

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

FORM 10-Q

Quarterly Report Pursuant to Section 13 OR 15(d) of the Securities Exchange Act of 1934.

For the quarterly period ended June 30, 2012

Commission file number 0-10976

MICROWAVE FILTER COMPANY, INC.

(Exact name of registrant as specified in its charter.)

New York
(State of Incorporation)

16-0928443
(I.R.S. Employer Identification Number)

6743 Kinne Street, East Syracuse, N.Y.
(Address of Principal Executive Offices)

13057
(Zip Code)

(315) 438-4700
Registrant's telephone number, including area code

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports, and (2) has been subject to such filing requirements for the past 90 days.

YES ☒ NO ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate 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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company (as defined in Rule 12b-2 of the Exchange Act).

Large accelerated filer ☐ Accelerated filer ☐

Non-accelerated filer ☐ (Do not check if smaller reporting company) Smaller reporting company ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES ☐ NO ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock, \$.10 Par Value - 2,585,453 shares as of August 1, 2012.

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MICROWAVE FILTER COMPANY, INC.
Form 10-Q

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PART I. - FINANCIAL INFORMATION

Microwave Filter Company and Subsidiaries
Condensed Consolidated Balance Sheets

	June 30, 2012 (Unaudited)	September 30, 2011
Assets		
Current Assets:		
Cash and cash equivalents	\$ 1,100,583	\$ 1,258,885
Accounts receivable-trade, net of allowance for doubtful accounts of \$26,000 and \$26,000	313,958	352,054
Federal and state income tax recoverable	38,582	24,828
Inventories, net	498,030	567,261
Prepaid expenses and other current assets	<u>93,693</u>	<u>94,114</u>
Total current assets	2,044,846	2,297,142
Property, plant and equipment, net	<u>698,871</u>	<u>617,818</u>
Total assets	<u><u>\$ 2,743,717</u></u>	<u><u>\$ 2,914,960</u></u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 118,233	\$ 195,535
Customer deposits	10,216	51,886
Accrued payroll and related expenses	52,066	57,514
Accrued compensated absences	190,800	250,443
Cash dividends payable	129,273	0
Other current liabilities	<u>30,914</u>	<u>83,654</u>
Total current liabilities	<u>531,502</u>	<u>639,032</u>
Total liabilities	<u>531,502</u>	<u>639,032</u>
Stockholders' Equity:		
Common stock, \$.10 par value		
Authorized 5,000,000 shares, Issued 4,324,140 shares in 2012 and 4,324,140 in 2011, Outstanding 2,585,453 shares in 2012 and 2,586,227 shares in 2011	432,414	432,414
Additional paid-in capital	3,248,706	3,248,706
Retained earnings	222,435	285,485
Common stock in treasury, at cost 1,738,687 shares in 2012 and 1,737,913 shares in 2011	<u>(1,691,340)</u>	<u>(1,690,677)</u>

Total stockholders' equity	<u>2,212,215</u>	<u>2,275,928</u>
Total liabilities and stockholders' equity	<u>\$ 2,743,717</u>	<u>\$ 2,914,960</u>

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See Accompanying Notes to Condensed Consolidated Financial Statements

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Microwave Filter Company and Subsidiaries
Condensed Consolidated Statements of Operations
(Unaudited)

	Three months ended June 30,		Nine months ended June 30,	
	2012	2011	2012	2011
Net sales	\$ 1,147,336	\$ 1,179,496	\$ 3,490,463	\$ 3,732,379
Cost of goods sold	<u>713,193</u>	<u>737,692</u>	<u>2,215,494</u>	<u>2,386,299</u>
Gross profit	434,143	441,804	1,274,969	1,346,080
Selling, general and administrative expenses	<u>381,294</u>	<u>395,472</u>	<u>1,274,001</u>	<u>1,230,582</u>
Income from operations	52,849	46,332	968	115,498
Other income (net)	<u>2,027</u>	<u>2,700</u>	<u>26,673</u>	<u>6,746</u>
Income before income taxes	54,876	49,032	27,641	122,244
Benefit for income taxes	<u>(38,582)</u>	<u>0</u>	<u>(38,582)</u>	<u>0</u>
Net Income	\$ <u>93,458</u>	\$ <u>49,032</u>	\$ <u>66,223</u>	\$ <u>122,244</u>
Per share data:				
Basic and diluted earnings per share	\$ <u>0.04</u>	\$ <u>0.02</u>	\$ <u>0.03</u>	\$ <u>0.05</u>
Shares used in computing net earnings per share:	2,585,569	2,586,787	2,586,008	2,588,340

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See Accompanying Notes to Condensed Consolidated Financial Statements

