Ste. 6000 San Diego, CA 92126-4202 | 26,000(3) | * |
| Robert Jacobs 7610 Miramar Road, Ste. 6000 San Diego, CA 92126-4202 | 6,000(4) | * |
| Marvin Fink 7610 Miramar Rd., Ste. 6000 San Diego, CA 92126-4202 | 28,165(5) | * |
| Linde Kester 7610 Miramar Rd., Ste. 6000 San Diego, CA 92126-4202 | 89,472(6) | 2.7% |
| William L. Reynolds 7610 Miramar Rd. Ste. 6000 San Diego, CA 92126-4202 | 18,300(7) | * |
| Victor Powers (11) 7610 Miramar Rd. Ste. 6000 San Diego, CA 92126-4202 | -0- | -- |
| All Directors and Officers as a Group (6 Persons) | 472,808(8) | 14.2% |
| Hytek International, Ltd. PO Box 10927 APO George Town Cayman Islands | 450,930(9) | 13.6% |
| Walrus Partners, LLC 8014 Olson Memorial, #232 Golden Valley, MN 55427 | 310,344(10) | 9.4% |

* Represents less than 1% of the outstanding shares.

(1) Shares of Common Stock, which were not outstanding but which could be acquired upon exercise of an option within 60 days, are considered outstanding for the purpose of computing the percentage of outstanding shares beneficially owned. However, such shares are not considered to be outstanding for any other purpose.

(2)

Consists of 304,871 shares, which Mr. Hill has the right to acquire upon exercise of options exercisable within 60 days.

⁽³⁾Consists of 16,000 shares, which Mr. Ehret has the right to acquire upon exercise of options exercisable within 60 days plus 10,000 purchased on the open market..

12

- (4) Consists of 6,000 shares, which Mr. Jacobs has the right to acquire upon exercise of options exercisable within 60 days.
- (5) Consists of 23,165 shares, which Mr. Fink has the right to acquire upon exercise of options exercisable within 60 days plus 5,000 purchased on the open market.
- (6) Consists of 28,170 shares, which Mr. Kester has the right to acquire upon exercise of options exercisable within 60 days plus 61,302 purchased on the open market.
- (7) Consists of 16,000 shares, which Mr. Reynolds has the right to acquire upon exercise of options exercisable within 60 days plus 2,300 purchased on the open market.
- (8) Includes 477,808 shares, which the directors and officers have the right to acquire upon exercise of options exercisable within 60 days.
- (9) Represents shares owned by Hytek International, Ltd, an Caymen Island holding company. Hytek International, Ltd is deemed to possess sole voting and dispositive power over securities held.
- (10) Based on information contained in a statement on Schedule 13D filed by Walrus Partners, LLC on February 14, 2007. Represents shares owned by clients of Walrus Partners, LLC, an investment adviser. Walrus Partners, LLC is deemed to possess sole voting and dispositive power over securities held by its clients. Walrus Partners, LLC disclaims beneficial ownership of these securities held by these clients
- (11) Mr. Powers resigned as the Company's Chief Financial Officer in 2007.

EQUITY COMPENSATION PLAN INFORMATION

The following table provides information as of October 31, 2006 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) | 409,251 | \$ 5.44 | 43,250 |
| Equity Compensation Plans Not Approved by Stockholders (2) | 564,871 | \$ 1.33 | 90,000 |
| Total | 974,122 | \$ 3.05 | 133,250 |

- (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, the 43,250 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.

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, 2006, that its officers and directors complied with the filing requirements under Section 16(a) except that during fiscal 2006 Mr. Reynolds was late in filing a Forms 4 to reflect the open market purchases of shares by him and his wife.

PROPOSAL 2: AMENDMENT OF 2000 STOCK OPTION PLAN

The Company's 2000 Stock Option Plan (the "2000 Plan") was adopted by the Board of Directors and approved by the stockholders in 2000. The purpose of the 2000 Plan is to promote the long-term success of the Company and the creation of stockholder value by (a) encouraging employees, outside directors and consultants to focus on critical long-range objectives, (b) encouraging the attraction and retention of employees, outside directors and consultants with exceptional qualifications and (c) linking employees, outside directors and consultants directly to stockholder interests through increased stock ownership. The 2000 Plan seeks to achieve this purpose by providing for awards in the form of options which may constitute incentive stock options or nonstatutory stock options.

