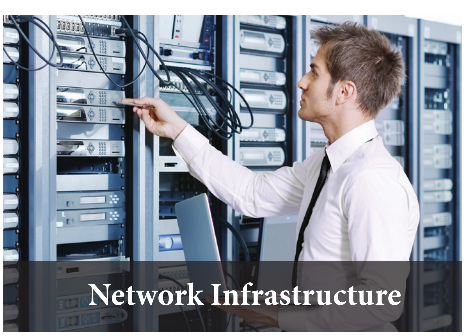
Interconnect Solutions for a Connected World™

Annual Report
Fiscal 2017



July 25, 2018

Dear Fellow Stockholders:

After my first year leading RF Industries, I am encouraged by what we've accomplished so far and feel confident in our ability to build for the future. In the last year we have shown that we can drive solid growth, leveraging the operational improvements that we have made and benefitting from an increased focus on key customer segments and better utilization of our distribution channels. We built momentum through the end of Fiscal Year 2017 and that positive energy carried over into Fiscal Year 2018.

In the first half of Fiscal 2018 we have driven significant growth in both our top line and bottom line. These positive results have been driven by an increase in our traditional run rate business as well as some key successes with customers in the Tier 1 Wireless Ecosystem market and our OEM market. Our team has worked hard and our heavy focus on meeting customers' needs has led to increased sales and bookings, while showing significant improvement in gross margins. We have proven we can quickly deliver quality products to our customers and we have done so in a flexible way without major increases in fixed operating costs.

We expect revenues from our project business to fluctuate quarter to quarter while revenues from our traditional run rate business and OEM projects should be more consistent. Layering our run rate business and our new project business together should allow for continued revenue growth with solid margins. We are building a platform for long-term profitable growth and are aware that these fluctuating quarters in the short-term are part of that process.

As we move forward we should benefit from our improved overall market position. We have a lot of work to do and will be focused on a few key areas:

First, we will leverage our successes and our strong balance sheet. We have a solid cash position and no debt which gives us a lot of flexibility in how we run the business. Now is not the time to relax and just enjoy our results. I believe we have an immediate opportunity to further leverage our recent successes and invest in the business as we build a platform for long-term, sustainable and profitable growth.

Second, we will hone our focus on the right market segments and our go-to-market strategies. We will further diversify our customer base and distribution channels. We benefit from having great distribution partners, a diverse customer set, diverse market segments, and diverse product types.

Our overall sales strategy is to define the market segments where we have growth opportunities, then continue to develop and drive very specific initiatives for those segments to ensure we have a complete product offering and the correct sales channels in place. Our team is focused on encouraging the end user to include our products in their frequent purchases, in projects, and in bills of materials then offering flexible ways for them to purchase those products.

Distribution channels will allow us to get to key segments like our traditional wireless business and others. Distribution is a force multiplier for us and while we have always been a distribution-centric company, we are investing even more in existing and new channels to get to all of our relevant markets while maintaining a clear and simple channel strategy.

In the coming years, we should have opportunities to gain business from the increased spend in the Tier 1 Wireless Ecosystem. The company is positioned to win project business that can produce potentially significant short and long-term growth. In this market, we should benefit from the early 5G spend as carriers look for improved capacity and coverage. In addition to traditional macro site deployments, 5G is also about coverage everywhere which drives the need for distributed antenna systems (DAS), small cells, and other unique coverage concepts. All of these present opportunities for us.

In our OEM segments, we generally produce customized solutions for our customers and service them directly. In this market we will further our specific strategies per market segment to ensure that we have a closed loop sales and marketing approach with the right resources focused on the right opportunities. We expect to expand our markets here while remaining very specific in how we approach them. A few of the segments in our OEM market are Industrial, Aerospace and Defense, Medical, Energy, Agriculture, and Communications Equipment Manufacturers.

Lastly, we will keep moving our "One Company" culture forward. I've talked a lot about culture in the last year. We continue to develop a growth culture as One Company versus the multiple divisions that we have historically had in place. We're always looking for ways to work together more effectively between our various historical divisions to drive home the One Company ideals. We're moving in the right direction and while many things are going well, we are also finding there are some areas that need improvement, with opportunities for us to perform better. We are constantly reviewing all aspects of our business for synergies and leverage points as well as cultural fit. We operate with Positivity, Accountability, Communication, and an Increased Pace of Execution while maintaining our focus on delivering quality products and an incredible customer experience.

I recognize that we live in a world of short-term expectations but I believe in building for long-term success where our values of hard work, honesty, and open communication will produce some nice opportunities. We're grateful for the incredible support from our employees, our customers, and our shareholders as we continue to build a platform for long-term profitable growth. On a personal note, I have enjoyed interacting with many of you and appreciate your belief in me and our company. We will continue our focus on driving positive results and I look forward to speaking with you often.

Sincerely,

Robert Dawson
President and CEO

Abridged and Edited Copy of Annual Report

Form 10-K

Annual Report Under Section 13 or 15(d) of
The Securities Exchange Act of 1934

For the fiscal year ended October 31, 2017

Commission File Number 0-13301

RF INDUSTRIES, LTD.
7610 Miramar Road, Bldg. 6000, San Diego, California 92126-4202
(858) 549-6340

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold as of the last business day of the registrant's most recently completed second fiscal quarter was approximately $9.3 million.

On January 22, 2018, the Registrant had 8,872,246 outstanding shares of Common Stock, $.01 par value.

Forward-Looking Statements:

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

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

PART I

ITEM 1. BUSINESS

General

RF Industries, Ltd. (together with subsidiaries, the "Company") is a national manufacturer and marketer of interconnect products and systems, including coaxial and specialty cables and connectors, fiber optic cables and connectors, and electrical and electronic specialty cables and components. Through its four manufacturing and production facilities, the Company provides a wide selection of interconnect products and solutions primarily to telecommunications carriers and equipment manufacturers, wireless and network infrastructure carriers and manufacturers, Data Center and Co-location companies, and to various original equipment manufacturers (OEMs) in several market segments.

The Company operates through two reporting segments: (i) the "RF Connector and Cable Assembly" segment, and (ii) the "Custom Cabling Manufacturing and Assembly" segment. The RF Connector and Cable Assembly segment primarily designs, manufactures, markets and distributes a broad range of connector and cable products, including coaxial connectors and cable assemblies that are integrated with coaxial connectors, used in telecommunications, information technology, OEM markets and other end markets. The Custom Cabling Manufacturing and Assembly segment designs, manufactures, markets and distributes custom copper and fiber cable assemblies, complex hybrid fiber optic and power solution cables, electromechanical wiring harnesses, data center products, and wiring harnesses for a broad range of applications in a diverse set of end markets.

Until its sale on December 22, 2015, the Company also operated the Aviel Electronics Division, a Nevada based division that designed, manufactured and distributed specialty and custom RF connectors primarily for aerospace and military customers. In March 2016, the Company commenced the shutdown of its Bioconnect division, which comprised the entire operations of its medical cabling and interconnect operations. The closure of the Bioconnect division was part of the Company's plan to close or dispose of underperforming divisions that are not part of the Company's core operations.

Operating Segments

<u>**RF Connector and Cable Assembly Segment.**</u>

The Company's RF Connector and Cable Assembly segment consists of the RF Connector and Cable Assembly division that is based at the Company's headquarters in San Diego, California. Although most of the Company's RF connector and cable products are inventoried and distributed from its San Diego facilities, some of these products also are inventoried and distributed from some of the Company's other facilities. The RF Connector and Cable Assembly division is engaged in the design, manufacture and distribution of coaxial connector solutions for companies that design, build, operate, maintain and use wireless voice, data, messaging, and location tracking systems. Coaxial connector products consist primarily of connectors which, when attached to a coaxial cable, facilitate the transmission of analog and digital signals in various frequencies.

Although most of the connectors are designed to fit standard products, the RF Connector and Cable Assembly division also sells custom connectors specifically designed and manufactured to suit its customers' requirements such as the Distributed Area Systems (DAS), Wi-Fi and broadband wireless markets. The Company's RF Connector and Cable Assembly division typically carries over 1,500 different types of connectors, adapters, tools, and test and measurements kits. This division's RF connectors are used in thousands of different devices, products and types of equipment. Since the RF Connector and Cable Assembly division's standard connectors can be used in a number of different products and devices, the discontinuation of one product typically does not make the Company's connectors obsolete. Accordingly, most connectors carried by the Company can be marketed for a number of years and are only gradually phased out. Furthermore, because the Company's connector products are not dependent on any single line of products or any market segment, the Company's overall sales of connectors tend to fluctuate less materially when there are material changes or disruption to a product line or market segment. Sales of the Company's connector products can, however, be influenced by the infrastructure spend of wireless and telecommunications firms and on the Company's ability to market its products into these firms and the related ecosystem. The current deployment of wireless through DAS and Small Cells provides the Company with a market opportunity for the use of its connectors and cable assemblies.

Cable assembly products manufactured and sold by the RF Connector and Cable Assembly division consist of various types of coaxial cables that are attached to connectors (usually the Company's connectors) for use in a variety of communications applications. Cable assemblies manufactured for the RF Connector and Cable Assembly division are primarily manufactured at the Company's San Diego, California facilities using state-of-the-art automation equipment and are sold through distributors or directly to major OEMs. Cable assemblies consist of both standard cable assemblies and assemblies that are custom manufactured for the Company's clients. The Company offers a line of cable assemblies with over 100,000 cable product combinations. The cable assembly operation was launched in 2000.

The Company designs its connectors at its headquarters in San Diego, California. However, most of the RF connectors are manufactured for the Company by third party foreign manufacturers located in Asia.

Custom Cabling Manufacturing and Assembly Segment

The Custom Cabling Manufacturing and Assembly Segment currently consists of three wholly-owned subsidiaries located in the Northeastern United States. The three subsidiaries were acquired by the Company in the recent past. Each of the three provides products and solutions to a diverse and distinct customer set from each other and from the RF Connector and Cable Assembly Segment.

Cables Unlimited Division Cables Unlimited, Inc. is a custom cable manufacturer that RF Industries, Ltd. purchased in 2011. Cables Unlimited's offices and manufacturing facilities are located in Yaphank, New York. Cables Unlimited is a Corning Cable Systems CAH Connections SM Gold Program member, authorized to manufacture fiber optic products that are backed by Corning Cable Systems' extended warranty. Cables Unlimited designs, develops and manufactures custom connectivity solutions for the industrial, defense, telecommunications and wireless markets. The products sold by Cables Unlimited include custom and standard copper and fiber optic cable assemblies, adapters and electromechanical wiring harnesses for communications, computer, LAN, automotive fiber optic and medical equipment. In 2012, Cables Unlimited introduced a custom cabling solution known as OptiFlex. The OptiFlex cable is a hybrid power and communications cable primarily designed and built for wireless service providers who are updating their network infrastructure to support current and next generation wireless technologies including 4G and 5G.

Comnet Telecom Supply Division RF Industries, Ltd. purchased Comnet Telecom Supply, Inc. in January 2015. Comnet Telecom's offices and manufacturing facilities are located in East Brunswick, New Jersey. Formed in 1995, Comnet Telecom is a Corning Cable Systems CAH Connections SM Gold Program member that is authorized to manufacture fiber optic telecommunications products that are backed by Corning Cable Systems' extended warranty and is a Telcordia GR-326 certified manufacturer. Comnet Telecom manufactures and distributes telecommunications equipment and cabling infrastructure products used by telecommunications carriers, co-location service companies, and other telecommunication and data center companies in the U.S. across multiple industries. Comnet Telecom is also a supplier of Hot/Cold Aisle Containment as well as Technology Furnishing Solutions in addition Comnet has developed an offering of data center filler panel containment products.

