SPECTRUM CONTROL INC
Form 10-K
February 11, 2010
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Securities and Exchange Commission

Washington, D.C. 20549

Form 10-K

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended November 30, 2009

OR

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission File Number 0-8796

Spectrum Control, Inc.

(a Pennsylvania Corporation)

(I.R.S. Employer Identification No. 25-1196447)

8031 Avonia Road, Fairview, Pennsylvania 16415

Telephone 814-474-2207

Securities registered pursuant to Section 12(b) of the Act:

None

Securities registered pursuant to Section 12(g) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock - No Par Value	**The Nasdaq Stock Market**

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files. Yes ¨ No ¨.

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K x.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ¨ Accelerated filer x Non-accelerated filer ¨

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

At May 31, 2009, the aggregate market value of voting Common Stock held by non-affiliates of the registrant based on a closing price of $8.22 was $97,181,525. Shares of Common Stock held by each officer and director and by each person who owns 10% or more of the outstanding Common Stock of the Company have been excluded because such persons may be deemed to be affiliates.

As of January 29, 2010, the registrant had outstanding 12,712,865 shares of Common Stock, no par value.

Documents incorporated by reference

Portions of the registrant s Proxy Statement for the annual meeting of shareholders to be held April 12, 2010 are incorporated by reference into Part III of this Form 10-K.

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PART I

ITEM 1. BUSINESS

Except for the historical information contained herein, the following discussion contains forward-looking statements that involve risks and uncertainties. The Company intends these forward-looking statements to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, but are not limited to, descriptions of management s expectations regarding the future markets for the Company s products, future operating performance, and other future plans and objectives. Words such as expect , anticipate , believe , intend , and variations of such words identify forward-looking statements. These forward-looking statements are only predictions and are not guarantees of future performance. Actual results or events may differ materially from historical results or those suggested by these forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed herein under Item 1, Item 1A Risk Factors , as well as Item 7 entitled Management s Discussion and Analysis of Financial Condition and Results of Operations in this report.

GENERAL

Spectrum Control, Inc. and its subsidiaries (hereinafter referred to as we , us , our , or the Company) design, develop and manufacture custom electronic components and systems. Although our components and systems are used in many industries worldwide, our largest individual markets are military/defense and communications equipment which represented 61% and 16%, respectively, of our fiscal 2009 sales. Military/defense applications for our products include secure communications, smart weapons and munitions, countermeasures for improvised explosive devices, radar systems, military aircraft and vehicles, and missile defense systems. In communications, our products are used in numerous systems including wireless base stations, broadband switching equipment, global positioning systems, Wi-Fi, and optical networks. Other markets for our products include medical imaging equipment and instrumentation, industrial automation and controls, computers, IT hubs, and storage devices.

Our operations are currently conducted in four reportable segments: advanced specialty products (formerly referred to as signal and power integrity components); microwave components and systems; power management systems; and sensors and controls. Our Advanced Specialty Products Business designs and manufactures a broad range of products including antennas, specialty connectors, advanced ceramics, and electromagnetic interference (EMI) filters and interconnects. Our Microwave Components and Systems Business designs and manufactures microwave filters and components, high power amplifiers, oscillators, synthesizers, switched filter banks, and related systems and integrated assemblies. The Power Management Systems Business designs and manufactures custom AC and DC power distribution units, power outlet strips, power monitoring equipment, and our Smart Start power management systems. Our Sensors and Controls Business designs and manufactures rotary and linear precision sensors, temperature sensing probes, thermistors, resistance temperature detector sensors, and related assemblies.

Spectrum Control, Inc. (the Parent company) was incorporated in Pennsylvania in 1968. The Parent company currently operates manufacturing facilities in Fairview, Pennsylvania; State College, Pennsylvania; and Wesson, Mississippi. Operations in Fairview include the design and manufacture of advanced specialty products. In State College, the Parent company s operations include the design and manufacture of power management systems. Operations in Wesson principally consist of metal fabrication manufacturing in support of our power product offerings. The Parent company s executive offices are located in Fairview.