Historically, the Company has granted options to substantially all of its employees. The Company does not believe that the shares remaining available for future grant pursuant to the 2000 Plan are sufficient to attract new employees or retain existing employees. Therefore, at the Annual Meeting, stockholders are being asked to approve an amendment to the 2000 Plan that would increase the shares reserved for issuance thereunder by 100,000 shares of Common Stock.

Pertinent features of the 2000 Plan are summarized below.

Share Reserve

The Company had initially reserved 300,000 shares of common stock for issuance under the 2000 Plan. In 2003 the Board of Directors and the stockholders approved an increase in the number of stock options by 100,000 options and another 250,000 in 2006. Accordingly, as October 31, 2006, the total number of shares that had been reserved for issuance under the 2000 Plan was 650,000 shares, plus the annual automatic adjustment. Under the 2000 Plan, on January 1 of each year, the number of shares in the reserve automatically increases by 4% of the total number of shares of common stock of the Company that are outstanding at that time or by 10,000 shares, whichever is less. Accordingly, as of October 31, 2006, a total of 710,000 shares had been reserved (the initial 300,000 shares, plus 100,000 share increase approved in 2003 and the 250,00 share increase approved in 2006, and six annual 10,000 share increases since 2000). As of October 31, 2006, the Company had granted options for 666,750 shares. Therefore, as of October 31, 2006, the Company could only grant options for a total of 43,250 additional shares. Based on its normal option grant procedures, the Company estimates that it would grant options to purchase approximately 125,000 shares on October 31, 2007 to its employees. As a result of the adoption this fiscal year of SFAS 123(R), the Company is currently evaluating its prior option grant policies because of the negative effect such grants have on its financial statements. However, if the Company elects to continue to grant options in the manner it has previously done, the 43,250 shares remaining available for grant under the 2000 Plan will not be sufficient to fulfill the amount of options the Company believes it has to grant to its employees during fiscal 2007. In order to give the Company the ability to grant options this year to its employees in the normal manner, the Company has proposed to increase the number of shares that it can issue upon the exercise of options under the 2000 Plan by 100,000 shares.

Administration

The Compensation Committee of the Board of Directors ("Committee") administers the 2000 Plan. The Committee has the complete discretion to make all decisions relating to the interpretation and operation of the 2000 Plan. The Committee has the discretion to determine who will receive an option, what type of option it will be, how many shares will be covered by the option, what the vesting requirements will be (if any), and what the other features and conditions of each option will be. The Committee may also reprice outstanding options and modify outstanding options in other ways. The Committee has delegated to Mr. Hill, the Chief Executive Officer of the Company, the ability to allocate option grants among the employees (but not the grants to executive officers or directors).

Eligibility

Employees, outside directors and independent consultants and advisors to the Company and its subsidiaries (whether now existing or subsequently established) are eligible to participate in the 2000 Plan.

Types of Award

The 2000 Plan provides incentive stock options to purchase shares of common stock of the Company and nonstatutory stock options to purchase shares of common stock of the Company.

Exercise Price, Payment and Transferability

An optionee who exercises an incentive stock option may qualify for favorable tax treatment under Section 422 of the Internal Revenue Code of 1986. Nonstatutory stock options, however, do not qualify for such favorable tax treatment. The exercise price for incentive stock options granted under the 2000 Plan may not be less than 100% of the fair market value of the common stock of the Company on the option grant date. In the case of nonstatutory options, the minimum exercise price is 85% of the fair market value of the common stock of the Company on the option grant date. Optionees may pay the exercise price by using the following methods of payment as determined by the Committee: cash; shares of common stock that the optionee already owns; a full-recourse promissory note, except that the par value of newly issued shares must be paid in cash; an immediate sale of the option shares through a broker designated by the Company; or a loan from a broker designated by the Company, secured by the option shares.

Options are generally not assignable or transferable other than by will or the laws of inheritance and, during the optionee's lifetime, the option may be exercised only by such optionee.

Vesting of Options and Termination of Service

The options will vest at the time or times determined by the Committee. Options generally expire 10 years after they are granted, except that they generally expire earlier if the optionee's service terminates earlier. Upon the optionee's cessation of employment or service, the optionee will have a limited period of time in which to exercise his or her outstanding options for any shares in which the optionee is vested at that time. However, at any time while the options remain outstanding, the Committee will generally have discretion to extend the period following the optionee's cessation of employment or service during which his or her outstanding options may be exercised. The Committee will also have discretion to accelerate the exercisability or vesting of those options in whole or in part at any time.