Rel-Tech Electronics Division RF Industries, Ltd. purchased Rel-Tech Electronics, Inc. in June 2015. Rel-Tech's offices and manufacturing facilities are located in Milford, Connecticut. Founded in 1986, Rel-Tech is a designer and manufacturer of cable assemblies and wiring harnesses for blue chip industrial, oilfield, instrumentation, medical and military customers. Wire and cable assembly products include custom wire harnesses, ribbon cable, electromechanical and kitted assemblies, and networking and communications cabling. DIN and Mini-DIN connector assemblies include power cord, coaxial, Mil-spec, and testing.

Product Description

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

Connector and Cable Products

The Company's RF Connector and Cable Assembly division designs, manufactures and markets a broad range of coaxial connectors, coaxial adapters and coaxial cable assemblies for the numerous products with applications in commercial, industrial, automotive, transportation, scientific, aerospace and military markets. Various types of products/connectors are offered including passive DAS related items such as connectors, adapters, splitters, couplers and loads. These connectors are offered in several configurations and cable attachment methods for customer applications. There are numerous applications for these connectors, some of which include digital applications, 2.5G, 3G, 4G, 5G, LTE and other broadband wireless infrastructure, GPS (Global Positioning Systems), mobile radio products, aircraft, video surveillance systems, cable assemblies and test equipment. Users of the Company's connectors include telecommunications companies, circuit board manufacturers, OEMs, consumer electronics manufacturers, audio and video product manufacturers and installers, and satellite companies. The Company markets over 1,500 types of connectors, adapters, tools, assembly, test and measurement kits, which range in price from under $1 to over $1,000 per unit. The kits satisfy a variety of applications including, but not limited to, lab operations, site requirements and adapter needs.

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

In addition and as a result of the acquisition of the CompPro Product Line, the Company markets and manufactures a patented compression technology that offers revolutionary advantages for a water-tight, ruggedized connection, providing easier installation, and improved system reliability on braided cables. CompPro is used by wireless network operators, installers and distributors in North America and other parts of the world.

The Cable Assembly component of the Connector and Cable Assembly division markets and manufactures cable assemblies in a variety of sizes and combinations of RF coaxial connectors and coax cabling. Cabling is purchased from a variety of major unaffiliated suppliers and is assembled predominately with the Company's connectors or other brands of connectors as complete cable assemblies. Coaxial cable assemblies have numerous applications including low PIM, wireless and wireless local area networks, wide area networks, internet systems, cellular systems including 2.5G, 3G, 4G, 5G, LTE wireless infrastructure, DAS and Small Cell implementations, TV/dish network systems, test equipment, military/aerospace (mil-standard and COTS (Commercial Off The Shelf)) and entertainment systems. Cable assemblies are manufactured to customer requirements.

Cables Unlimited Products

Cables Unlimited is an International Standards Organization (ISO) approved factory that manufactures custom cable assemblies. Cables Unlimited is also a Corning Cable Systems CAH Connections SM Gold Program member, authorized to manufacture fiber optic products that are backed by Corning Cable Systems' extended warranty. Products manufactured by Cables Unlimited include custom copper and fiber optic cable assemblies, adapters and electromechanical wiring harnesses for telecommunications, computer, LAN, automotive and medical equipment companies. Cables Unlimited also provides cable installation services in the New York regional area. In April 2012, Cables Unlimited commercially released a cabling solution for wireless service providers engaged in upgrading their cell towers for 4G technologies. The custom hybrid cable, called OptiFlex, is significantly lighter and possesses greater flexibility than cables previously used for wireless service. Most of the products that Cables Unlimited develops and sells are built specifically for its customers' needs.

The acquisition of Cables Unlimited in 2011 gave the Company the ability to offer a broad range of interconnect products and systems to the Company's largest customers. These interconnect systems have the ability to combine radio frequency and fiber optic interconnect components, with various connectors and power cables through customized solutions for these customers. The Company continues to actively market its ability to provide these fiber optic interconnect solutions to its larger customers.

Comnet Telecom Products

Comnet Telecom manufactures and distributes both standard and custom equipment and cabling products used by telecommunications carriers, co-location center operators and other telecommunication and data center companies in the U.S. Such products include fiber optics cable, copper cabling, custom patch cord assemblies, transceivers/converters, data center consoles and other data center equipment (such as server cabinets and network racks). The acquisition of Comnet Telecom expands the Company's fiber optic cabling capabilities and the customer base to which the Company can sell its other cabling products. The opportunities are further enhanced to sell Comnet data center infrastructure and telecom products into our cable product customer base.

Rel-Tech Electronics Products

Rel-Tech is a designer and manufacturer of cable assemblies and wiring harnesses for blue chip industrial, oilfield, instrumentation, medical and military customers. Wire and cable assembly products include custom wire harnesses, ribbon cable, electromechanical and kitted assemblies, networking and communications cabling. DIN and Mini DIN connector assemblies include power cord, coaxial, Mil-spec and testing.

Foreign Sales

Net sales to foreign customers accounted for $700,000 (or approximately 2%) of the Company's net sales, and $1.0 million (or approximately 3%) of the Company's sales, respectively, for the fiscal years ended October 31, 2017 and 2016. The majority of the export sales during these periods were to Canada and Mexico.

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

Distribution, Marketing and Customers

The Company deploys various sales methods depending upon the market being serviced. The Company currently sells products primarily through warehousing distributors to address the wireless, telecom, and data center markets and direct to OEM customers who utilize coaxial connectors and cable assemblies and harnesses in the manufacture of their own products and solutions.

Backlog

The Company estimates that its backlog of unfulfilled orders as of October 31, 2017 was approximately $4.0 million on a consolidated basis, compared with a backlog of approximately $3.3 million as of October 31, 2016. The Company does not have any long-term supply agreements, and most of its purchase orders have short lead times. Therefore, backlog may not be indicative of future demand. The Company expects that all or substantially all of the backlog will be filled within the next 12 months.

Manufacturing

The RF Connector and Cable Assembly division contracts with outside third parties for the manufacture of a significant portion of its coaxial connectors. However, virtually all of the RF cable assemblies sold by the RF Connector and Cable Assembly division during the fiscal year ended October 31, 2017 were assembled by the Cable Assembly side of the RF Connector and Cable Assembly division at the Company's approved ISO factory in California. The RF Connector and Cable Assembly division procures its raw cable from manufacturers with ISO approved factories in the United States, China and Taiwan. The Company is dependent primarily on twelve manufacturers for its coaxial connectors, tools and other passive components and several plants for raw cable. Although the Company does not have manufacturing agreements with these manufacturers for its connectors and cable products, the Company does have long-term purchasing relationships with these manufacturers. There are certain risks associated with the Company's dependence on third-party manufacturers for some of its products. The Company has in-house design engineers who create the engineering drawings for fabrication and assembly of connectors and cable assemblies. Accordingly, the manufacturers are not primarily responsible for design work related to the manufacture of the connectors and cable assemblies.

Cables Unlimited manufactures its custom cable assemblies, adapters and electromechanical wiring harnesses and other products in its Yaphank, New York manufacturing facility. Cables Unlimited is an ISO approved factory, as well as a Corning Cable Systems CAH Connections SM Gold Program member, authorized to manufacture fiber optic products and assemblies that are backed by Corning Cable Systems' extended warranty. Cables Unlimited outsources the assembly of a portion of its proprietary OptiFlex cable to a third party manufacturer. The final assembly and termination of the OptiFlex cable is completed by Cables Unlimited at its Yaphank, New York facilities.

Comnet Telecom manufactures, assembles and tests its cabling products at its facilities in East Brunswick, New Jersey. Comnet Telecom is a Corning Cable Systems CAH Connections SM Gold Program approved fiber optic member and a Telcordia GR-326 approved manufacturer also authorized to produce fiber optic products and assemblies that are backed by Corning Cable Systems' extended warranty.

Rel-Tech Electronics manufactures its cable assemblies, electromechanical assemblies, wiring harnesses and other products in its Milford, Connecticut, ISO approved manufacturing facility.

Raw Materials

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

The Cables Unlimited division, Comnet Telecom division and the Rel-Tech Electronics division purchase all of their products from manufacturers located in the United States. Fiber optic cables are available from various manufacturers located throughout the United States; however, both Cables Unlimited and Comnet Telecom purchase most of their fiber optic cables from Corning Cables Systems LLC. The Company believes that the raw materials used by Cables Unlimited and Comnet Telecom in their products are readily available and that neither division is not currently dependent on any supplier for its raw materials except where Corning Extended Warranty certification is required. Neither Cables Unlimited, nor Comnet Telecom nor Rel-Tech Electronics currently have any long-term purchase or supply agreements with their connector and cable suppliers.

Employees

As of October 31, 2017, the Company employed 195 full-time employees, of whom 43 were in accounting, administration, sales and management, 146 were in manufacturing, distribution and assembly, and 6 were engineers engaged in design, engineering and research and development. The employees were based at the Company's offices in San Diego, California (64 employees), Yaphank, New York (35 employees), Milford, Connecticut (66 employees) and East Brunswick, New Jersey (30 employees). The Company also occasionally hires part-time employees. The Company believes that it has a good relationship with its employees. The Cables Unlimited division employs five cable installers who are currently represented by a union. Other than the foregoing installers that belong to a union, none of the Company's other employees are unionized.

Research and Development

The Company's research and development expenses relate to its engineering activities, which consist of the design and development of new products for specific customers, as well as the design and engineering of new or redesigned products for the industry in general. During the years ended October 31, 2017 and 2016, the Company recognized $845,000 and $747,000 in engineering expenses, respectively. Research and development costs are expensed as incurred.

Patents, Trademarks and Licenses

The Company owns 14 patents (ten U. S. and four foreign) and there are two foreign patents pending approval related to CompPro Product Line that it acquired in May 2015. The CompPro Product Line utilizes a patented compression technology that offers revolutionary advantages for a water-tight connection, easier installation, and improved system reliability on braided cables. The CompPro Product Line is used by wireless network operators, installers and distributors in North America and other parts of the world. The Company also owns the "CompPro" registered trademark associated with the compression cable product line.

The Company uses "OptiFlex™" as a trademark for its hybrid cable wireless tower cable solution.

Because the Company carries thousands of separate types of connectors and other products, most of which are available in standard sizes and configuration and are also offered by the Company's competitors, the Company does not believe that its business or competitive position is dependent on patent protection.

Under its agreements with Corning Cables Systems LLC, Cables Unlimited and Comnet Telecom are permitted to advertise that they are Corning Cables System CAH Connections Gold Program members.

Warranties and Terms

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

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

Under its agreements with Corning Cables Systems LLC, Cables Unlimited and Comnet Telecom are authorized to manufacture optic cable assemblies that are backed by Corning Cables Systems' extended warranty (referred to as the "Gold Certified Warranty").