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Microwave Filter Company and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Nine months ended June 30,	
	2012	2011
Cash flows from operating activities:		
Net income	\$ 66,223	\$ 122,244
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	117,172	75,971
Gain on sale of fixed assets	(20,000)	0
Provision for doubtful accounts	0	8,391
Change in operating assets and liabilities:		
Accounts receivable-trade	38,096	131,399
Federal and state income tax recoverable	(13,754)	0
Inventories	69,231	(28,396)
Prepaid expenses and other assets	421	32,691
Accounts payable and customer deposits	(118,972)	(20,377)
Accrued payroll and related expenses and compensated absences	(65,091)	(2,755)
Other current liabilities	(52,740)	(6,903)
Net cash provided by operating activities	<u>20,586</u>	<u>312,265</u>
Cash flows from investing activities:		
Property, plant and equipment purchased	(198,225)	(111,395)
Proceeds from sale of fixed assets	<u>20,000</u>	<u>0</u>
Net cash used in investing activities	<u>(178,225)</u>	<u>(111,395)</u>
Cash flows from financing activities:		
Purchase of treasury stock	(663)	(4,621)
Net cash used in financing activities	<u>(663)</u>	<u>(4,621)</u>
(Decrease) increase in cash and cash equivalents	(158,302)	196,249
Cash and cash equivalents at beginning of period	<u>1,258,885</u>	<u>1,466,719</u>

Cash and cash equivalents			
at end of period	\$	<u>1,100,583</u>	\$ <u>1,662,968</u>

Supplemental Schedule of Cash Flow Information:

Income taxes paid	\$	15,000	\$ 0
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See Accompanying Notes to Condensed Consolidated Financial Statements

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MICROWAVE FILTER COMPANY, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Regulation S-K. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. The operating results for the nine month period ended June 30, 2012 are not necessarily indicative of the results that may be expected for the year ended September 30, 2012. For further information, refer to the condensed consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10K for the year ended September 30, 2011.

Note 2. Industry Segment Data

The Company's primary business segment involves the operations of Microwave Filter Company, Inc. (MFC) which designs, develops, manufactures and sells electronic filters, both for radio and microwave frequencies, to help process signal distribution and to prevent unwanted signals from disrupting transmit or receive operations. Markets served include cable television, television and radio broadcast, satellite broadcast, mobile radio, commercial communications and defense electronics.

Note 3. Inventories

Inventories are stated at the lower of cost determined on the first-in, first-out method or market.

Inventories net of reserve for obsolescence consisted of the following:

	June 30, 2012	September 30, 2011
Raw materials and stock parts	\$ 431,792	\$ 499,622
Work-in-process	26,396	14,056
Finished goods	<u>39,842</u>	<u>53,583</u>
	\$ 498,030	\$ 567,261

The Company's reserve for obsolescence equaled \$392,703 at June 30, 2012 and September 30, 2011.

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Note 4. Income Taxes

The Company accounts for income taxes under FASB ASC 740-10. Deferred tax assets and liabilities are based on the difference between the financial statement and tax basis of assets and liabilities as measured by the enacted tax rates which are anticipated to be in effect when these differences reverse. The deferred tax provision is the result of the net change in the deferred tax assets and liabilities. A valuation allowance is established when it is necessary to reduce deferred tax assets to amounts expected to be realized. The Company has provided a full valuation allowance against its deferred tax assets.

The Company adopted FASB ASC 740-10. FASB ASC 740-10 clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribes a recognition threshold and measurement attributes for financial statement disclosure of tax position taken or expected to be taken on a tax return. Additionally, it provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The Company determined it has no uncertain tax positions and therefore no amounts are recorded.

Note 5. Legal Matters

The State of New York Workers' Compensation Board has commenced an action against Microwave Filter Company, Inc. to recover for an underfunded self insured program that Microwave Filter Company, Inc. participated in. Due to the relatively short period of time Microwave Filter Company, Inc. participated in the program and the limited amount of potential exposure, we do not expect the resolution of this action will have a material adverse effect on our financial condition, results of operations or cash flows. The Company has accrued \$12,000 for this action in other current liabilities.

Note 6. Fair Value of Financial Instruments

The carrying values of the Company cash and cash equivalents, accounts receivable and accounts payable approximate fair value because of the short maturity of those instruments.

The Company currently does not trade in or utilize derivative financial instruments.

Note 7. Significant Customers

Sales to one customer represented approximately 20% of total sales for the nine months ended June 30, 2012 compared to 18% of total sales for the nine months ended June 30, 2011.