Spectrum Control Technology, Inc. (Spec Tech) is a wholly-owned subsidiary of the Parent company. Spec Tech designs and manufactures advanced ceramic products at its state-of-the-art ceramic facility in State College, Pennsylvania. In addition to producing specialty ceramic capacitors used in the Company s EMI filters, Spec Tech designs and manufactures other advanced ceramics including various ceramic-based antenna products and related assemblies.

Other wholly-owned subsidiaries of the Parent company include: Spectrum Microwave, Inc.; Spectrum SEI Microwave, Inc.; Spectrum FSY Microwave, Inc.; Spectrum Sensors and Controls, Inc. (CA Corp); Spectrum Sensors and Controls, Inc. (PA Corp.); Spectrum Control, GmbH; Spectrum Control de Mexico; and Spectrum Control (Hong Kong) Limited.

Spectrum Microwave, Inc. (Spec Microwave) and Spectrum SEI Microwave, Inc. (SEI) design and manufacture various radio frequency (RF) and microwave products. These high-end components and integrated assemblies include amplifiers, frequency mixers, filters, microelectronics, and various types of oscillators (voltage control, dielectric resonator, and digitally tuned). Currently, Spec Microwave operates facilities in Philadelphia, Pennsylvania; Palm Bay, Florida; Marlborough and Worcester, Massachusetts; Auburn, New York; as well as a portion of our facility in State College, Pennsylvania. SEI s operating facility is located in Delmar, Delaware.

Spectrum FSY Microwave, Inc., located in Columbia, Maryland, is primarily a design center, with limited manufacturing of certain RF and microwave products and systems.

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Spectrum Sensors and Controls, Inc. (CA Corp.), located in Grass Valley, California, designs and manufactures precision co-molded conductive position sensors and related assemblies.

Spectrum Sensors and Controls, Inc. (PA Corp.), located in St. Marys, Pennsylvania, designs and manufactures a broad line of custom temperature sensors including temperature sensing probes and assemblies, positive and negative temperature coefficient thermistors, and resistance temperature detector sensors and related assemblies.

Spectrum Control, GmbH, located in Schwabach, Germany, principally acts as a distributor for the Company s advanced specialty products in the European market.

Spectrum Control de Mexico, located in Juarez, Mexico, commenced operations in June 2000 as the Company s low-cost manufacturing center for North America. Currently, this subsidiary manufactures various products for each of our four business segments for use in numerous commercial applications.

Spectrum Control (Hong Kong) Limited (Spec HK), currently is a holding company for our China subsidiary.

Spectrum Control Electronics (Dongguan) Co. Ltd. (Spec China), a wholly-owned subsidiary of Spec HK, located in Qiao Tou Town, China, commenced operations in 2003 as the Company s low-cost manufacturing center for Asia. Currently, Spec China manufactures certain advanced specialty products, power management systems, and sensors and controls for various commercial customers.

RECENT DEVELOPMENTS

ACQUISITION

On November 30, 2009, we acquired substantially all of the assets and assumed certain liabilities of Micro Networks Corporation (Micro Networks). Micro Networks, with operations in Worcester, Massachusetts and Auburn, New York, designs and manufactures high-performance data conversion products, custom modules, and a broad line of filters, oscillators, and delay lines based on surface acoustic wave (SAW) technology. Micro Networks products also include integrated microwave assemblies with hybrid circuit design, precision bulk acoustic wave delay lines and synthesizers. We believe that these products and related SAW technology, which are currently used predominantly in defense and aerospace applications, are a natural complement and extension to our existing Microwave Components and Systems business segment. We also believe that our vertical manufacturing processes, low-cost manufacturing capabilities, and established military sales channels will provide additional revenue opportunities and improved profitability for Micro Networks products.

The aggregate cash purchase price for Micro Networks was $12.9 million. This purchase price was partially funded by borrowings of $7.0 million under our domestic line of credit. We utilized our existing cash reserves to satisfy the balance of the purchase price.