Competition

The Company and industry analysts estimate worldwide sales of connector products of approximately $59 billion in 2017. The Company believes that the worldwide industry for connector products is highly fragmented, with no one competitor having over a 20% share of the total market. The Company and industry analysts estimate worldwide sales of cable assembly products totaled nearly $140 billion in 2016. In North America, there are an estimated 1,105 companies participating in the cable assembly business with approximately 23% of the companies serving the industrial market sector. Many of the competitors of the RF Connector and Cable Assembly division have significantly greater financial resources and broader product lines. The RF Connector and Cable Assembly division competes on the basis of product quality, product availability, price, service, delivery time and value-added support to its distributors and OEM customers. Since the Company's strategy is to provide a broad selection of products in the areas in which it competes and to have a ready supply of those products available at all times, the Company normally carries a significant amount of inventory of its connector products.

Cables Unlimited competes on the basis of product quality, custom design, service, delivery time and value-added support to its customers. Since Cables Unlimited and Comnet Telecom are Corning Cables System CAH Connections Gold Program members, along with 13 companies permitted to manufacture fiber optic cable assemblies that are backed by Corning Cables Systems' extended warranty. Cables Unlimited and Comnet Telecom believes that being part of a limited number of Corning Cables System CAH Connections Gold Program members provides a competitive advantage in certain fiber optic markets.

Cables Unlimited, Comnet Telecom and Rel-Tech Electronics compete with both smaller, local cable assembly houses as well as large, national manufacturers and distributors of telecommunications equipment and products.

Government Regulations

The Company's products are designed to meet all known existing or proposed governmental regulations. Management believes that the Company currently meets existing standards for approvals by government regulatory agencies for its principal products.

The Company's products are Restriction on Hazardous Substances ("RoHS") compliant.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. DESCRIPTION OF PROPERTY

The Company currently leases its corporate headquarters and RF connector and cable assembly manufacturing facilities at 7610 Miramar Road, San Diego, California. At that location, the Company leases three buildings, that house the Company's corporate administration, sales and marketing, and engineering departments. The buildings also are used for production and warehousing by the Company's RF Connector and Cable Assembly and Comnet Telecom divisions. On June 5, 2017, the Company entered into a fifth amendment to its lease for its facility in San Diego, California. As a result, the Company now leases a total of approximately 21,908 square feet of office, warehouse and manufacturing space at its San Diego location. The term of the lease expires on July 31, 2022, and the rental payments under the lease currently are $22,721 per month. The San Diego lease also requires the payment of the Company's pro rata share of real estate taxes and insurance, maintenance and other operating expenses related to the facilities.

(i) On June 9, 2017, the Cables Unlimited division entered into an amendment to its lease with K & K Unlimited, as landlord, under which Cables Unlimited leases its 12,000 square foot manufacturing facility in Yaphank, New York, to extend the term of the lease to June 30, 2018. Cables Unlimited's monthly rent expense under the amended lease remains at $13,000 per month, plus payments of all utilities, janitorial expenses, routine maintenance costs and costs of insurance for Cables Unlimited's business operations and equipment. The landlord is a company controlled by Darren Clark, the former owner and current President of Cables Unlimited.

(ii) On June 25, 2017, the Comnet Telecom division entered into an amendment to its lease for approximately 15,000 square feet in two suites located in East Brunswick, New Jersey. Comnet's current monthly rent expense under the leases is $8,542 per month for these facilities. The amended lease expires in September 2022.

(iii) On July 25, 2017, the Rel-Tech Electronic division entered into a lease for approximately 13,750 square feet located in Milford, Connecticut. Rel-Tech's current net monthly rent expense under the lease is $8,707 per month for these facilities. The new lease expires in August 2019.

The aggregate monthly rental for all of the Company's facilities currently is approximately $53,000 per month, plus utilities, maintenance and insurance.

ITEM 3. LEGAL PROCEEDINGS

From time to time, we may become involved in various lawsuits and legal proceedings which arise in the ordinary course of business. Litigation is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm our business. As of the date of this report, we are not subject to any proceeding that is not in the ordinary course of business or that is material to the financial condition of our business.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

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

The price range per share of common stock presented below represents the highest and lowest intraday sales prices for the Company's common stock on the NASDAQ during each quarter of the two most recent years.

Quarter	**High**	**Low**
Fiscal 2017		
November 1, 2016 - January 31, 2017	$ 2.10	$ 1.40
February 1, 2017 - April 30, 2017	1.70	1.40
May 1, 2017 - July 31, 2017	2.00	1.40
August 1, 2017 - October 31, 2017	2.85	1.75
Fiscal 2016		
November 1, 2015 - January 31, 2016	$ 4.55	$ 3.90
February 1, 2016 - April 30, 2016	4.35	2.09
May 1, 2016 - July 31, 2016	2.54	1.99
August 1, 2016 - October 31, 2016	2.45	1.70

Stockholder As of October 31, 2017, there were 315 holders of the Company's Common Stock according to the records of the Company's transfer agent, Continental Stock Transfer & Trust Company, New York, New York, not including holders who hold their stock in "street name."

Dividends The Company paid four quarterly dividends of $0.02 per share during the year ended October 31, 2017 for a total of $707,000. The Company paid quarterly dividends of $0.02, $0.02, $0.02 and $0.07 per share during the three months ended October 31, 2016, July 31, 2016, April 30, 2016 and January 31, 2016, respectively, for a total of $1.1 million. Dividends are declared and paid from time to time at the discretion of the Board of Directors subject to applicable laws, and depend on a number of factors, including our financial condition, results of operations, capital requirements, plans for future acquisitions, contractual restrictions, general business conditions and other factors that our Board of Directors may deem relevant.

Repurchase of Securities The Company did not repurchase any securities during the fiscal year October 31, 2017.

Recent Sales of Unregistered Securities There were no previously unreported sales of equity securities by the Company that were not registered under the Securities Act during fiscal 2017.

EQUITY COMPENSATION PLAN INFORMATION

The following table provides information as of October 31, 2017 with respect to the shares of Company common stock that may be issued under the Company's existing equity compensation plans.

	A	B		C
Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options	Weighted Average Exercise Price of Outstanding Options ($)		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)	1,009,771	$	3.50	1,726,138
Equity Compensation Plans Not Approved by Stockholders (2)	150,000	$	1.09	_
Total	1,159,771	$	3.19	1,726,138

(1) Consists of options granted under the R.F. Industries, Ltd. 2010 Stock Option Plan.

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

ITEM 6. SELECTED FINANCIAL DATA

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

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The consolidated financial statements and related disclosures have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). The preparation of these consolidated financial statements requires the Company to make significant estimates and judgments that affect the reported amounts of assets, liabilities, revenues, expenses and related disclosure of contingent assets and liabilities. The Company evaluates its estimates, including those related to bad debts, inventory reserves and contingencies on an ongoing basis. The Company bases its estimates on historical experience and on various other assumptions that are believed to be appropriate under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Inventories

Inventories are stated at the lower of cost or market, with cost determined using the weighted average cost method of accounting. Certain items in inventory may be considered obsolete or excess and, as such, the Company periodically reviews its inventories for excess and slow moving items and make provisions as necessary to properly reflect inventory value. Because inventories have, during the past couple years, represented up to one-fourth of our total assets, any reduction in the value of our inventories would require the Company to take write-offs that would affect the net worth and future earnings.

Allowance for Doubtful Accounts

The Company records its allowance for doubtful accounts based upon its assessment of various factors. The Company considers historical experience, the age of the accounts receivable balance, credit quality of the Company's customers, current economic conditions and other factors that may affect a customer's ability to pay.

Long-Lived Assets Including Goodwill

The Company assesses property, plant and equipment and intangible assets, which are considered definite-lived assets, for impairment. Definite-lived assets are reviewed when there is evidence that events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Company measures recoverability of these assets by comparing the carrying amounts to the future undiscounted cash flows the assets are expected to generate. If property and equipment and intangible assets are considered to be impaired, the impairment to be recognized equals the amount by which the carrying value of the asset exceeds its fair market value.

The Company amortizes its intangible assets with definite useful lives over their estimated useful lives and reviews these assets for impairment.

The Company tests its goodwill and trademarks and indefinite-lived assets for impairment at least annually or more frequently if events or changes in circumstances indicate these assets may be impaired. These events or circumstances require significant judgment and could include a significant change in the business climate, legal factors, operating performance indicators, competition and sale or disposition of all or a portion of a division. This analysis requires significant judgments, including estimation of future cash flows, which is dependent on internal forecasts, estimation of the long-term rate of growth for our business, estimation of the useful life over which cash flows will occur, and determination of our weighted average cost of capital.

Earn-out Liability

The purchase agreement for the Rel-Tech acquisition provides for earn-out payments of up to $800,000, payable through May 31, 2018. The fair value of the obligation under the earn-out purchase price arrangement for Rel-Tech was $236,000 as of October 31, 2017. The initial earn-out liability was valued at its fair value using the Monte Carlo simulation and is included as a component of the total purchase price. The earn-out was and will continue to be revalued quarterly using a present value approach and any resulting increase or decrease will be recorded into selling and general expenses. Any changes in the assumed timing and amount of the probability of payment scenarios could impact the fair value. Significant judgment is employed in determining the appropriateness of the assumptions used in calculating the fair value of the earn-out as of the acquisition date. Accordingly, significant variances between actual and forecasted results or changes in the assumptions can materially impact the amount of contingent consideration expense we record in future periods.

Income Taxes

The Company records a tax provision for the anticipated tax consequences of the reported results of operations. Income taxes are accounted for under the asset and liability method, under which deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the financial reporting and tax bases of assets and liabilities, and for operating losses and tax credit carryforwards. Deferred tax assets and liabilities are measured using the currently enacted tax rates as of the date of the financial statements that apply to taxable income in effect for the years in which those tax assets are expected to be realized or settled. The Company records a valuation allowance to reduce deferred tax assets to the amount that is believed more likely than not to be realized.

If a deduction reported on a tax return for an equity-based incentive award exceeds the cumulative compensation cost for those instruments recognized for financial reporting purposes, any resulting realized tax benefit that exceeds the previously calculated deferred tax asset for those instruments is considered an excess tax benefit, and is recognized as additional paid-in capital. If the tax deduction is less than the cumulative book compensation cost, the tax effect of the resulting difference is charged first to additional paid-in capital, to the extent of the available pool of windfall tax benefits, with any remainder recognized in income tax expense.

The calculation of the tax provision involves significant judgment in estimating the impact of uncertainties in the application of GAAP and complex tax laws. Resolution of these uncertainties in a manner inconsistent with management's expectations could have a material impact on the Company's financial condition and operating results.

Stock-based Compensation

The Company uses the Black-Scholes model to value the stock option grants. This valuation is affected by the Company's stock price as well as assumptions regarding a number of inputs which involve significant judgments and estimates. These inputs include the expected term of employee stock options, the expected volatility of the stock price, the risk-free interest rate and expected dividends.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

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

OVERVIEW

During the periods covered by this Annual Report, the Company marketed a variety of connector products, including connectors and cables, standard and custom cable assemblies, wiring harnesses, fiber optic cable products, and data center products to numerous industries for use in thousands of products. The range of products that the Company sold has changed in the periods covered by the attached financial statements. During the past two years, the Company sold its Aviel Electronics division (a provider of custom RF connectors primarily for aerospace and military customers) and shut down its Bioconnect division, which manufactured and sold medical cabling and interconnect products. During the past few years, RF Industries also purchased Comnet Telecom (a provider of fiber optic and other cabling technologies, custom patch cord assemblies, and other data center products) effective November 2014, and Rel-Tech (a provider of cable assemblies and wiring harnesses for blue chip industrial, oilfield, instrumentation and military customers) in June 2015. The acquisitions of Comnet and Rel-Tech have diversified the Company's product line and customer base, and have increased the Company's presence on the East Coast. As well, Comnet and Rel-Tech have significantly contributed to the Company's revenues and profitability. During 2015, the Company also purchased a new patented connector product line and technology (the CompPro line).

