R F INDUSTRIES LTD
Form 10QSB
September 14, 2004

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-QSB

QUARTERLY REPORT UNDER SECTION 13 OR 15(d)
SECURITIES EXCHANGE ACT OF 1934

For quarter ended JULY 31, 2004.

Commission file number: 0-13301

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

Nevada 88-0168936

(State of Incorporation) (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 FAX (858) 549-6345

(Issuer's telephone number, including area code)

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

Check whether the issuer (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 filing requirements for the past 90 days.

Yes [X] No [ ]

State the number of shares outstanding of each of the issuer's classes of common stock at the latest practicable date.

As of July 31, 2004, the registrant had 3,002,637 shares of Common Stock, $.01 par value, issued.

Transitional Small Business Disclosure Format (check one): Yes [ ] No [X]

Part I. FINANCIAL INFORMATION

Item 1: Financial Statements

RF INDUSTRIES, LTD. CONDENSED BALANCE SHEETS

ASSETS	July 31 2004 (Unaudited)	October 31 2003
Current Assets		
Cash and cash equivalents	$ 4,518,012	$ 2,683,896
Trade accounts receivable, net of allowance for doubtful accounts of $54,900 and $55,322	1,277,385	1,701,618
Notes receivable	12,000	12,000
Inventories	3,791,983	3,455,018
Other current assets	182,736	158,079
Deferred tax assets	135,600	135,600
Total Current Assets	9,917,716	8,146,211
Property and Equipment		
Equipment and tooling	1,223,878	1,125,485
Furniture and office equipment	311,857	260,183
	1,535,735	1,385,668
Less accumulated depreciation	1,172,216	1,057,544
Total	363,519	328,124
Notes receivable from related parties	26,730	49,584
Note receivable from stockholder	70,000	70,000
Other assets	14,171	14,171
Total Assets	$10,392,136	$ 8,608,090

Item 1: Financial Statements (continued)

RF INDUSTRIES, LTD. CONDENSED BALANCE SHEETS

	July 31 2004 (Unaudited)	October 31 2003
Liabilities and Stockholders' Equity		
Current liabilities		

Accounts payable	$ 184,511	$ 181,637
Accrued expenses	262,387	328,355
Total current liabilities	446,898	509,992
Deferred tax liabilities	40,000	40,000
Total Liabilities	486,898	549,992
Commitments and Contingencies		
Stockholders' Equity		
Common stock - authorized 10,000,000 shares of $0.01 par value; 3,002,637 and 2,692,683 shares issued	30,026	26,927
Additional paid-in capital	3,410,637	2,418,033
Retained earnings	6,485,242	5,633,805
Treasury stock, at cost, 6,000 shares	(20,667)	(20,667)
Total stockholders' equity	9,905,238	8,058,098
Total liabilities and stockholders' equity	$ 10,392,136	$ 8,608,090

See Notes to Condensed Unaudited Financial Statements

Item 1: Financial Statements (continued)

RF INDUSTRIES, LTD.
CONDENSED STATEMENTS OF INCOME

	Three Months Ended July 31 (Unaudited)		Nine Months Ended July 31 (Unaudited)	
	2004	2003	2004	2003
Net sales	$2,727,386	$2,337,410	$7,998,176	$6,830,310
Cost of sales	1,377,367	1,151,146	3,977,895	3,414,791
Gross profit	1,350,019	1,186,264	4,020,281	3,415,519
Operating expenses:				
Engineering	120,556	178,933	337,590	565,231

Selling and general	794,953	684,425	2,280,667	2,183,275
Totals	915,509	863,358	2,618,257	2,748,506
Operating income	434,510	322,906	1,402,024	667,013
Other income - interest	2,606	1,122	9,413	17,227
Income before provision for income tax	437,116	324,028	1,411,437	684,240
Provision for income tax	171,000	125,750	560,000	274,650
Net income	$ 266,116	$ 198,278	$ 851,437	$ 409,590
Basic earnings per share	$ 0.09	$ 0.07	$ 0.30	$ 0.13
Diluted earnings per share	$ 0.07	$ 0.06	$ 0.23	$ 0.11
Basic weighted average shares outstanding	2,970,714	2,768,571	2,881,118	3,185,864
Diluted weighted average shares outstanding	3,779,692	3,326,677	3,655,984	3,580,094

See Notes to Condensed Unaudited Financial Statements

Item 1: Financial Statements (continued)

RF INDUSTRIES, LTD.
CONDENSED STATEMENTS OF
CASH FLOWS
(Unaudited)