STOCK BUYBACK PROGRAM

We have adopted a stock repurchase program. Under this program, we may repurchase up to $16.0 million of the Company s outstanding Common Stock. Acquired shares are to be purchased in the open market or through privately negotiated transactions at prevailing market prices. Funding for these repurchases is expected to come from available cash reserves and borrowings under our revolving line of credit facility. The amount and timing of the shares repurchased are based on our ongoing assessment of the Company s capital structure, liquidity, and the market price of the Company s Common Stock. The repurchased shares are held as treasury stock. During the year ended November 30, 2009, we did not repurchase any of our Common Stock. Since the inception of the stock repurchase program, 1,677,479 shares have been repurchased at a total cost of $11.8 million.

MARKETS

MILITARY/DEFENSE

Military forces worldwide are dependent on sophisticated electronic equipment. Military aircraft, naval vessels, and fighting vehicles generally contain extensive communication equipment, electronic countermeasure equipment for defense against enemy weapons, smart weapons and munitions, and radar systems. We provide numerous custom microwave components and subsystems, power products, position sensors, and low pass EMI filters to major equipment manufacturers for installation into these systems. Our customers, in turn, sell their equipment to major defense manufacturers or directly to governments.

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Our engineers and technologists work closely with our military/defense customers to design new custom products. Major defense programs, for which our engineers and technologists are currently designing and developing products, include the following:

- Light Airborne Multi Purpose Systems (LAMPS) Multi Mode Radar (MMR ALQ-147) for helicopters
- Advanced Extremely High Frequency (AEHF) Navy Multi Band Terminals (NMT) for satellite communications
- Command Post Platforms (CPP and CPP-ML/CP) to direct operations and control forces
- Warfighter Information Network Tactical Program (WIN-T) to increase communication bandwidth
- Joint Counter Radio Controlled Improvised Explosive Device Electronic Warfare Program (JCREW)
- AEGIS combat systems and programs
- Bradley Armored Fighting Vehicles
- Eurofighter and Joint Strike Fighter Aircraft
- Electronic Surveillance Systems
- Joint Tactical Radio System (Extended Band Manpack, an accessory to the AN/PRC-148 JTRS Enhanced Multiband Inter/Intra Team Radio)
- Patriot Radar

Military/defense sales were approximately $80.9 million in 2009 and $62.5 million in 2008, or approximately 61% and 48% of our total sales, respectively. Demand for military/defense products may be impacted by numerous economic, technological and political factors. Accordingly, while we have developed and will continue to develop products for military/defense programs, there can be no assurance that sales to such customers will not decrease in the future.

COMMUNICATIONS EQUIPMENT

We provide a wide range of custom products for use in various communications equipment, including base stations, routers, servers, data storage, and WiMAX (Worldwide Interoperability for Microwave Access) systems. We design and manufacture products for both wireline and wireless applications. Wireless communication systems can offer the functional advantages of wired communication systems without the costly and time consuming development of an extensive wired infrastructure. The relative advantages of wireless and wired communication systems with respect to cost, transmission quality, reliability and other factors depend on the specific applications for which such systems are used and the existence of a wired or wireless infrastructure already in place.

The products designed and manufactured by the Company support a wide range of digital wireless communication protocols, systems and standards including Global System for Mobile Communications (GSM), Enhanced Data Rates for GSM Evolution (EDGE), Local Multipoint Distribution System (LMDS), Multi-Channel Multipoint Distribution System (MMDS), Third Generation Wireless (3G), Bluetooth, and Voice over Internet (VoIP).

Worldwide demand for integrated voice, data and video communication services continues to increase. The volume of high-speed data traffic across global communications networks has grown dramatically as the public Internet and private business intranets have become essential for daily communications and electronic commerce. The number of persons using the Internet to buy and sell goods and services continues to grow. Servicing the increasing demand for higher bandwidth content and applications requires cost-effective and high-speed connections, which are often unavailable or inadequate over existing wire-based networks. For many users, wireless communications provide an advantageous access solution for high-speed Internet multimedia services. This is underscored by the increasing number of wireless subscribers worldwide.