The Company aggregates operating divisions into operating segments which have similar economic characteristics and are similar in the majority of the following areas: (1) the nature of the product and services; (2) the nature of the production process; (3) the type or class of customer for their products and services; (4) the methods used to distribute their products or services; and (5) if applicable, the nature of the regulatory environment. The Company has two segments - the "RF Connector and Cable Assembly" segment and the "Custom Cabling Manufacturing and Assembly" segment-based upon this evaluation.

Since the sale of Aviel Electronics in December 2015, the RF Connector and Cable Assembly segment has been comprised of one division, while the Custom Cabling Manufacturing and Assembly segment has been comprised of three divisions. The four divisions that met the quantitative thresholds for segment reporting are the RF Connector and Cable Assembly division and the Cables Unlimited, Comnet and Rel-Tech subsidiaries. Each of the other divisions aggregated into these segments had similar products that were marketed to their respective customer base and production and product development processes that are similar in nature. The specific customers are different for each division; however, there was some overlapping of product sales to them. The methods used to distribute products are similar within each division aggregated.

For the year ended October 31, 2017, most of the Company's revenues were generated from the Custom Cabling Manufacturing and Assembly segment from the sale of fiber optics cable, copper cabling, custom patch cord assemblies, wiring harnesses, transceivers/converters and other data center equipment (which accounted for 63% of the Company's total sales for the fiscal year ended October 31, 2017). Revenues from the RF Connector and Cable Assembly segment were generated from the sales of RF connector products and connector cable assemblies and accounted for 37% of the Company's total sales for the fiscal year ended October 31, 2017.

Income from discontinued operations, net of tax, during the fiscal 2017 year was $116,000 compared to a loss of $(58,000) in the prior year. During March 2016, the Company announced the shutdown of its Bioconnect division as part of the Company's ongoing plan to close or dispose of underperforming divisions that are not part of the Company's core operations. For the 2017 and 2016 fiscal years, the Company recognized pretax income of $10,000 and $90,000, respectively, from the Bioconnect division. Included in the loss for the fiscal 2016 year, the Company recognized a $148,000 pretax write-down on Bioconnect division's inventory.

For the fiscal 2017 year, the Company realized income from operations of $400,000, and net income of $382,000, compared to an operating loss from operations of $4.7 million and net loss of $4.1 million in the prior fiscal year period. The losses in the fiscal 2016 year were attributable primarily to a non-cash impairment charge of $2.8 million related to the impairment of intangible assets, a reduction in the Company's gross margins, and to increased selling and general expenses. In part to address these losses, the Company took steps to reduce its operating expenses, including the termination of certain officers and other personnel, and initiated a realignment of its manufacturing and marketing operations.

Financial Condition

The following table presents certain key measures of financial condition as of October 31, 2017 and 2016 (in thousands, except percentages):

	2017		2016	
	Amount	% Total Assets	Amount	% Total Assets
Cash and cash equivalents	$ 6,039	24.1%	$ 5,258	20.4%
Current assets	16,793	67.0%	16,793	65.0%
Current liabilities	3,598	14.4%	3,908	15.1%
Working capital	13,195	52.7%	12,885	49.9%
Property and equipment, net	711	2.8%	828	3.2%
Total assets	25,060	100.0%	25,837	100.0%
Stockholders' equity	21,343	85.2%	21,392	82.8%

Liquidity and Capital Resources

Management believes that its existing current assets and the amount of cash it anticipates it will generate from current operations will be sufficient to fund the anticipated liquidity and capital resource needs of the Company for at least twelve months from the date of this filing. Management believes that its existing assets and the cash it expects to generate from operations, including its current backlog of unfulfilled orders, will be sufficient during the current fiscal year based on the following:

- As of October 31, 2017, the Company had cash and cash equivalents equal to $6.0 million.
- As of October 31, 2017, the Company had $16.8 million in current assets and $3.6 million in current liabilities.
- As of October 31, 2017, the Company had no outstanding indebtedness for borrowed funds.
- Subsequent to the year ended October 31, 2017, the Company has driven increased net sales across all divisions which has led to a significant increase in its backlog. As a result, the Company expects double-digit growth in net sales for the quarter ending January 31, 2018 compared to the same period last year.

As of October 31, 2017, the Company had a total of $6.0 million of cash and cash equivalents compared to a total of $5.3 million of cash and cash equivalents as of October 31, 2016. As of October 31, 2017, the Company had working capital of $13.2 million and a current ratio of approximately 4.7:1.

The Company generated cash of $0.8 million during the year ended October 31, 2017 due largely to $1.6 million of cash generated from operations. The increase in cash from operations was primarily due to net income of $0.4 million, income tax refunds of $0.7 million, increased collections of accounts receivables ($0.2 million), noncash charges of $0.9 million for depreciation and amortization related to the acquisitions of Comnet, Rel-Tech and CompPro, and $0.2 million of stock-based compensation expense. The increase in cash was partially offset by an increase in the payment of accrued expenses and long-term liabilities, which included the payment of $0.6 million to the Presidents of the Comnet and Rel-Tech divisions as part of the purchase price of those divisions. The Company no longer is obligated to make any further payments with respect to its acquisition of Comnet. The Company's obligation to make additional payments with respect to the acquisition of Rel-Tech expires in May 2018. The fair value of the obligation under the earn-out purchase price arrangement for Rel-Tech was $236,000 as of October 31, 2017.

The Company does not anticipate needing material additional capital equipment in the next twelve months. In the past, the Company has financed some of its equipment and furnishings 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, its current backlog of unfulfilled orders and its anticipated future operations, the Company would be able to finance its expansion, if necessary.

As part of its announced business plan, the Company may from time to time acquire other companies or product lines in the future in order to diversify its product and customer base. Any future acquisitions may require the Company to make cash payments, which may reduce the Company's future liquidity and capital resources.

During the year ended October 31, 2017, the Company paid a total of $0.7 million ($0.08 per common share) of dividends to its stockholders.

Results of Operations

The following summarizes the key components of the results of operations for the fiscal years ended October 31, 2017 and 2016 (in thousands, except percentages).

	2017		2016	
	Amount	% of Net Sales	Amount	% of Net Sales
Net sales	$ 30,964	100%	$ 30,241	100%
Cost of sales	22,242	72%	21,778	72%
Gross profit	8,722	28%	8,463	28%
Engineering expenses	845	3%	747	2%
Goodwill and other intangible asset impairment	-	0%	2,844	9%
Selling and general expenses	7,506	24%	9,560	32%
Operating income (loss)	371	1%	(4,688)	-15%
Other income	29	0%	5	0%
Income (loss) from continuing operations before provision (benefit) for income taxes	400	1%	(4,683)	-15%
Provision (benefit) for income taxes	134	0%	(652)	-2%
Income (loss) from continuing operations	266	1%	(4,031)	-13%
Income (loss) from discontinued operations, net of tax	116	0%	(58)	0%
Consolidated net income (loss)	382	1%	(4,089)	-13%

Net sales of $31.0 million for the year ended October 31, 2017 (the "fiscal 2017 year") increased by $0.8 million or 2% when compared to net sales of $30.2 million for the year ended October 31, 2016 (the "fiscal 2016 year"). Net sales for the fiscal 2017 year at the RF Connector and Cable Assembly segment increased by $2.2 million, or 23%, to $11.5 million as compared to $9.3 million for the fiscal 2016 year. The Company's Custom Cabling Manufacturing and Assembly segment generated $19.5 million of net sales for the fiscal 2017 year, a decrease of $1.4 million or 7% when compared to $20.9 million for the fiscal 2016 year. The decrease in net sales at this segment is primarily attributable to the demand for the products offered in this segment during the first half of fiscal 2017. The demand for these increased in the second half of the fiscal 2017 year, resulting in sales increase in this segment of $1.3 million or 14% over first half sales of $9.1 million. The momentum built in the second half of the year in this segment has continued since the end of the fiscal 2017 year, resulting in an increase in the Company's unfulfilled orders for telecommunications products.

The Company's gross profit as a percentage of sales was 28% in both 2017 and 2016 fiscal years. Gross margins at the Company's RF Connector and Cable Assembly segment increased; the increase, however, was offset by a lower margins at the Company's Custom Cabling Manufacturing and Assembly segment due primarily to certain fixed manufacturing costs spread over a lower revenue base as sales in this segment decreased.

Engineering expenses for the fiscal 2017 year increased as compared to the fiscal 2016 year due to increased salary expense related to engineering activities. Engineering expenses represent costs incurred in the development of new products.

Selling and general expenses decreased by $1.9 million, or 21%, during the fiscal 2017 year to $7.5 million from $9.6 million in the prior period due to (i) cost cutting measures and (ii) one-time expenses that increased the Company's selling and general expenses in the fiscal 2016 year. The decrease in selling and general expenses in 2017 was primarily due to the impact of the Company's cost cutting measures that were implemented during the latter part of the 2016 fiscal year. In addition, from October 2016 to July 2017, the Company's interim President and Chief Executive Officer agreed to serve for no salary. Selling and general expenses in 2016 fiscal year included one-time expenses that were not incurred in 2017, including $256,000 of professional fees and expenses in connection with the business combination transaction that was abandoned, $171,000 of expenses incurred in connection with the implementation of a new enterprise resource planning (ERP) system that now integrates all of the Company's operations on the East Coast and in California, and the legal, accounting and other expenses related to the disposition of the Aviel division and the closure of the Bioconnect division.

In connection with the fiscal year ended October 31, 2016, the Company quantitatively evaluated the goodwill and intangibles of Cables Unlimited and determined that the carrying value of Cables Unlimited on the Company's financial statements exceeded its fair market value. As a result, an impairment to Cables Unlimited's goodwill and tradename was determined and the Company recorded a non-cash impairment charge to goodwill and tradename of $2.6 million and $150,000, respectively, for the 2016 fiscal year. No impairment charges were incurred in the 2017 fiscal year.

The provision (benefit) for income taxes from continuing operations was $134,000 or 34% and $(652,000) or 14% of income (loss) before income taxes for fiscal 2017 and 2016, respectively. The difference in the effective tax rates in each fiscal year is primarily attributable to the recognition of research and development credits, changes in earn-outs, goodwill impairment and other items. Deductions related to the exercise and disposition of equity-based incentive awards during the periods presented are, in general, available to offset taxable income on the Company's consolidated tax returns. Accordingly, the excess tax benefit related to the exercise and disposition of equity-based incentive awards for the periods presented, was credited to additional paid-in capital, not the provision (benefit) for income taxes. For the fiscal year 2017 and 2016, the Company incurred approximately $6,000 and $154,000, respectively, of windfalls from the exercise and disposition of equity-based incentive awards, of which $6,000 and $154,000 was recorded against its additional paid-in capital.