Change in Control

If a change in control of the Company occurs, an option under the 2000 Plan may become fully vested and exercisable as determined by the Committee. A change in control includes: (i) a merger of the Company after which the Company's stockholders own 50% or less of the surviving corporation (or its parent company); (ii) a sale of all or substantially all of the Company's assets; (iii) a change in the composition of the Board that results in the replacement of more than one-half of the Company's incumbent directors over a 24-month period; or (iv) an acquisition of 20% or more of the Company's outstanding stock by any person or group, other than a person related to the Company (such as a holding company owned by the Company's stockholders).

Amendments

The Board may amend or terminate the 2000 Plan at any time. If the Board amends the 2000 Plan, it does not need to ask for stockholder approval of the amendment unless required. Stockholder approval of any amendment of the 2000 Plan may be required to be obtained if the Board determines it is otherwise required by the Internal Revenue Code or any rules promulgated thereunder (in order to allow for incentive stock options to be granted under the 2000 Plan), by the quotation or listing requirements of The Nasdaq Stock Market or any principal securities exchange or market on which shares of Common Stock are then traded (in order to maintain the listing of the shares thereon) or any other applicable law.

Federal Income Tax Consequences

Options granted under the 2000 Plan may be either incentive stock options that satisfy the requirements of Section 422 of the Internal Revenue Code or non-statutory options that are not intended to meet such requirements. The Federal income tax treatment for the two types of options differs as follows:

Incentive Options No taxable income is recognized by the optionee at the time of the option grant, and no taxable income is generally recognized at the time the option is exercised. The optionee will, however, recognize taxable income in the year in which the purchased shares are sold or otherwise made the subject of a taxable disposition. For Federal income tax purposes, dispositions are divided into two categories: qualifying dispositions and disqualifying dispositions. A qualifying disposition occurs if the sale or other disposition is made after the optionee has held the shares for more than two (2) years after the option grant date and more than one (1) year after the exercise date. If either of these two holding periods is not satisfied, then a disqualifying disposition will result.

Upon a qualifying disposition, the optionee will recognize long-term capital gain in an amount equal to the excess of (i) the amount realized upon the sale or other disposition of the purchased shares over (ii) the exercise price paid for the shares. If there is a disqualifying disposition of the shares, then the excess of (i) the fair market value of those shares on the exercise date over (ii) the exercise price paid for the shares will be taxable as ordinary income to the optionee. Any additional gain or loss recognized upon the disposition will be recognized as a capital gain or loss by the optionee.

Non-Statutory Options No taxable income is recognized by an optionee upon the grant of a non-statutory option. The optionee will in general recognize ordinary income, in the year in which the option is exercised, equal to the excess of the fair market value of the purchased shares on the exercise date over the exercise price paid for the shares, and the optionee will be required to satisfy the tax withholding requirements applicable to such income.

The Company will be entitled to an income tax deduction equal to the amount of ordinary income recognized by the optionee with respect to the exercised non-statutory option. The deduction will in general be allowed for the taxable year of the Company in which such ordinary income is recognized by the optionee.

Internal Revenue Code Section 409A Section 409A of the Internal Revenue Code imposes restrictions on nonqualified deferred compensation arrangements that do not meet specified criteria as set forth in the statute and guidance promulgated thereunder (which may include option grants at below fair market value). If any of the arrangements provided under the 2000 Plan fail to meet the criteria specified in Section 409A, or if the 2000 Plan is not operated by the Company in accordance with such criteria, then a participant will recognize ordinary income equal to the value of the awards when such awards are no longer subject to a substantial risk of forfeiture even though the participant has not received the award in cash or stock. Additionally, the participant will be liable for a 20% tax on such amounts in addition to income taxes otherwise due on such amounts.

Option Grants

The following table sets forth with respect to the Named Executive Officers and the various indicated groups, the number of shares of Common Stock subject to the stock options granted under the 2000 Plan from November 1, 2005 through October 31, 2006 and the weighted average exercise price payable per share.

| Name and Position | Number of Option Shares | Weighted Average Exercise Price of Granted Options |
|---|----------------------------|--|
| Howard F. Hill, President, Chief Executive Officer and Director | 6,000 | \$ 7.50 |
| John R. Ehret, Director | 2,000 | \$ 7.50 |
| Marvin Fink, Director | | |