A typical mobile or fixed wireless communications system comprises a geographic region containing a number of cells, each of which contains one or more base stations, which are linked in a network to form a service provider s coverage area. Each base station houses the equipment that receives incoming telephone calls from the switching offices of the local wire-based telephone company and broadcasts calls to the wireless users within the cell. A base station can process a fixed number of radio channels through the use of multiple transceivers, power amplifiers and tunable filters, along with an antenna to transmit and receive signals to and from the wireless user. We provide discrete EMI filters, filtered interconnects, low phase noise amplifiers, and various power products to original equipment manufacturers (OEM s) of base station equipment. In addition, our products are used in numerous other telecommunication applications including optical networks and switching equipment, wireless modems and local area networks (LANs), Internet servers and global positioning systems. Using our solutions-oriented approach, we provide our OEM customers with products tailored to their specific transmission needs, anticipating and solving system architecture and performance.

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Approximately 16% of the Company s total revenue during fiscal year 2009 was derived from sales of its products to OEM customers in the communications equipment industry. Most of these products are custom designed not only to conform to the specifications and requirements of the particular customer, but also to meet the performance and quality standards set by the agency or other governmental body whose regulations are applicable to the specific equipment or usage involved. A significant reduction in orders from such customers would have a materially adverse effect on the Company s business.

OUR SOLUTION

We believe we are well positioned to capitalize on our long-term market opportunities. We combine engineering expertise, design and testing capabilities and vertically integrated and flexible manufacturing processes to provide custom solutions to our customers control products and systems needs.

We Offer Integrated Design, Development and Testing Services. We provide an integrated approach to problem solving by offering our customers consulting, diagnostic testing and design services. We believe that our testing facilities and capabilities exceed those of our major competitors and, accordingly, may give us a competitive advantage. Our engineers typically work closely with customers to develop a product or system design. Although our customers generally provide the initial engineering guidelines for a particular product, our design engineers are often called upon to work together with a customer s design team to develop a solution. An important part of our solution is ensuring at an early stage, before time and money are spent on manufacturing, that the product design will meet all performance specifications and can be produced efficiently and cost-effectively. Our design engineers include EMI, power, microwave, and sensor specialists. We believe that by integrating our product design and development efforts with those of our customers, we create increased reliance on us and increased incentives to utilize us as a single source strategic supplier.

We Offer Flexible, Low-Cost Production Capabilities. Once a design is completed, we apply our vertically integrated manufacturing processes to produce a solution that meets our customers functionality and cost objectives. We maintain a state-of-the-art ceramic production facility in State College, Pennsylvania, with advanced manufacturing equipment primarily designed for the production of specialty ceramic capacitors. These ceramic products are critical components of our EMI filter products. Our State College facility, along with our extensive ceramic expertise, enables us to maintain short lead times for our EMI filter and interconnect prototyping and production orders. We also maintain metal fabrication capabilities with computer numerically controlled (CNC) equipment to manufacture the metal utilized in many of our power and microwave products, sensors, and power management systems. By performing the metal fabrication in-house, we are able to shorten the lead time for these product offerings and reduce our overall material costs. Our philosophy of vertical integration, along with utilizing demand flow manufacturing processes, enables us to meet the growing OEM customer demands for flexible production schedules and just-in-time inventories.

We Offer High Quality, High Performance Products. Our customers demand a high level of quality and performance. We believe we meet our customers requirements for high quality products manufactured to increasingly exacting specifications, including performance and quality standards that are set by agencies and other governmental bodies whose regulations may apply to specific telecommunications or other equipment. We emphasize a quality culture, driving continuous product improvement and a company-wide commitment to quality. As part of our commitment to high quality manufacturing, all of our domestic and foreign manufacturing facilities have achieved and maintain ISO 9001 certification, and we have been approved by defense customers under the requirements of the U.S. military quality system.