Income from discontinued operations, net of tax, during the fiscal 2017 year was $116,000 compared to a loss of $(58,000) in the prior year. During March 2016, the Company announced the shutdown of its Bioconnect division. For the fiscal 2017 and 2016 years, the Company recognized pretax income of $10,000 and $90,000, respectively, from the Bioconnect division. In the fiscal 2016 year, the Company recognized a $148,000 pretax write-down on Bioconnect division's inventory. In 2013 the Company sold its RadioMobile division, in exchange for which it received a three-year commitment to receive royalty payments from the operations of RadioMobile. Accordingly, the results of the RadioMobile division have been included as discontinued operations in the attached financial statements. The Company recognized royalty income in fiscal 2016 and 2017 of $174,000 and $57,000, respectively, from the sale of RadioMobile. The three-year period for earning royalties from RadioMobile has now expired.

For the fiscal 2017 year, the Company incurred operating income of $400,000 and net income of $382,000, compared to an operating loss of $4.7 million and net loss of $4.1 million in the prior fiscal year period. The losses in the fiscal 2016 year are attributable primarily to an impairment charge of $2.8 million, a reduction in the Company's gross margins and to increased selling and general expenses.

RF INDUSTRIES, LTD. AND SUBSIDIARIES

Index

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders
of RF Industries, Ltd.

We have audited the accompanying consolidated balance sheets of RF Industries, Ltd. and Subsidiaries as of October 31, 2017 and 2016, and the related consolidated statements of operations, stockholders' equity and cash flows for the years then ended. RF Industries, Ltd. and Subsidiaries' management is responsible for these consolidated financial statements. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of RF Industries, Ltd. and Subsidiaries as of October 31, 2017 and 2016, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

/s/ CohnReznick LLP

San Diego, California
January 24, 2018

RF INDUSTRIES, LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

OCTOBER 31, 2017 AND 2016

(In thousands, except share and per share amounts)

ASSETS	2017	2016
CURRENT ASSETS		
Cash and cash equivalents	$ 6,039	$ 5,258
Trade accounts receivable, net of allowance for doubtful accounts of $73 and $62, respectively	3,901	4,077
Inventories	6,109	6,022
Other current assets	744	1,436
TOTAL CURRENT ASSETS	16,793	16,793
Property and equipment		
Equipment and tooling	3,302	3,203
Furniture and office equipment	871	799
	4,173	4,002
Less accumulated depreciation	3,462	3,174
Total property and equipment	711	828
Goodwill	3,219	3,219
Amortizable intangible assets, net	3,030	3,619
Non-amortizable intangible assets	1,237	1,237
Other assets	70	141
TOTAL ASSETS	$ 25,060	$ 25,837

RF INDUSTRIES, LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

OCTOBER 31, 2017 AND 2016

(In thousands, except share and per share amounts)

LIABILITIES AND STOCKHOLDERS' EQUITY	2017	2016
CURRENT LIABILITIES		
Accounts payable	$ 1,356	$ 1,138
Accrued expenses	2,242	2,770
TOTAL CURRENT LIABILITIES	3,598	3,908
Deferred tax liabilities, net	119	409
Other long-term liabilities	-	128
TOTAL LIABILITIES	3,717	4,445
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Common stock - authorized 20,000,000 shares of $0.01 par value; 8,872,246 and 8,835,483 shares issued and outstanding at October 31, 2017 and 2016, respectively	89	88
Additional paid-in capital	19,654	19,379
Retained earnings	1,600	1,925
TOTAL STOCKHOLDERS' EQUITY	21,343	21,392
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 25,060	$ 25,837

See Notes to Consolidated Financial Statements.

RF INDUSTRIES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

YEARS ENDED OCTOBER 31, 2017 AND 2016

(In thousands, except share and per share amounts)

	2017	2016
Net sales	$ 30,964	$ 30,241
Cost of sales	22,242	21,778
Gross profit	8,722	8,463
Operating expenses:		
Engineering	845	747
Selling and general	7,506	9,560
Goodwill and other intangible asset impairment	-	2,844
Total operating expense	8,351	13,151
Operating income (loss)	371	(4,688)
Other income	29	5
Income (loss) from continuing operations before provision (benefit) for income taxes	400	(4,683)
Provision (benefit) for income taxes	134	(652)
Income (loss) from continuing operations	266	(4,031)
Income (loss) from discontinued operations, net of tax	116	(58)
Consolidated net income (loss)	$ 382	$ (4,089)
Earnings (loss) per share		
Basic		
Continuing operations	$ 0.03	$ (0.46)
Discontinued operations	0.01	(0.01)
Net income (loss) per share	$ 0.04	$ (0.47)
Earnings (loss) per share		
Diluted		
Continuing operations	$ 0.03	$ (0.46)
Discontinued operations	0.01	(0.01)
Net income (loss) per share	$ 0.04	$ (0.47)
Weighted average shares outstanding		
Basic	8,840,895	8,786,510
Diluted	8,915,764	8,786,510

See Notes to Consolidated Financial Statements.

RF INDUSTRIES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

YEARS ENDED OCTOBER 31, 2017 AND 2016

(In thousands, except share amounts)

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Total
Balance, November 1, 2015	8,713,664	$ 87	$ 19,129	$ 7,155	$ 26,371
Exercise of stock options	180,067	2	47	-	49
Excess tax benefit from exercise of stock options	-	-	154	-	154
Stock-based compensation expense	-	-	206	-	206
Dividends	-	-	-	(1,141)	(1,141)
Treasury stock purchased and retired	(58,248)	(1)	(157)	-	(158)
Net loss	-	-	-	(4,089)	(4,089)
Balance, October 31, 2016	8,835,483	88	19,379	1,925	21,392
Exercise of stock options	36,763	1	55	-	56
Excess tax benefit from exercise of stock options	-	-	6	-	6
Stock-based compensation expense	-	-	214	-	214
Dividends	-	-	-	(707)	(707)
Net Income	-	-	-	382	382
Balance, October 31, 2017	8,872,246	$ 89	$ 19,654	$ 1,600	$ 21,343

See Notes to Consolidated Financial Statements.

RF INDUSTRIES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED OCTOBER 31, 2017 AND 2016

(In thousands)

	2017	2016
OPERATING ACTIVITIES:		
Consolidated net income (loss)	$ 382	$ (4,089)
Adjustments to reconcile consolidated net income (loss) to net cash provided by (used in) operating activities:		
Bad debt expense	11	9
Depreciation and amortization	877	1,036
Goodwill and other intangible asset impairment	-	2,844
Inventory write-downs	-	168
Gain (loss) on disposal of fixed assets	-	68
Stock-based compensation expense	214	206
Deferred income taxes	(290)	(307)
Excess tax benefit from stock-based compensation	(6)	(154)
Changes in operating assets and liabilities:		
Trade accounts receivable	165	(107)
Inventories	(87)	417
Other current assets	698	(554)
Other long-term assets	71	(102)
Accounts payable	218	(355)
Accrued expenses	(528)	(98)
Other long-term liabilities	(128)	(249)
Net cash provided by (used in) operating activities	1,597	(1,267)
INVESTING ACTIVITIES:		
Proceeds from notes receivable from stockholder	-	67
Proceeds from sale of fixed assets	-	22
Proceeds from sale of inventory	-	321
Capital expenditures	(171)	(384)
Net cash (used in) provided by investing activities	(171)	26
FINANCING ACTIVITIES:		
Proceeds from exercise of stock options	56	49
Purchases of treasury stock	-	(158)
Excess tax benefit from exercise of stock options	6	154
Dividends paid	(707)	(1,141)
Net cash used in financing activities	(645)	(1,096)
Net increase (decrease) in cash and cash equivalents	781	(2,337)
Cash and cash equivalents, beginning of year	5,258	7,595
Cash and cash equivalents, end of year	$ 6,039	$ 5,258
Supplemental cash flow information – income taxes paid	$ 349	$ 208
Supplemental schedule of noncash investing and financing activities:		
Retirement of treasury stock	$ -	$ 157

See Notes to Consolidated Financial Statements.

NOTE 1 - BUSINESS ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business activities

RF Industries, Ltd., together with its three wholly-owned subsidiaries (collectively, hereinafter the "Company"), primarily engages in the design, manufacture, and marketing of interconnect products and systems, including coaxial and specialty cables, fiber optic cables and connectors, and electrical and electronic specialty cables. For internal operating and reporting purposes, and for marketing purposes, as of the end of the fiscal year ended October 31, 2017 the Company classified its operations into the following four divisions/subsidiaries: (i) The RF Connector and Cable Assembly division designs, manufactures and distributes coaxial connectors and cable assemblies that are integrated with coaxial connectors; (ii) Cables Unlimited, Inc., the subsidiary that manufactures custom and standard cable assemblies, complex hybrid fiber optic power solution cables, adapters, and electromechanical wiring harnesses for communication, computer, LAN, automotive and medical equipment; (iii) Comnet Telecom Supply, Inc., the subsidiary that manufactures and sells fiber optics cable, distinctive cabling technologies and custom patch cord assemblies, as well as other data center products; and (iv) Rel-Tech Electronics, Inc., the subsidiary that designs and manufacturers of cable assemblies and wiring harnesses for blue chip industrial, oilfield, instrumentation and military customers. Both the Cables Unlimited division and the Comnet Telecom division are Corning Cables Systems CAH Connections SM Gold Program members that are authorized to manufacture fiber optic cable assemblies that are backed by Corning Cables Systems' extended warranty. During the fiscal year ended October 31, 2016, RF Industries, Ltd. sold the Aviel Electronics division that designed, manufactured and distributed specialty and custom RF connectors, and discontinued the Bioconnect division that manufactured and distributed cabling and interconnect products to the medical monitoring market.

Use of estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results may differ from those estimates.

Principles of consolidation

The accompanying consolidated financial statements include the accounts of RF Industries, Ltd., Cables Unlimited, Inc. ("Cables Unlimited"), Comnet Telecom Supply, Inc. ("Comnet"), and Rel-Tech Electronics, Inc. ("Rel-Tech"), wholly-owned subsidiaries of RF Industries, Ltd. All intercompany balances and transactions have been eliminated in consolidation.

Cash equivalents

The Company considers all highly-liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Revenue recognition

Four basic criteria must be met before revenue can be recognized: (1) persuasive evidence of an arrangement exists; (2) delivery has occurred or services rendered; (3) the fee is fixed and determinable; and (4) collectability is reasonably assured. The Company recognizes revenue from product sales after purchase orders are received which contain a fixed price and for shipments with terms of FOB Shipping Point, revenue is recognized upon shipment, for shipments with terms of FOB Destination, revenue is recognized upon delivery and revenue from services is recognized when services are performed, and the recovery of the consideration is considered probable.

Inventories

Inventories are stated at the lower of cost or market, with cost determined using the weighted average cost of accounting. Cost includes materials, labor, and manufacturing overhead related to the purchase and production of inventories. We regularly review inventory quantities on hand, future purchase commitments with our suppliers, and the estimated utility of our inventory. If our review indicates a reduction in utility below carrying value due to damage, physical deterioration, obsolescence, changes in price levels, or other causes, we reduce our inventory to a new cost basis through a charge to cost of sales in the period in which it occurs. The determination of market value and the estimated volume of demand used in the lower of cost or market analysis requires significant judgment.

In June 2015, the Company acquired Rel-Tech, a company that valued its inventories using specific identification (last purchase price) on a FIFO basis. As of July 31, 2016, Rel-Tech prospectively values its inventories cost using the weighted average cost of accounting.

Property and equipment

Equipment, tooling and furniture are recorded at cost and depreciated over their estimated useful lives (generally 3 to 5 years) using the straight-line method. Expenditures for repairs and maintenance are charged to operations in the period incurred.