	Nine months ended July 31	
	2004	2003
OPERATING ACTIVITIES		
Net income	$ 851,437	$ 409,590
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for bad debts	4,000	36,000
Depreciation and amortization	114,672	120,270
Changes in operating assets and liabilities:		

Trade accounts receivable	420,233	(27,086)
Inventories	(336,965)	441,738
Other assets	(24,657)	(61,712)
Accounts payable	2,874	118,222
Accrued expenses	(65,968)	(94,044)
Net cash provided by operating activities	965,626	942,978
INVESTING ACTIVITIES		
Capital expenditures	(150,067)	(38,279)
Collection of related party notes	22,854	1,700
Net cash used in investing activities	(127,213)	(36,579)
FINANCING ACTIVITIES		
Payments on loans payable	0	(44,582)
Purchase of treasury stock	0	(2,353,749)
Exercise of stock options	995,703	38,840
Net cash provided by (used in) financing activities	995,703	(2,359,491)
Net increase (decrease) in cash and cash equivalents	1,834,116	(1,453,092)
Cash and cash equivalents at the beginning of the period	2,683,896	3,939,299
Cash and cash equivalents at the end of the period	$ 4,518,012	$ 2,486,207

See Notes to Condensed Unaudited Financial Statements

RF INDUSTRIES, LTD. NOTES TO
CONDENSED UNAUDITED FINANCIAL STATEMENTS

Note 1 - Unaudited interim 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-QSB. 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 have been included. Operating results for the three and nine month periods ended July 31, 2004 are not necessarily indicative of the results that may be expected for the full year ending October 31, 2004. The unaudited condensed financial statements should be read in conjunction with the financial statements and footnotes thereto included in the Company's annual report on Form 10-KSB for the year ended October 31, 2003.

Note 2 - Components of inventory

	July 31, 2004 (Unaudited)	October 31, 2003
Raw materials and supplies	$ 737,921	$ 591,892

Finished goods	3,242,838	2,997,902
Less Inventory Reserve ...	(188,766)	(134,776)
Total	$3,791,983	$3,455,018

Note 3 - Earnings per share:

As further explained in Note 1 of the notes to the audited financial statements of the Company, included in Form 10-KSB for the fiscal year ended October 31, 2003, basic earnings per share is computed by dividing net earnings by the weighted average number of common stock outstanding during the period. Diluted earnings per share is computed by dividing net earnings by the weighted average number of shares of common stock 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.

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

	Three Months Ended July 31		Nine Months Ended July 31	
	2004	2003	2004	2003
Weighted average shares outstanding for basic net earnings per share	2,970,714	2,768,571	2,881,118	3,185,864
Add effects of potentially dilutive securities-assumed exercised of stock options	808,978	558,106	774,866	394,230
Weighted average shares for diluted net earnings per share	3,779,692	3,326,677	3,655,984	3,580,094

Note 4 - Segment Information

Prior to the current fiscal year, the Company had reported separate segment information in its filings for the operations of its RF Connector, Neulink and Bioconnect business units in the same format as reviewed by the Company's management. The sales, operating income and assets of the Neulink and Bioconnect segments no longer meet the thresholds that require separate disclosures. Accordingly, commencing with the current fiscal year, the Company has discontinued reporting segment information on the Neulink and Bioconnect segments separately. Information regarding the Company's segments for prior years is contained in Note 6 of the notes to the audited financial statements of the Company included in Form 10-KSB for the fiscal year ended October 31, 2003.

Substantially all the Company's operations are conducted in the United States; however, the Company derives a portion of its revenue from export sales.

Note 5 - Stock Option Plan

A description of the Company's 2000 Stock Option Plan and other information related to stock options are included in Note 8 in its Annual Report on Form 10-KSB for the year ended October 31, 2003.

The Company measures compensation cost related to stock options issued to employees using the intrinsic method of accounting prescribed by Accounting Principles Board Opinion No. 25 ("APB 25"), "Accounting for Stock Issued to Employees." The Company has adopted the disclosure-only provisions of Statement of Financial Accounting Standards No. 123 ("SFAS 123"), "Accounting for Stock-Based Compensation" and SFAS 148. Accordingly, no earned or unearned compensation cost was recognized in the accompanying consolidated financial statements for the stock options granted by the Company to its employees since all of those options have been granted at exercise prices that equaled or exceeded the market value at the date of grant. The Company's historical net income and earnings per common share and pro forma net income and earnings per share assuming compensation cost had been determined based on the fair value at the grant date for all awards by the Company consistent with the provisions of SFAS 123 are set forth below:

	Three Months Ended July 31		Nine Months Ended July 31	
	2004	2003	2004	2003
Net income - as reported	$ 266,116	$ 198,278	$ 851,437	$ 409,590
Deduct total stock-based employee compensation expensed determined under fair value-based method for all awards	(67,000)	(20,000)	(201,000)	(60,000)
Net income - pro forma	$ 199,116	$ 178,278	$ 650,437	$ 349,590
Basic earnings per share - as reported	$ 0.09	$ 0.07	$ 0.30	$ 0.13
Basic earnings per share - pro forma	$ 0.07	$ 0.06	$ 0.23	$ 0.11
Diluted earnings per share - as reported	$ 0.07	$ 0.06	$ 0.23	$ 0.11
Diluted earnings per share - pro forma	$ 0.05	$ 0.05	$ 0.18	$ 0.10

Note 6 - Concentration of Credit Risk

One customer accounted for approximately 16% of the net sales of the Company's RF Connector division for the fiscal year ended October 31, 2003 and 14% of net sales for the nine-month period ended July 31, 2004. Although this customer has been an on-going major customer of the Company during the past five years, the Company does not have a written agreement with this customer. Therefore, 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.

Note 7 - Subsequent Event

On August 16, 2004, the Company purchased the business and substantially all of the assets of Jacelaine, Inc., a Nevada based designer, manufacturer and distributor of microwave and radio frequency connectors. Jacelaine, Inc. has been conducting business under the name "Aviel Electronics." The purchase price of the assets was $510,000, of which $410,000 was paid in cash at the closing, and $100,000 was deposited into an escrow account for one year as security for the seller's representations, warranties and covenants. The purpose of the acquisition is to complement the Company's coaxial connector business with military, governmental and aerospace customers. The Company has not had an opportunity to obtain appraisals or other relevant information related to the valuation of certain assets and liabilities of Aviel Electronics. Management estimates that $150,000 of the estimated acquisition costs will be allocated to the fair value of net assets and the remainder will be allocated to intangible assets that have definite useful lives and goodwill.

Item 2: Management's discussion and analysis of financial condition and results of operations

This report contains forward-looking statements. These statements relate to future events or the Company's future financial performance. In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "except," "plan," "anticipate," "believe," "estimate," "predict," "potential" or "continue," the negative of such terms or other comparable terminology. These statements are only predictions. Actual events or results may differ materially.

Although the Company believes that the expectations reflected in the forward-looking statements are reasonable, the Company cannot guarantee future results, levels of activity, performance or achievements. Moreover, neither the Company, nor any other person, assumes responsibility for the accuracy and completeness of the forward-looking statements. The Company is under no obligation to update any of the forward-looking statements after the filing of this Quarterly Report on Form 10-QSB to conform such statements to actual results or to changes in its expectations.

The following discussion should be read in conjunction with the Company's financial statements and the related notes and other financial information appearing elsewhere in this Form 10-QSB. Readers are also urged to carefully review and consider the various disclosures made by the Company which attempt to advise interested parties of the factors which affect the Company's business, including without limitation the disclosures made under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations," under the caption "Risk Factors," and the audited financial statements and related notes included in the Company's Annual Report filed on Form 10-KSB for the year ended October 31, 2003 and other reports and filings made with the Securities and Exchange Commission.

Critical Accounting Policies

The financial statements of RF Industries are prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). The preparation of these financial statements requires our management to make estimates and assumptions about future events that affect the amounts reported in the financial statements and related notes. Future events and their effects cannot be determined with absolute certainty. Therefore, the determination of estimates requires the exercise of judgment. The Company believes the following critical accounting policies affect its more significant judgments and estimates used in the preparation of financial statements. Our significant accounting policies are summarized in Note 1 to our financial statements contained in our Annual Report on Form 10-KSB filed for the fiscal year ended October 31, 2003. We believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our financial statements.

Allowance for doubtful accounts:

The Company maintains an allowance for doubtful accounts based on historical collections of accounts receivable. The Company monitors its accounts receivable balances on a continual basis. If the financial condition of customers deteriorates, additional allowances may be required.

Income taxes:

The Company accounts for income taxes pursuant to the asset and liability method which requires deferred income tax assets and liabilities to be computed for temporary differences between the financial statement and tax bases of assets and liabilities that will result in taxable, or deductible amounts in future periods based on enacted laws and rates applicable to the periods in which the temporary differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. The income tax provision is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities.