OUR STRATEGY

Our goal is to increase sales and profits by expanding in our existing markets and by entering new markets where we can apply our design and manufacturing capabilities. Key elements of our strategy for achieving this goal include:

Leveraging Our Status as a Strategic Supplier to our OEM Customers. Our status as a strategic supplier to many of our OEM customers presents us with opportunities to develop and design new products for these customers on a collaborative, solutions-oriented basis giving us an advantage over our competitors. We use our position as a strategic supplier to these OEM customers to accelerate the introduction of new, more complex custom electronic products and systems at higher profit margins. We seek to solidify our status as a strategic supplier to our OEM customers by continuing to provide:

- High levels of service;
- Extensive product lines;
- Custom and collaborative product design and manufacturing capabilities;
- Product delivery flexibility and reliability; and

- High quality products

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Introducing New Advanced Specialty Product Lines. We are broadening our product lines to include specialty connectors, advanced ceramics, antennas, and related assemblies. In 2009, for example, we enhanced our capabilities to design and manufacture planar capacitors and internally machined connector shells. This now enables us to design and manufacture specialty connectors, including circular connectors. Circular connectors are used in numerous military/defense applications including falcon radios, movement tracking systems (MTS) for military vehicles, and communication systems for mine resistant ambush protected (MRAP) vehicles. In addition, we have recently developed numerous antenna products including loop antennas, wide beam aperture antennas, and wide bandwidth slot antennas. These specialty antennas have many commercial and military applications including asset tracking systems, down hole drilling, commercial satellites, and soldier wearable antennas. On an ongoing basis, our primary focus is on new higher-margin products to exploit the long-term expected growth in wireless devices and defense applications. Our customers increasingly look for greater capability to produce value-added systems integrating our existing advanced specialty products. To respond to our customers needs, we intend increasingly to design and manufacture more sophisticated electronic control systems and assemblies.

Expanding the Markets for Our Power Management Systems. We continue to develop and expand our advanced systems product offerings to leverage our core competencies in design, manufacturing and assembly to become a diversified provider of higher margin power management systems. In 2009, we successfully introduced a ruggedized version of our AC SMART Start product. These multifunctional units direct and manage power to connected servers and networking equipment, while providing remote operational flexibility and control. Our newly developed ruggedized version is ideally suited for military applications. In recent years, we ve also expanded our product offerings to include a full line of off-the-shelf AC power strips. For several years, we have been a reliable and cost effective provider of custom AC power strip solutions for many large OEM customers. By creating a standard line of AC power strips, we are now providing these products to the general marketplace. Typical applications for our AC power strips include data centers, financial centers, communication base stations, portable deployable communication racks, transit cases, and network operating centers. Traditionally, our power management systems have primarily served the communication equipment market. Our current focus for these products has expanded into numerous military/defense applications including Command Post Platforms (CPP), Power Entry Panels (PEP), and Joint Light Tactical Vehicles (JLTV). We expect to continuously develop and introduce new power management system product offerings in the future.

Pursuing Acquisitions that Enhance Our Product Offerings. We continue to pursue acquisitions complementary to our core businesses. In addition to our recent acquisition of Micro Networks, which expanded our microwave capabilities to include SAW-based technologies and products, we have made several other acquisitions in the past few years. In 2008, we acquired SatCon Electronics, Inc. (SatCon), a designer and manufacturer of high performance microelectronic components used in numerous military and commercial applications, including secure communication systems and high frequency wireless devices. These sophisticated products include hybrid components and subsystems, signal converters, millimeterwave components, and a full line of thin and thick film circuits. We believe these products are a natural complement and extension of our Microwave Components and Systems Business. In 2007, we acquired EMF Systems, Inc. (EMF), a designer and manufacturer of custom oscillator-based products. In addition to a broad line of oscillator components, EMF s products include synthesizers, phase-locked oscillators, and other integrated microwave assemblies. These products further expanded our microwave capabilities and product offerings with additional applications in military radar systems, secure communications, and commercial weather radar. Acquisitions remain a significant element of our overall growth strategy, as we continue to expand our technologies and product offerings within our four business segments.

With OEM s increasingly demanding higher levels of service and lower overall product costs from their electronic component and systems suppliers, we believe that additional acquisition opportunities will emerge as smaller suppliers with insufficient technical and design expertise and limited access to capital choose to sell to larger organizations with greater technical and financial resources. We also expect to see acquisition opportunities from large manufacturers as they seek to focus their product offerings on those fully utilizing their core competencies.