Goodwill

Goodwill is recorded when the purchase price paid for an acquisition exceeds the estimated fair value of the net identified tangible and intangible assets acquired. Goodwill is not amortized, but is subject to impairment analysis at least once annually, which the Company performs in October, or more frequently upon the occurrence of an event or when circumstances indicate that a reporting unit's carrying amount is greater than its fair value.

We assess whether a goodwill impairment exists using both qualitative and quantitative assessments at the reporting level. Our qualitative assessment involves determining whether events or circumstances exist that indicate it is more likely than not that the fair value of a reporting unit is less than its carrying amount, including goodwill. If based on this qualitative assessment we determine it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, we will not perform a quantitative assessment.

If the qualitative assessment indicates that it is more likely than not that the fair value of a reporting unit is less than its carrying amount or if we elect not to perform a qualitative assessment, we perform a quantitative assessment, or two-step impairment test, to determine whether a goodwill impairment exists at the reporting unit. The first step in our quantitative assessment identifies potential impairments by comparing the estimated fair value of the reporting unit to its carrying value, including goodwill ("Step 1"). If the carrying value exceeds estimated fair value, there is an indication of potential impairment and the second step is performed to measure the amount of impairment ("Step 2").

For the fiscal year 2016, Cables Unlimited did not meet its sales volume and revenue goals, and the mix of product sold had lower margins than planned. These results, along with changes in the competitive marketplace and an evaluation of business priorities, led to a shift in strategic direction and reduced future revenue and profitability expectations for the business. The results of these changes and circumstances lead to the determination that Cables Unlimited did not pass our qualitative assessment and therefore a quantitative assessment was required.

Upon completion of our Step 1 test, we found that the results indicated that Cables Unlimited's carrying value exceeded its estimated fair value, and as a result, the Step 2 test was performed specific to Cables Unlimited. Under Step 2, the fair value of all assets and liabilities were estimated, including customer list and backlog, for the purpose of deriving an estimate of the fair value of goodwill. The fair value of the goodwill was then compared to the recorded goodwill to determine the amount of the impairment. Assumptions used in measuring the value of these assets and liabilities included the discount rates used in valuing the intangible assets, and consideration of the market environment in valuing the tangible assets.

Upon completion of our Step 2 test, our Cables Unlimited division's goodwill was determined to be impaired. As of October 31, 2016, the Company recorded a $2.6 million impairment charge to goodwill. Cables Unlimited's goodwill is included in the Custom Cabling Manufacturing and Assembly segment.

No other instances of impairment were identified as of October 31, 2016 and no instances of goodwill impairment were identified during the year ended October 31, 2017.

On June 15, 2011, the Company completed its acquisition of Cables Unlimited. Goodwill related to this acquisition is included within the Cables Unlimited reporting unit. Effective November 1, 2014, the Company also completed its acquisition of Comnet. Goodwill related to this acquisition is included within the Comnet reporting unit. As of May 19, 2015, the Company completed its acquisition of the CompPro product line. Goodwill related to this acquisition is included within the Connector and Cable Assembly Division. Effective June 1, 2015, the Company completed its acquisition of Rel-Tech. Goodwill related to this acquisition is included within the Rel-Tech reporting unit.

Long-lived assets

The Company assesses property, plant and equipment and intangible assets, which are considered definite-lived assets for impairment. Definite-lived assets are reviewed when there is evidence that events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Company measures recoverability of these assets by comparing the carrying amounts to the future undiscounted cash flows the assets are expected to generate. If property and equipment and intangible assets are considered to be impaired, the impairment to be recognized equals the amount by which the carrying value of the asset exceeds its fair market value. The Company has made no material adjustments to our long-lived assets in any of the years presented.

The Company amortizes its intangible assets with definite useful lives over their estimated useful lives and reviews these assets for impairment.

In addition, the Company tests our trademarks and indefinite-lived asset for impairment at least annually or more frequently if events or changes in circumstances indicate that these assets may be impaired.

In 2016, upon completion of our Step 2 test (see “Goodwill” above), our Cables Unlimited division’s trademark was determined to be impaired. As of October 31, 2016, the Company recorded a $150,000 impairment charge to its trademark. Cables Unlimited’s trademark is included in the Custom Cabling Manufacturing and Assembly segment.

No instances of impairment were identified as of October 31, 2017 and no other instances of impairment were identified as of October 31, 2016.

Earn-out liability

The purchase agreement for the Rel-Tech acquisition provides for earn-out payments of up to $800,000 in the aggregate, last installment of which is payable May 31, 2018. The initial earn-out liability was valued at its fair value using the Monte Carlo simulation and is included as a component of the total purchase price. The earn-out was and will continue to be revalued quarterly using a present value approach and any resulting increase or decrease will be recorded into selling and general expenses. Any changes in the assumed timing and amount of the probability of payment scenarios could impact the fair value. Significant judgment is employed in determining the appropriateness of the assumptions used in calculating the fair value of the earn-out as of the acquisition date. Accordingly, significant variances between actual and forecasted results or changes in the assumptions can materially impact the amount of contingent consideration expense we record in future periods.

The Company measures at fair value certain financial assets and liabilities. U. S. GAAP specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's market assumptions. These two types of inputs have created the following fair-value hierarchy:

Level 1— Quoted prices for identical instruments in active markets;

Level 2— Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets; and

Level 3— Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

The contingent consideration liability represents future earn-out liability that we may be required to pay in conjunction with the acquisition of Rel-Tech and Comnet. The Company estimates the fair value of the earn-out liability using a probability-weighted scenario of estimated qualifying earn-out gross profit related to Rel-Tech and EBITDA related to Comnet calculated at net present value (level 3 of the fair value hierarchy).

The following table summarizes our financial assets and liabilities measured at fair value on a recurring basis as of October 31, 2017 (in thousands):

Description	Level 1	Level 2	Level 3
Earn-out liability	$ -	$ -	$ 236

The following table summarizes our financial assets and liabilities measured at fair value on a recurring basis as of October 31, 2016 (in thousands):

Description	Level 1	Level 2	Level 3
Earn-out liability	$ -	$ -	$ 835

The following table summarizes the Level 3 transactions for the years ended October 31, 2017 and 2016 (in thousands):

	Level 3	
	2017	**2016**
Beginning balance	$ 835	$ 1,527
Payments	(578)	(790)
Change in value	(21)	98
Ending Balance	$ 236	$ 835

Intangible assets

Intangible assets consist of the following as of October 31 (in thousands):

	2017	**2016**
Amortizable intangible assets:		
Non-compete agreements (estimated lives 3 - 5 years)	$ 310	$ 310
Accumulated amortization	(310)	(273)
	-	37
Customer relationships (estimated lives 7 - 15 years)	5,099	5,099
Accumulated amortization	(2,186)	(1,644)
	2,913	3,455
Patents (estimated life 14 year)	142	142
Accumulated amortization	(25)	(15)
Totals	117	127
	$ 3,030	$ 3,619
Non-amortizable intangible assets:		
Trademarks	$ 1,237	$ 1,237

Amortization expense for the years ended October 31, 2017 and 2016 was $589,000 and $649,000, respectively.

Impairment to trademarks for the years ended October 31, 2017 and 2016 was $0 and $150,000, respectively.

Estimated amortization expense related to finite lived intangible assets is as follows (in thousands):

Year ending October 31,	Amount
2018	$ 553
2019	553
2020	553
2021	413
2022	413
Thereafter	545
Total	$ 3,030

Advertising

The Company expenses the cost of advertising and promotions as incurred. Advertising costs charged to operations were approximately $130,000 and $156,000 in 2017 and 2016, respectively.

Research and development

Research and development costs are expensed as incurred. The Company's research and development expenses relate to its engineering activities, which consist of the design and development of new products for specific customers, as well as the design and engineering of new or redesigned products for the industry in general. During the years ended October 31, 2017 and 2016, the Company recognized $845,000 and $747,000 in engineering expenses, respectively.

Income taxes

The Company accounts for income taxes under the asset and liability method, based on the income tax laws and rates in the jurisdictions in which operations are conducted and income is earned. This approach requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Developing the provision (benefit) for income taxes requires significant judgment and expertise in federal, international and state income tax laws, regulations and strategies, including the determination of deferred tax assets and liabilities and, if necessary, any valuation allowances that may be required for deferred tax assets. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Management's judgments and tax strategies are subject to audit by various taxing authorities.

The Company recognizes accrued interest and penalties related to unrecognized tax benefits as a component of income tax expense.

Stock options

For stock option grants to employees, the Company recognizes compensation expense based on the estimated fair value of the options at the date of grant. Stock-based employee compensation expense is recognized on a straight-line basis over the requisite service period. The Company issues previously unissued common shares upon the exercise of stock options.

For the fiscal years ended October 31, 2017 and 2016, charges related to stock-based compensation amounted to approximately $214,000 and $206,000, respectively. For the fiscal years ended October 31, 2017 and 2016, stock-based compensation classified in cost of sales amounted to $13,000 and $28,000 and stock-based compensation classified in selling and general and engineering expense amounted to $201,000 and $178,000, respectively.

Earnings (loss) per share

Basic earnings (loss) per share is calculated by dividing net income (loss) applicable to common stockholders by the weighted average number of common shares outstanding during the period. The calculation of diluted earnings (loss) per share is similar to that of basic earnings (loss) per share, except that the denominator is increased to include the number of additional common shares that would have been outstanding if all potentially dilutive common shares, principally those issuable upon the exercise of stock options, were issued and the treasury stock method had been applied during the period. The greatest number of shares potentially issuable by the Company upon the exercise of stock options in any period for the years ended October 31, 2017 and 2016, that were not included in the computation because they were anti-dilutive, totaled 737,512 and 824,441, respectively.

The following table summarizes the computation of basic and diluted earnings (loss) per share:

	2017	2016
Numerators:		
Consolidated net income (loss) (A)	$ 382,000	$ (4,089,000)
Denominators:		
Weighted average shares outstanding for basic earnings (loss) per share (B)	8,840,895	8,786,510
Add effects of potentially dilutive securities - assumed exercise of stock options	74,869	-
Weighted average shares outstanding for diluted earnings (loss) per share (C)	8,915,764	8,786,510
Basic earnings (loss) per share (A)/(B)	$ 0.04	$ (0.47)
Diluted earnings (loss) per share (A)/(C)	$ 0.04	$ (0.47)

Recent accounting standards

Recently issued accounting pronouncements not yet adopted:

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-15, Classification of Certain Cash Receipts and Cash Payments. The new standard will change the classification of certain cash payments and receipts within the cash flow statement. Specifically, payments for debt prepayment or debt extinguishment costs, including third-party costs, premiums paid, and other fees paid to lenders that are directly related to the debt prepayment or debt extinguishment, excluding accrued interest, will now be classified as financing activities. Previously, these payments were classified as operating expenses. The guidance is effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019, with early adoption permitted, and will be applied retrospectively. The Company does not expect that the adoption of this new standard will have a material impact on its Consolidated Financial Statements.

In February 2016, the FASB issued Accounting Standards Update No. 2016-02, Leases. This ASU requires lessees to recognize most leases on their balance sheets related to the rights and obligations created by those leases. The ASU also requires additional qualitative and quantitative disclosures related to the nature, timing and uncertainty of cash flows arising from leases. The guidance is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted. The Company is currently evaluating the impact the adoption of this new standard will have on its Consolidated Financial Statements.