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, the Company may 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, the Company determines the amounts of these allowances. If these estimates and related assumptions are incorrect or the market changes, we may be required to record additional reserves, which may decrease future earnings. Inventories as of July 31, 2004 represented over 36% of our total assets. As a result, any reduction in the value of our inventories would require us to take write-offs that would affect our net worth and future earnings.

Executive Overview

RF Industries markets connectors and cables to numerous industries for use in thousands of products, primarily for the wireless marketplace. In addition, to a limited extent, the Company also markets wireless products that incorporate connectors and cables. In the past, RF Industries has reported results of operations in three segments that, in general terms, defined the primary markets. However, since sales of connectors and cable assemblies represent over 90% of the Company's sales, and since the operations to all of the Company's smaller business units effectively operate as subunits of the Company's principal business unit, effective November 1, 2003, RF Industries will no longer report the results of these other, smaller business units as separate business segments.

Liquidity And Capital Resources

Management believes that 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 at least twelve months. 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's beliefs that its existing assets and the cash expected to be generated from operations will be sufficient during the current fiscal year are based on the following:

|X| As of July 31, 2004, the amount of cash and cash equivalents was equal to $ 4,518,000 in the aggregate.

|X| As of July 31, 2004, the Company had $ 9,917,700 in current assets, and $ 446,900 of current liabilities.

|X| As of July 31, 2004, the Company had no outstanding indebtedness (other than accounts payable and accrued expenses).

The Company does not believe it will need material additional capital equipment in the next twelve months. In the past, the Company has financed some of its property and equipment requirements through capital leases. No additional capital equipment purchases have been currently identified that would require significant additional leasing or capital expenditures during the next twelve months. Management also believes that based on the Company's current financial condition, the absence of outstanding bank debt and recent operating results, the Company would be able to obtain bank loans to finance its expansion, if necessary, although there can be no assurance any bank loan would be obtainable, or if obtained, would be on favorable terms or conditions.

As of July 31, 2004, the Company had a total of $ 4,518,000 of cash and cash equivalents compared to a total of $ 2,684,000 of cash and cash equivalents on October 31, 2003. The increase in liquid assets is the result of (i) net income earned by the Company in the nine-month period following October 31, 2003, (ii) the reduction of outstanding accounts receivable by $424,200, and (iii) $996,000 of cash proceeds the Company received from exercise of stock options. The Company's cash balances as of July 31, 2004 were reduced by $510,000 on August 16, 2004 due to the purchase by the Company of the business and substantially all of the assets of Jacelaine, Inc., a Nevada designer, manufacturer and distributor of microwave and radio frequency connectors. See, "Part II, Item 5. Other Information," below. The foregoing expenditure of cash is not expected to have a negative effect on the Company's liquidity.

Trade accounts receivable at July 31, 2004 decreased 24.9%, or by $424,200, to $1,277,400 compared to the October 31, 2003 balance of $1,701,600. The decrease is due primarily to timing of collections and the Company's increased efforts to reduce its outstanding accounts receivable.

Inventories at July 31, 2004 increased 9.8%, or $337,000, to $3,792,000 compared to $3,455,000 on October 31, 2003. The Company increased its inventory levels based on anticipated customer demand for certain of its products. Since the Company considers its ability to fill customer orders on short notice to be an important aspect of its marketing strategy, the Company normally increases inventory levels in anticipation of customer orders in order to be able to maintain the product mix its customers may need.

Other current assets, including prepaid expenses and deposits, increased $24,700 to $182,700, from $158,000 on October 31, 2003. This increase is primarily due to increased prepaid insurance costs.

Net cash used in investing activities was $ 127,000 for the nine months ended July 31, 2004 as a result of $150,000 of capital expenditures made by the Company during the nine-month period. The capital expenditures were partially offset by $23,000 the Company received upon the collection of outstanding related party notes.

Net cash provided by financing activities was $996,000 for the nine months ended July 31, 2004, and was attributable to proceeds from the exercise of stock options.

As a result of the foregoing factors, the Company generated $1,834,000 in net cash flow during the past nine months.

Results Of Operations

Three Months 2004 vs. Three Months 2003

Net sales in the current fiscal quarter ended July 31, 2004, increased 16.7%, or $390,000, to $2,727,400 from $2,337,400 in the third fiscal quarter last year, due to increased demand for the Company's connector, cable assembly and wireless products. The increase in sales reflects a general increase in demand for wireless connectors and cable products, primarily for Wi-Fi network applications. The Company believes this increase is due, in part, to a revival in some sectors of the telecommunication industries and the continuing increase in the demand for wireless products.