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Note 8. Cash Dividends

On June 20, 2012, the Board of Directors of Microwave Filter Company, Inc. approved a special cash dividend payment of \$.05 per common share. The cash dividend was payable on July 31, 2012 to shareholders of record as of July 13, 2012. The cash dividend totaled \$129,273.

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MICROWAVE FILTER COMPANY, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Microwave Filter Company, Inc. operates primarily in the United States and principally in one industry. The Company extends credit to business customers based upon ongoing credit evaluations. Microwave Filter Company, Inc. (MFC) designs, develops, manufactures and sells electronic filters, both for radio and microwave frequencies, to help process signal distribution and to prevent unwanted signals from disrupting transmit or receive operations. Markets served include cable television, television and radio broadcast, satellite broadcast, mobile radio, commercial communications and defense electronics.

Critical Accounting Policies

The Company's condensed consolidated financial statements are based on the application of United States generally accepted accounting principles (GAAP). GAAP requires the use of estimates, assumptions, judgments and subjective interpretations of accounting principles that have an impact on the assets, liabilities, revenue and expense amounts reported. The Company believes its use of estimates and underlying accounting assumptions adhere to GAAP and are consistently applied. Valuations based on estimates are reviewed for reasonableness and adequacy on a consistent basis throughout the Company. Primary areas where financial information of the Company is subject to the use of estimates, assumptions and the application of judgment include revenues, receivables, inventories, and taxes. Note 1 to the consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended September 30, 2011 describes the significant accounting policies used in preparation of the consolidated financial statements. The most significant areas involving management judgments and estimates are described below and are considered by management to be critical to understanding the financial condition and results of operations of the Company.

Revenues from product sales are recorded as the products are shipped and title and risk of loss have passed to the customer, provided that no significant vendor or post-contract support obligations remain and the collection of the related receivable is probable. Billings in advance of the Company's performance of such work are reflected as customer deposits in the accompanying condensed consolidated balance sheet.

Allowances for doubtful accounts are based on estimates of losses related to customer receivable balances. The establishment of reserves requires the use of judgment and assumptions regarding the potential for losses on receivable balances.

The Company's inventories are stated at the lower of cost determined on the first-in, first-out method or market. The Company uses certain estimates and judgments and considers several factors including product demand and changes in technology to provide for excess and obsolescence reserves to properly value inventory.

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The Company established a warranty reserve which provides for the estimated cost of product returns based upon historical experience and any known conditions or circumstances. Our warranty obligation is affected by product that does not meet specifications and performance requirements and any related costs of addressing such matters.

The Company accounts for income taxes under FASB ASC 740-10. Deferred tax assets and liabilities are based on the difference between the financial statement and tax basis of assets and liabilities as measured by the enacted tax rates which are anticipated to be in effect when these differences reverse. The deferred tax provision is the result of the net change in the deferred tax assets and liabilities. A valuation allowance is established when it is necessary to reduce deferred tax assets to amounts expected to be realized. The Company has provided a full valuation allowance against its deferred tax assets.

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RESULTS OF OPERATIONS

THREE MONTHS ENDED JUNE 30, 2012 vs. THREE MONTHS ENDED JUNE 30, 2011

The following table sets forth the Company's net sales by major product group for the three months ended June 30, 2012 and 2011.

Product group	Fiscal 2012	Fiscal 2011
Microwave Filter (MFC):		
RF/Microwave	\$ 412,104	\$ 440,508
Satellite	326,759	398,190
Cable TV	370,369	311,732
Broadcast TV	37,394	28,771
Niagara Scientific (NSI):	<u>710</u>	<u>295</u>
Total	<u>\$ 1,147,336</u>	<u>\$ 1,179,496</u>
Sales backlog at June 30	\$ 394,680	\$ 671,978

Net sales for the three months ended June 30, 2012 equaled \$1,147,336, a decrease of \$32,160 or 2.7%, when compared to net sales of \$1,179,496 for the three months ended June 30, 2011.

MFC's RF/Microwave product sales decreased \$28,404 or 6.4% to \$412,104 for the three months ended June 30, 2012 when compared to RF/Microwave product sales of \$440,508 during the same period last year. Management attributes the decrease in sales to the economy. MFC's RF/Microwave products are sold primarily to Original Equipment Manufacturers (OEM) that serve the mobile radio, commercial communications and defense electronics markets. The Company continues to invest in production engineering and infrastructure development to penetrate OEM market segments as they become popular. MFC is concentrating its technical resources and product development efforts toward potential high volume customers as part of a concentrated effort to provide substantial long-term growth. Sales to one OEM customer represented approximately 22% of total sales for the quarter ended June 30, 2012 compared to approximately 17% of total sales for the quarter ended June 30, 2011.