In March 2016, the FASB issued Accounting Standards Update No. 2016-09, Compensation – Stock Compensation. The new standard will modify several aspects of the accounting and reporting for employee share-based payments and related tax accounting impacts, including the presentation in the statements of operations and cash flows of certain tax benefits or deficiencies and employee tax withholdings, as well as the accounting for award forfeitures over the vesting period. The new standard is effective for fiscal years beginning after December 15, 2016 and interim periods within those fiscal years. Early adoption is permitted. The Company is currently evaluating the impact the adoption of this new standard will have on its Consolidated Financial Statements effective for the quarter ending January 31, 2018.

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers. This guidance will supersede Topic 605, Revenue Recognition, in addition to other industry-specific guidance, once effective. The new standard requires a company to recognize revenue in a manner that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods and services. In August 2015, the FASB issued ASU 2015-14, Revenue from Contracts with Customers: Deferral of the Effective Date, as a revision to ASU 2014-09, which revised the effective date to fiscal years, and interim periods within those years, beginning after December 15, 2017. Early adoption is permitted but not prior to periods beginning after December 15, 2016 (i.e., the original adoption date per ASU 2014-09). In March 2016, the FASB issued ASU 2016-08, Revenue from Contracts with Customers: Principal versus Agent Considerations, which clarifies certain aspects of the principal-versus-agent guidance, including how an entity should identify the unit of accounting for the principal versus agent evaluation and how it should apply the control principle to certain types of arrangements, such as service transactions. The amendments also reframe the indicators to focus on evidence that an entity is acting as a principal rather than as an agent. In April 2016, the FASB issued ASU 2016-10, Revenue from Contracts with Customers: Identifying Performance Obligations and Licensing, which clarifies how an entity should evaluate the nature of its promise in granting a license of intellectual property, which will determine whether it recognizes revenue over time or at a point in time. The amendments also clarify when a promised good or service is separately identifiable (i.e., distinct within the context of the contract) and allow entities to disregard items that are immaterial in the context of a contract. The Company continues to assess the impact this new standard may have on its ongoing financial reporting. The Company has identified its revenue streams both by contract and product type and is assessing each for potential impacts. For the revenue streams assessed, the Company does not anticipate a material impact in the timing or amount of revenue recognized.

In January 2017, the FASB issued Accounting Standards Update No. 2017-04, Intangibles-Goodwill and Other, which simplifies the accounting for goodwill impairments by eliminating step 2 from the goodwill impairment test. Instead, if "the carrying amount of a reporting unit exceeds its fair value, an impairment loss shall be recognized in an amount equal to that excess, limited to the total amount of goodwill allocated to that reporting unit." The guidance is effective for fiscal years beginning after December 15, 2019. Early adoption is permitted. The Company is currently evaluating the impact the adoption of this new standard will have on its Consolidated Financial Statements.

Note 2 - Discontinued operations

During 2013, the Company sold its RF Neulink and RadioMobile divisions, which together had comprised the Company's RF Wireless segment. The divisions were sold pursuant to asset purchase agreements, whereby no purchase price was paid at the closing. Rather, the agreements stipulated royalty payments from each of the purchasers over a three-year period. For the years ended October 31, 2017 and 2016, the Company recognized approximately $174,000 and $57,000, respectively, of aggregate royalty income for RF Neulink and RadioMobile, which amounts have been included within discontinued operations.

During March 2016, the Company announced the shutdown of its Bioconnect division, which comprised the entire operations of the Medical Cabling and Interconnect segment. The closure is part of the Company's ongoing plan to close or dispose of underperforming divisions that are not part of the Company's core operations. For the year ended October 31, 2017, the Company recognized approximately $10,000 of income related to the sale of equipment for the Bioconnect division, which amounts have been included within discontinued operations. For the year ended October 31, 2016, the Company recognized approximately $148,000 of loss for the Bioconnect division, which amounts have been included within discontinued operations. Included in the fiscal year 2016 loss, the Company recognized a $148,000 pretax write-down on Bioconnect division's inventory and fixed assets.

The following summarized financial information related to the RF Neulink, RadioMobile and Bioconnect divisions is segregated from continuing operations and reported as discontinued operations for the years ended October 31, 2017 and 2016 (in thousands):

	2017	2016
Royalties	$ 174	$ 57
Bioconnect	10	(148)
Provision (benefit) for income taxes	68	(33)
Income (loss) from discontinued operations, net of tax	$ 116	$ (58)

Note 3 - Concentrations of credit risk

Financial instruments which potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable. The Company maintains its cash and cash equivalents with high-credit quality financial institutions. At October 31, 2017, the Company had cash and cash equivalent balances in excess of federally insured limits in the amount of approximately $5.2 million.

Two customers accounted for approximately 20% and 11% of the Company's net sales for the fiscal year ended October 31, 2017, and one customer accounted for approximately 15% of the Company's net sales for the fiscal year ended October 31, 2016. At October 31, 2017 these customers' accounts receivable balance accounted for approximately 27% and 5% of the Company's total net accounts receivable balances, and at October 31, 2016, this customer's accounts receivable balance accounted for approximately 20% of the Company's total net accounts receivable balance. Although these customers have been on-going major customers of the Company continuously in the past, the written agreements with these customers do not have any minimum purchase obligations and the customers could stop buying the Company's products at any time and for any reason. A reduction, delay or cancellation of orders from these customers or the loss of these customers could significantly reduce the Company's future revenues and profits.

There was no product line that was significant for the fiscal years ended October 31, 2017 and 2016.

Note 4 - Inventories and major vendors

Inventories, consisting of materials, labor and manufacturing overhead, are stated at the lower of cost or market. Cost has been determined using the weighted average cost method. In June 2015, the Company acquired Rel-Tech, a company that valued its inventories using specific identification (last purchase price) on a FIFO basis. As of July 31, 2016, Rel-Tech values its inventory cost using the weighted average cost of accounting. Inventories consist of the following (in thousands):

	2017	2016
Raw materials and supplies	$ 2,520	$ 2,642
Work in process	194	279
Finished goods	3,395	3,101
Totals	$ 6,109	$ 6,022

Purchases of inventory from two major vendors during fiscal 2017 represented 7% and 5%, respectively, of total inventory purchases compared to two major vendors who represented 9% and 6%, respectively, of total inventory purchases in fiscal 2016. The Company has arrangements with these vendors to purchase product based on purchase orders periodically issued by the Company.

Note 5 - Other current assets

Other current assets consist of the following (in thousands):

	2017	2016
Prepaid taxes	$ 20	$ 871
Prepaid expense	526	347
Notes receivable, current portion	83	83
Other	115	135
Totals	$ 744	$ 1,436

Long-term portion of notes receivable of zero and $21,000 is recorded in other assets as of October 31, 2017 and 2016, respectively.

Note 6 - Accrued expenses and other long-term liabilities

Accrued expenses consist of the following (in thousands):

	2017	2016
Wages payable	$ 855	$ 941
Accrued receipts	695	578
Earn-out liability	236	707
Other current liabilities	456	544
Totals	$ 2,242	$ 2,770

Accrued receipts represent purchased inventory for which invoices have not been received.

The non-current portion of the earn-out liability of $128,000 is recorded in other long-term liabilities as of October 31, 2016

Note 7 - Segment information

The Company aggregates operating divisions into operating segments which have similar economic characteristics primarily in the following areas: (1) the nature of the product and services; (2) the nature of the production process; (3) the type or class of customer for their products and services; (4) the methods used to distribute their products or services; and (5) if applicable, the nature of the regulatory environment. As of October 31, 2017, the Company had two segments - RF Connector and Cable Assembly, and Custom Cabling Manufacturing based upon this evaluation.

The RF Connector and Cable Assembly segment is comprised of one division, while the Custom Cabling Manufacturing and Assembly segment comprised of three divisions. The four divisions that met the quantitative thresholds for segment reporting are Connector and Cable Assembly, Cables Unlimited, Comnet and Rel-Tech. The specific customers are different for each division; however, there is some overlapping of product sales to them. The methods used to distribute products are similar within each division aggregated.

Management identifies the Company's segments based on strategic business units that are, in turn, based along market lines. These strategic business units offer products and services to different markets in accordance with their customer base and product usage. For segment reporting purposes, the RF Connector and Cable Assembly division constitutes the RF Connector and Cable Assembly segment, and the Cables Unlimited, Comnet and Rel-Tech division constitute the Custom Cabling Manufacturing segment.

As reviewed by the Company's chief operating decision maker, the Company evaluates the performance of each segment based on income or loss before income taxes. The Company charges depreciation and amortization directly to each division within the segment. Accounts receivable, inventory, property and equipment, goodwill and intangible assets are the only assets identified by segment. Except as discussed above, the accounting policies for segment reporting are the same for the Company as a whole.

Substantially all of the Company's operations are conducted in the United States; however, the Company derives a portion of its revenue from export sales. The Company attributes sales to geographic areas based on the location of the customers. The following table presents the sales of the Company by geographic area for the years ended October 31, 2017 and 2016 (in thousands):

	2017	2016
United States	$ 30,232	$ 29,257
Foreign Countries:		
Canada	483	509
Israel	-	63
Mexico	78	234
All Other	171	178
	732	984
Totals	$ 30,964	$ 30,241

Net sales, income (loss) from continuing operations before provision (benefit) for income taxes and other related segment information for the years ended October 31, 2017 and 2016 are as follows (in thousands):

2017	**RF Connector and Cable Assembly**	**Custom Cabling Manufacturing and Assembly**	**Corporate**	**Total**
Net sales	$ 11,456	$ 19,508	$ -	$ 30,964
Income (loss) from continuing operations before provision (benefit) for income taxes	382	(11)	29	400
Depreciation and amortization	177	700	-	877
Total assets	6,297	11,910	6,853	25,060
2016				
Net sales	$ 9,352	$ 20,889	$ -	$ 30,241
Loss from continuing operations before provision (benefit) for income taxes	(1,358)	(3,232)	(93)	(4,683)
Depreciation and amortization	194	842	-	1,036
Total assets	5,902	13,100	6,835	25,837

Note 8 - Income tax provision

The provision (benefit) for income taxes for the fiscal years ended October 31, 2017 and 2016 consists of the following (in thousands):

	2017	2016
Current:		
Federal	$ 400	$ (332)
State	24	(13)
	424	(345)
Deferred:		
Federal	(293)	(179)
State	3	(128)
	(290)	(307)
	$ 134	$ (652)

Income tax at the federal statutory rate is reconciled to the Company's actual net provision (benefit) for income taxes as follows (in thousands, except percentages):

	2017		2016	
	Amount	% of Pretax Income	Amount	% of Pretax Income
Income taxes at federal statutory rate	$ 136	34.0%	$ (1,592)	34.0%
State tax provision, net of federal tax benefit	16	4.0%	(53)	1.1%
Nondeductible differences:				
Goodwill and other intangible asset impairment	-	0.0%	916	-19.6%
Rel-Tech earn-out	(9)	-2.3%	52	-1.1%
Qualified domestic production activities deduction	(66)	-16.5%	46	-1.0%
ISO stock options	33	8.3%	52	-1.1%
Meals and entertainment	21	5.3%	29	-0.6%
Temporary true-ups	26	6.4%	-	0.0%
State tax refunds, net of federal expense	(4)	-0.8%	(38)	0.8%
R&D credit	(37)	-9.3%	(46)	1.0%
Other	18	4.4%	(18)	0.4%
	$ 134	33.5%	$ (652)	13.9%

The Company's total deferred tax assets and deferred tax liabilities at October 31, 2017 and 2016 are as follows (in thousands):

	2017	2016
Deferred Tax Assets:		
Reserves	$ 375	$ 216
Accrued vacation	122	134
Stock-based compensation awards	184	159
Uniform capitalization	130	148
Other	70	43
Total deferred tax assets	881	700
Deferred Tax Liabilities:		
Amortization / intangible assets	(805)	(864)
Depreciation / equipment and furnishings	(195)	(211)
Other	-	(34)
Total deferred tax liabilities	(1,000)	(1,109)
Total net deferred tax assets (liabilities)	$ (119)	$ (409)

Deferred income tax assets and liabilities are recorded for differences between the financial statement and tax basis of the assets and liabilities that will result in taxable or deductible amounts in the future based on enacted laws and rates applicable to the periods in which the 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 Company has evaluated the available evidence supporting the realization of its gross deferred tax assets, including the amount and timing of future taxable income, and has determined it is more likely than not that the assets will be realized in future tax years.