Cost of sales increased 19.7% or $226,300, to $1,377,400 from $1,151,100 in the same quarter last year. The increase is primarily due to the 16.7% increase in sales. Overall gross profit, as a percentage of sales, decreased 1.3% compared to the prior year to 49.5% from 50.8%. The decrease in the cost of sales reflects normal fluctuations of costs based on the products sold rather than any identifiable factors.

Engineering expenses decreased 32.6%, or $58,400, to $120,600 from $179,000 in the third fiscal quarter last year. Engineering expenses were higher last year primarily as a result of the additional expenses incurred to develop a new high-speed wireless radio modem to upgrade and replace the Neulink product line's existing RF9600 transceiver product line. That development of the Neulink product was completed in fiscal year 2003.

Selling and general expenses increased 16.2% or $110,600, to $795,000 for the three-month period ended July 31, 2004 from $684,400 in the same quarter last year. Selling and general expenses were higher in the third quarter this year due primarily to increased salary expenses, commission expenses and travel and trade show expenses compared to last year.

Nine Months 2004 vs. Nine Months 2003

Net sales increased 17%, or $1,167,900, to $7,998,200 from $6,830,300 in the first nine month period of 2004 compared to last year. This increase can be attributed to increased demand for the connector, cable assembly and wireless products. The increase in sales reflects a general increase in demand for wireless connectors and cable products, primarily for Wi-Fi network applications. The Company believes this increase is due, in part, to a revival in some sectors of the telecommunication industries and the continuing increase in the demand for wireless products.

Cost of sales increased 16.5% or $563,100, to $3,977,900 from $3,414,800 in the same nine months last year. The increase is primarily due to increase in sales. Overall gross profits, as a percentage of sales, increased to 50.3% from 50% last year. The increase in the cost of sales reflects normal fluctuations of costs based on the products sold rather than any identifiable factors.

Engineering expenses decreased 40.3%, or $227,600, to $337,600 from $565,200 in the first nine months last year. Engineering expenses were higher last year primarily as a result of the additional expenses incurred to develop a new high-speed wireless radio modem to upgrade and replace the Neulink product line's existing RF9600 transceiver product line.

Selling and general expenses increased 4.5% or $97,400, to $2,280,700 from $2,183,300 in the same nine months last year. Selling and general expenses were higher due to increased insurance costs, increased trade show expenses and increased salary expenses.

Risk Factors

Investors should carefully consider the risks described below and in the Company's Annual Report on Form 10-KSB. The risks and uncertainties described below and in the Annual Report are not the only ones facing the Company. If any of the following risks actually occur, the Company's business, financial condition or results of operations could be materially adversely affected.

Dependence On RF Connector Division Products

Of the Company's two operating divisions, the RF Connector division is the largest, accounting for approximately 90% of the Company's net sales for the fiscal year ended October 31, 2003, and approximately 90% of net sales during the nine-month period ended July 31, 2004. The Company expects the RF Connector division 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 the RF Connector division could materially adversely affect the Company's business, operating results and financial condition. Factors that could adversely affect the RF Connector division are described below.

International Sales And Operations

Sales to customers located outside the United States, either directly or through U.S. and foreign distributors, accounted for approximately 12% of the net sales of the Company in the year ended October 31, 2003, and 14% of net sales during the nine-month period ended July 31, 2004. International revenues are subject to a number of risks, including:

|X| longer accounts receivable payment cycles;

|X| difficulty in enforcing agreements and in collecting accounts receivable;

|X| tariffs and other restrictions on foreign trade;

|X| economic and political instability; and

|X| 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 thereafter also be exposed to currency fluctuation risks.

The Company Depends On Third-Party Contract Manufacturers For Substantially All 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 Sales 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 Korea, 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.

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:

|X| reduced control over delivery schedules and quality;

|X| risks of inadequate manufacturing yields and excessive costs;

|X| the potential lack of adequate capacity during periods of excess demand; and

|X| potential increases in prices.

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

Dependence Upon Independent Distributors To Sell And Market The Company's Products

The Company's sales efforts are primarily effected through independent distributors. Sales through independent distributors accounted for approximately 75% the net sales of the Company for the fiscal year ended October 31, 2003, and 75% of net sales during the nine-month period ended July 31, 2004. 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.