Remaining a Low-Cost, Efficient Producer. Our customers are under worldwide competitive pressure to reduce their product costs and these pressures are passed along to component and systems manufacturers. We are constantly seeking to reduce our material and labor costs, develop cost-effective manufacturing equipment and processes, and design our manufacturing plants for efficient production. We have been able to reduce the manufacturing cost for many of our products by increasing materials efficiency, improving production yields, and utilizing in-house metal fabrication capabilities. In addition, we have taken steps to reduce assembly direct labor costs by locating plants in areas with relatively low-cost labor, such as Juarez, Mexico and Qiao Tou Town, China (located in the Guangdong province of southern China). We believe our low-cost manufacturing centers in Mexico and China, along with our efforts to continuously reduce other operating costs, enable us to effectively compete in a global marketplace.

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PRODUCTS

The Company s product offerings include various advanced specialty products, microwave components and systems, power management systems, and sensors and controls.

ADVANCED SPECIALTY PRODUCTS

Recently, we expanded our product capabilities for a wide range of sophisticated components and assemblies including antennas, unfiltered interconnects, cable assemblies, specialty ceramics, and film modules. These products have been added to our comprehensive line of EMI coaxial filters and filtered interconnects. Our advanced specialty products provide solutions for military and aerospace applications such as weapons guidance systems, missile defense, radios, secure communications, aircraft, and military vehicles. Communications equipment applications include base stations, switching equipment, GPS, and optical networks. In addition, our advanced specialty products are utilized within commercial aircraft, industrial controls, instrumentation, medical, consumer, and automotive markets.

Our current product offerings include the following:

ANTENNA ASSEMBLIES

- Patch antennas
- Microstrip antennas
- Slot antennas
- Arrays and assemblies

SPECIALTY CONNECTORS AND HARNESSING

- Circular connectors
- Audio connectors
- Glass sealed connectors
- Value added terminations, cables, and harnesses

EMI COAXIAL FILTERS AND INTERCONNECTS

- Resin and hermetically sealed filters
- Motor-line feed through filters
- High current and high voltage filters
- Miniature hermetically sealed and surface mount filters
- Filter plates and terminal blocks
- D-sub and combo filtered connectors
- Ribbon and datacomm connectors
- USB filtered and ESD protected connectors

POWER FILTERS AND FILM MODULES

- Commercial power filters
- Military and aerospace power filters
- Power entry modules
- Film feed through filters
- Film modules

ADVANCED CERAMICS

Structural ceramics
Capacitor arrays
Planar capacitors
Discoidal and tubular capacitors
Thick and thin film

During the year ended November 30, 2009, approximately 32% of our total consolidated revenue was generated from the sale of advanced specialty products.

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MICROWAVE COMPONENTS AND SYSTEMS

We design and manufacture a broad range of RF and microwave products. Currently, these products are predominately sold into military/defense markets for applications in communication jamming systems, radar systems, countermeasures, radio, electronic warfare, and weapons guidance systems. Wireless commercial applications for our microwave components and systems include base stations and towers, WiFi, HDTV and CATV, as well as medical imaging equipment.

Our current product offerings include the following:

RF AND MICROWAVE AMPLIFIERS

- Ultra low phase noise
- Medium power broadband models
- High reverse isolation AMPS
- High linearity designs

RF AND MICROWAVE MIXERS

- Broadband triple balanced models
- High isolation double balanced designs
- Multi-octave doublers
- High image suppression models

FREQUENCY CONTROL PRODUCTS

- Low phase noise voltage controlled oscillators
- High frequency dielectric resonator oscillators
- Multi-throw switches
- Low phase noise synthesizers

RF AND MICROWAVE FILTERS

- High selectivity cavity filters
- Low loss tubular filters
- Low profile lumped element designs
- Low cost ceramic filters
- Multi-channel switched filter banks

INTEGRATED RF AND MICROWAVE SOLUTIONS

- Integrated microwave assemblies
- High frequency receivers
- Microelectronic components

During the year ended November 30, 2009, approximately 45% of our total consolidated revenue was generated from the sale of microwave components and systems.