The Company had adopted the provisions of ASC 740-10, which clarifies the accounting for uncertain tax positions. ASC 740-10 requires that the Company recognize the impact of a tax position in the financial statements if the position is not more likely than not to be sustained upon examination based on the technical merits of the position. The Company's practice is to recognize interest and penalties related to income tax matters in income from continuing operations. The Company has no material unrecognized tax benefits as of October 31, 2017.

The Company is subject to taxation in the United States and state jurisdictions. The Company's tax years for October 31, 2014 and forward are subject to examination by the United States and October 31, 2013 and forward with state tax authorities.

On December 22, 2017, the Tax Cuts and Jobs Act (the "Act") was signed into United States tax law, which among other provisions will lower the corporate tax rate to 21%. Given this date of enactment, our consolidated financial statements as of and for the year ended October 31, 2017 do not reflect the impact of the Act. The Company is in the process of analyzing the potential aggregate impact of the Act and will reflect any such impact in the quarterly report for the period in which the law was enacted.

Note 9 - Stock options

Incentive and non-qualified stock option plans

On March 9, 2010, the Company's Board of Directors adopted the RF Industries, Ltd. 2010 Stock Incentive Plan (the "2010 Plan"). In June 2010, the Company's stockholders approved the 2010 Plan by vote as required by NASDAQ. An aggregate of 1,000,000 shares of common stock was set aside and reserved for issuance under the 2010 Plan. The Company's stockholders approved the issuance of an additional 500,000 shares of common stock at its annual meeting held on September 5, 2014, another 500,000 shares of common stock at its annual meeting held September 4, 2015 and another 1,000,000 shares of common stock at its annual meeting held September 8, 2017. As of October 31, 2017, 1,726,138 shares of common stock were remaining for future grants of stock options under the 2010 Plan.

Additional disclosures related to stock option plans

The fair value of each option granted in 2017 and 2016 was estimated on the grant date using the Black-Scholes option pricing model with the following assumptions:

	2017	2016
Weighted average volatility	43.3%	28.7%
Expected dividends	5.0%	2.4%
Expected term (in years)	4.3	3.0
Risk-free interest rate	1.20%	0.70%
Weighted average fair value of options granted during the year	$ 0.39	$ 0.66
Weighted average fair value of options vested during the year	$ 1.95	$ 4.36

Expected volatilities are based on historical volatility of the Company's stock price and other factors. The Company used the historical method to calculate the expected life of the 2017 option grants. The expected life represents the period of time that options granted are expected to be outstanding. The risk-free rate is based on the U.S. Treasury rate with a maturity date corresponding to the options' expected life. The dividend yield is based upon the historical dividend yield.

Additional information regarding all of the Company's outstanding stock options at October 31, 2017 and 2016 and changes in outstanding stock options in 2017 and 2016 follows:

	2017		2016	
	Shares or Price Per Share	Weighted Average Exercise Price	Shares or Price Per Share	Weighted Average Exercise Price
Options outstanding at beginning of year	1,007,851	$ 4.07	1,240,100	$ 3.64
Options granted	449,068	$ 1.61	104,936	$ 3.36
Options exercised	(36,763)	$ 1.50	(180,067)	$ 0.27
Options forfeited	(260,385)	$ 4.10	(157,118)	$ 4.53
Options outstanding at end of year	1,159,771	$ 3.19	1,007,851	$ 4.07
Options exercisable at end of year	926,272	$ 3.08	724,457	$ 3.93
Options vested and expected to vest at end of year	1,159,002	$ 3.19	1,002,522	$ 4.07
Option price range at end of year	$1.07 - $6.91		$2.30 - $6.91	
Aggregate intrinsic value of options exercised during year	$ 55,000		$ 456,000	

Weighted average remaining contractual life of options outstanding as of October 31, 2017: 4.19 years

Weighted average remaining contractual life of options exercisable as of October 31, 2017: 3.18 years

Weighted average remaining contractual life of options vested and expected to vest as of October 31, 2017: 4.19 years

Aggregate intrinsic value of options outstanding at October 31, 2017: $552,000

Aggregate intrinsic value of options exercisable at October 31, 2017: $503,000

Aggregate intrinsic value of options vested and expected to vest at October 31, 2017: $552,000

As of October 31, 2017, $275,000 of expense with respect to nonvested share-based arrangements has yet to be recognized which is expected to be recognized over a weighted average period of 6.33 years.

Effective for the fiscal year ending October 31, 2017, non-employee directors receive $50,000 annually, which is paid one-half in cash and one-half through the grant of non-qualified stock options to purchase shares of the Company's common stock. Previously, for the fiscal year ended October 31, 2016, non-employee directors received $30,000 annually. During the quarter ended January 31, 2017, the Company granted each of its four non-employee directors 77,339 options. The number of stock options granted to each director was determined by dividing $25,000 by the fair value of a stock option grant using the Black-Scholes model ($0.32 per share). These options vest ratably over fiscal year 2017. On June 9, 2017, the Company's Board of Directors appointed Gerald Garland to serve as a director. Mr. Garland received a prorated portion of the compensation paid by the Company. The number of stock options granted to Mr. Garland was determined by dividing $9,863 (the portion of his director fee for the year ending October 31, 2017) by the fair value of a stock option grant using the Black-Scholes model ($0.40 per share). These options vest ratably over the remaining portion of fiscal year 2017.

On April 6, 2016, Howard Hill, the Company's former Chief Operating Officer, retired from the Company. On becoming a non-employee member of the Board on April 7, 2016, Mr. Hill was granted 33,744 options, representing the director compensation payable to him for his services for the remainder of the 2016 fiscal year. The number of stock options granted was determined by dividing his pro-rata portion of his stock based compensation for serving on the Board of $8,750 by the fair value of a stock option grant using the Black-Scholes model ($0.26). These options vested ratably over fiscal 2016.

Note 10 - Retirement plan

The Company has a 401(K) plan available to its employees. For the years ended October 31, 2017 and 2016, the Company contributed and recognized as an expense $166,000 and $182,000, respectively, which amount represented 3% of eligible employee earnings under its Safe Harbor Non-elective Employer Contribution Plan.

Note 11 - Related party transactions

During fiscal 2016 the Company had a note receivable from stockholder of $67,000 that was due from a former Chief Executive Officer of the Company, earned interest at 6% per annum (which interest was payable annually), and had no specific due date. The note was collateralized by property owned by the former Chief Executive Officer. During fiscal 2016, the former Chief Executive Officer resigned as an employee of the Company and, in connection with his resignation, repaid the foregoing promissory note in full.

On June 15, 2011, the Company purchased Cables Unlimited, Inc., a New York corporation, from Darren Clark, the sole shareholder of Cables Unlimited, Inc. In connection with the purchase of Cables Unlimited, the Company entered into a lease for the New York facilities from which Cables Unlimited conducts its operations. Cables Unlimited's monthly rent expense under the lease is $13,000 per month, plus payments of all utilities, janitorial expenses, routine maintenance costs, and costs of insurance for Cables Unlimited's business operations and equipment. During the fiscal year ended October 31, 2017, the Company paid the landlord a total of $156,000 under the lease. The owner and landlord of the facility is a company controlled by Darren Clark, the former owner of Cables Unlimited and the current President of this subsidiary of the Company.

Note 12 - Cash dividend and declared dividends

The Company paid quarterly dividends of $0.02 per share during fiscal year 2017 for a total of $707,000. The Company paid quarterly dividends of $0.02, $0.02, $0.02 and $0.07 per share during the three months ended October, 31, 2016, July 31, 2016, April 30, 2016 and January 31, 2016, respectively, for a total of $1.1 million.

Note 13 - Commitments

As of October 31, 2017, the Company leases its facilities in San Diego, California, Yaphank, New York, Milford, Connecticut and East Brunswick, New Jersey under non-cancelable operating leases. Deferred rents, included in accrued expenses and other long-term liabilities, were $95,000 as of October 31, 2017 and $3,000 as of October 31, 2016. The San Diego lease also requires the payment of the Company's pro rata share of the real estate taxes and insurance, maintenance and other operating expenses related to the facilities.

Rent expense under all operating leases totaled approximately $644,000 and $628,000 in 2017 and 2016, respectively.

Minimum lease payments under these non-cancelable operating leases in each of the years subsequent to October 31, 2017 are as follows (in thousands):

Year ending October 31,	Amount
2018	$ 645
2019	516
2020	441
2021	440
2022	359
Total	$ 2,401

Note 14 - Line of credit

From May 2015 until September 2016, the Company had a $5 million line of credit available to it from its bank. The Company did not use the line of credit and, effective September 8, 2016, the Company terminated the line of credit.

Note 15 - Subsequent events

On December 13, 2017, the Board of Directors of the Company declared a quarterly dividend of $0.02 per share that was paid on January 15, 2018 to stockholders of record on December 31, 2017.

On December 22, 2017, the Tax Cuts and Jobs Act (the "Act") was signed into United States tax law, which among other provisions will lower the corporate tax rate to 21%. Given this date of enactment, our financial statements for the year ended October 31, 2017 do not reflect the impact of the Act. The Company is in the process of analyzing the potential aggregate impact of the Act and will reflect any such impact in the quarterly report for the period in which the law was enacted.

Leadership

Directors

Marvin H. Fink
Chairman
Retired Executive

Howard F. Hill
Retired Executive

William L. Reynolds
Retired Executive

Joseph Benoit
Retired Executive

Gerald Garland
Retired Executive

Robert Dawson
President and
Chief Executive Officer

Officers

Robert Dawson
President and
Chief Executive Officer

Mark Turfler
Senior Vice President,
Chief Financial Officer and
Corporate Secretary

Stockholder Information

Annual Meeting

The Annual Meeting of Stockholder of RF Industries is scheduled to be held at 10:00 a.m., Wednesday, September 5, 2018 at TroyGould PC, 1801 Century Park East, 16th Floor, Los Angeles, CA 90067.

Investor Relations

Analysts, investors and stockholders seeking additional information about RF Industries are invited to contact:

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Telephone: 323-468-2300
Email: RFIL@mkr-group.com

A copy of the Company's Annual Report on Form 10-K as filed with the United States Securities and Exchange Commission is available without charge on the SEC website, www.sec.gov, or upon request RF Industries, 7610 Miramar Road, San Diego, CA 92126

RF Industries on NASDAQ
RF Industries common stock trades on the NASDAQ Global Market under the symbol RFIL.

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