Dependence On Principal Customer

One customer accounted for approximately 16% of the net sales of the Company's RF Connector division for the fiscal year ended October 31, 2003 and 14% of net sales for the nine-month period ended July 31, 2004. Although this customer has been an on-going major customer of the Company during the past five years, the Company does not have a written agreement with this customer. Therefore, 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 market, such as the wireless digital transmission markets, are characterized by:

|X| rapidly changing technologies;

|X| evolving and competing industry standards;

|X| short product life cycles;

|X| changing customer needs;

|X| emerging competition;

|X| frequent new product introductions and enhancements; and

|X| 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.

The Markets In Which The Company Competes Are Highly Competitive.

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. Because the Company does not own any proprietary property 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:

|X| success in subcontracting the design and manufacture of existing and new products that implement new technologies;

|X| product quality;

|X| reliability;

|X| customer support;

|X| time-to-market;

|X| price;

|X| market acceptance of competitors' products; and

|X| 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 connector and 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.

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

On August 16, 2004, the Company acquired the business and assets of a Nevada based designer, manufacturer and distributor of microwave and radio frequency connectors. As a result of the acquisition, the Company will have to integrate the operations of this business into its own business and maintain an office in Nevada. In addition to the foregoing acquisition, the Company periodically considers other potential acquisitions of other companies that could expand the Company's product line or customer base. Accordingly, the Company may in the future acquire one or more additional companies. The risks involved with acquiring the Nevada business and in any other future acquisitions include:

|X| diversion of management's attention;

|X| the affect on the Company's financial statements of the amortization of acquired intangible assets;

|X| the cost associated with acquisitions and the integration of acquired operations; and

|X| 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.

Item 3. Controls and Procedures.

Based on an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, the principal executive officer and the principal financial officer concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures are effective to ensure the information required to be disclosed by the Company in reports filed or submitted under the Exchange Act were timely recorded, processed and reported within the time periods specified in the Securities and Exchange Commission rules and forms.

There have been no significant changes in the Company's internal controls over financing reporting or in other factors which occurred during the last quarter covered by this report, which could materially affect or are reasonably likely to materially affect the Company's internal controls over financing reporting.

PART II. OTHER INFORMATION

Item 5. Other Information

On August 16, 2004, the Company purchased the business and substantially all of the assets of Jacelaine, Inc., a Nevada based designer, manufacturer and distributor of microwave and radio frequency connectors. Jacelaine, Inc. has been conducting business under the name "Aviel Electronics." The purchase price of the assets was $510,000, of which $410,000 was paid in cash at the closing, and $100,000 was deposited into an escrow account for one year as security for the seller's representations, warranties and covenants. The purpose of the acquisition is to complement the Company's coaxial connector business with military, governmental and aerospace customers.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

31.1: Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2: Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1: Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. *

32.2: Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. *

* Pursuant to Commission Release No. 33-8238, this certification will be treated as "accompanying" this Quarterly Report of Form 10-QSB and not "filed" as part of such report for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of Section 18 of the Securities Exchange Act of 1934, as amended, and this certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that the registrant specifically incorporates it by reference.

(b) Reports on Form 8-K

None.

SIGNATURES

In accordance with the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

RF INDUSTRIES, LTD.

Dated: September 14, 2004

By:/s/ Howard F. Hill
Howard F. Hill, President
Chief Executive Officer

Dated: September 14, 2004

By:/s/ Terrie A. Gross
Terrie A. Gross
Chief Financial Officer

INDEX TO EXHIBITS

Exhibit
Number

31.1: Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2: Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1: Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2: Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Exhibit 31.1

CERTIFICATIONS

I, Howard F. Hill, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of RF Industries, Ltd.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

Date: September 14, 2004

/s/ Howard F. Hill

Howard F. Hill
Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, Terrie A. Gross, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of RF Industries, Ltd.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

Date: September 14, 2004

/s/ Terrie A. Gross

Terrie A. Gross
Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO

18 U.S.C. ss. 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of RF Industries, Ltd. (the "Company") on Form 10-QSB for the period ended July 31, 2004, as filed with the Securities and Exchange Commission (the "Report"), I, Howard F. Hill, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: September 14, 2004

/s/ Howard F. Hill

Howard F. Hill
Chief Executive Officer

Exhibit 32.2

CERTIFICATION PURSUANT TO

18 U.S.C. ss. 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of RF Industries, Ltd. (the "Company") on Form 10-QSB for the period ended July 31, 2004, as filed with the Securities and Exchange Commission (the "Report"), I, Terrie A. Gross, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: September 14, 2004

/s/ Terrie A. Gross

Terrie A. Gross
Chief Financial Officer