POWER MANAGEMENT SYSTEMS

Our power management systems include a line of digital radio-frequency control equipment designed to monitor various functions and equipment and provide automatic management, as well as remote management, through wireless or external communication links. These remote management systems incorporate highly flexible software that enable our customers to control and monitor their systems from remote locations. The primary commercial markets for these systems include optical equipment, data centers, wireless base stations, and IT hubs. In addition, we offer a line of custom and standard power strips, and circuit protection systems for both AC and DC power applications. Military/defense is a growing market for our power management products with applications in mobile command platforms, simulators, radar systems, and ATE equipment.

Our current product offerings include the following:

AC POWER SOLUTIONS

Smart start switched power distribution units
AC Smart start power sequencers
Power entry panels with circuit protection
Specialty Hi-Rel power management systems
Monitored power strips
Single and three phase power strips

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DC POWER SOLUTIONS

- Circuit breaker interface panels
- Fuse interface panels
- Data acquisition and monitoring modules
- Specialty Hi-Rel power management systems
- Smart start power sequencers

TACTICAL MILITARY VEHICLE AND TRANSIT CASE POWER SOLUTIONS

- Smart start technology with sequencing for AC or DC
- Transfer switches
- Surge protection
- Embedded battery charger
- Integrated EMI filters

During the year ended November 30, 2009, approximately 8% of our total consolidated revenue was generated from the sale of power management systems.

SENSORS AND CONTROLS

We design and manufacture high reliability precision position sensors and transducers, as well as a broad line of temperature sensors and thermal products. Our precision position sensors and control products are based on several proprietary technologies, including a flush circuit conductive plastic element for long-term reliability. In addition, our new non-contact position sensors offer ultra-high precision and reliability. Our sensors and controls are used in numerous industries worldwide including military/defense, commercial aerospace, medical equipment, wind instruments, HVAC equipment, food service, and industrial automation.

Our current product offerings include the following:

POSITION SENSORS AND CONTROLS

- Motorized potentiometers

Fadar and hollow shaft potentiometers

Element segments and wiper assemblies

ADVANCED THERMAL PRODUCTS

Temperature sensing probes and assemblies

Heater assemblies

Positive temperature coefficient (PTC) thermistors

Negative temperature coefficient (NTC) thermistors

During the year ended November 30, 2009, approximately 15% of our total consolidated revenue was generated from the sale of sensors and controls.

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REPORTABLE OPERATING SEGMENTS

The Company designs, develops and manufactures custom electronic components and systems.

The Company s current operations are conducted in four reportable segments: advanced specialty products, microwave components and systems, power management systems, and sensors and controls. The reportable segments are each managed separately because they manufacture and sell distinct products with different production processes.

The Company evaluates performance and allocates resources to its reportable segments based upon numerous factors, including segment income before income taxes. The accounting policies of the reportable segments are the same as those utilized in the preparation of the Company s consolidated financial statements. However, substantially all of the Company s general and administrative expenses, and nonoperating expenses, are not allocated to the Company s reportable operating segments and, accordingly, these expenses are not deducted in arriving at segment income. Segment reportable assets are comprised of certain tangible assets (property, plant, equipment, and inventories) and goodwill.

For each period presented, the accounting policies and procedures used to determine segment income have been consistently applied. For the years ended November 30, 2009, 2008, and 2007, reportable segment information is as follows (in thousands):

2009	Advanced Specialty Products	Microwave Components and Systems	Power Management Systems	Sensors and Controls	Total
Revenue from unaffiliated customers	$ 42,001	$ 60,069	$ 10,268	$ 19,968	$ 132,306
Depreciation and amortization expense	1,953	2,601	280	812	5,646
Segment income	5,332	10,021	2,758	3,448	21,559
Segment assets					
Tangible assets	20,125	25,482	2,743	7,541	55,891
Goodwill	14,243	23,046	-	7,706	44,995
Capital expenditures	1,030	2,326	99	298	3,753
2008					
Revenue from unaffiliated customers	52,060	45,942	9,879	22,813	130,694
Depreciation and amortization expense	1,990	1,977	258	875	5,100
Segment income	9,343	5,492	1,705	3,771	20,311
Segment assets					
Tangible assets	21,966	21,052	2,854	7,239	53,111
Goodwill	14,243	14,862	-	7,706	