MFC's Satellite product sales decreased \$71,431 or 17.9% to \$326,759 for the three months ended June 30, 2012 when compared to Satellite product sales of \$398,190 during the same period last year. The decrease can be attributed to a decrease in demand for the Company's filters which suppress strong out-of-band interference caused by military and civilian radar systems and other sources. Although economic conditions do impact sales, management expects demand for these types of filters to continue with the proliferation of earth stations world wide and increased sources of interference.

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MFC's Cable TV product sales increased \$58,637 or 18.8% to \$370,369 for the three months ended June 30, 2012 when compared to Cable TV product sales of \$311,732 during the same period last year. Despite the quarter over quarter increase, management continues to project a decrease in demand for Cable TV products due to the shift from analog to digital television. Due to the inherent nature of digital modulation versus analog modulation, fewer filters will be required. The Company has developed filters for digital television and there will still be requirements for analog filters for limited applications in commercial and private cable systems.

MFC's Broadcast TV/Wireless Cable product sales increased \$8,623 or 30.0% to \$37,394 for the three months ended June 30, 2012 when compared to sales of \$28,771 during the same period last year. The increase can be attributed to an increase in demand for UHF Broadcast products which are primarily sold to system integrators for rural communities.

MFC's sales order backlog equaled \$394,680 at June 30, 2012 compared to sales order backlog of \$671,978 at June 30, 2011. However, backlog is not necessarily indicative of future sales. Accordingly, the Company does not believe that its backlog as of any particular date is representative of actual sales for any succeeding period. Approximately 70% of the total sales order backlog at June 30, 2012 is scheduled to ship by September 30, 2012.

Gross profit for the three months ended June 30, 2012 equaled \$434,143, a decrease of \$7,661 or 1.7%, when compared to gross profit of \$441,804 for the three months ended June 30, 2011. The dollar decrease in gross profit can primarily be attributed to the lower sales volume this year when compared to the same period last year. As a percentage of sales, gross profit equaled 37.8% for the three months ended June 30, 2012 compared to 37.5% for the three months ended June 30, 2011.

Selling, general and administrative (SGA) expenses for the three months ended June 30, 2012 equaled \$381,294, a decrease of \$14,178 or 3.6%, when compared to SGA expenses of \$395,472 for the three months ended June 30, 2011. The decrease can primarily be attributed to a decrease in payroll expense when compared to the same period last year. As a percentage of sales, SGA expenses equaled 33.2% for the three months ended June 30, 2012 when compared to 33.5% for the three months ended June 30, 2011.

The Company recorded income from operations of \$52,849 for the three months ended June 30, 2012 compared to income from operations of \$46,332 for the three months ended June 30, 2011. The increase in operating income can primarily be attributed to the lower SGA expenses this year when compared to the same period last year.

The Company recorded a benefit for income taxes of \$38,582 for the three months ended June 30, 2012 compared to \$0 for the three months ended June 30, 2011. The benefit for the current year can be attributed to a New York State qualified research expenses tax credit which was received in July of 2012. We have not recognized any (benefit) provision for income taxes. Any benefit for losses has been subject to a valuation allowance since the realization of the deferred tax benefit is not considered more likely than not. As required by FASB ASC 740, the Company has evaluated the positive and negative evidence bearing upon the realization of its deferred tax assets. The Company has determined that, at this time, it is more likely than not that the Company will not realize all of the benefits of federal and state deferred tax assets, and, as a result, a valuation allowance was established.

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NINE MONTHS ENDED JUNE 30, 2012 vs. NINE MONTHS ENDED JUNE 30, 2011

The following table sets forth the Company's net sales by major product group for the nine months ended June 30, 2012 and 2011.

Product group	Fiscal 2012	Fiscal 2011
Microwave Filter (MFC):		
RF/Microwave	\$ 1,307,148	\$ 1,372,078
Satellite	1,029,089	1,219,781
Cable TV	1,051,438	1,062,952
Broadcast TV	98,344	76,026
Niagara Scientific (NSI):	<u>4,444</u>	<u>1,542</u>
Total	<u>\$ 3,490,463</u>	<u>\$ 3,732,379</u>
Sales backlog at June 30	\$ 394,680	\$ 671,978

Net sales for the nine months ended June 30, 2012 equaled \$3,490,463, a decrease of \$241,916 or 6.5%, when compared to net sales of \$3,732,379 for the nine months ended June 30, 2011.

MFC's RF/Microwave product sales decreased \$64,930 or 4.7% to \$1,307,148 for the nine months ended June 30, 2012 when compared to RF/Microwave product sales of \$1,372,078 during the same period last year. Management attributes the decrease in sales to the economy. MFC's RF/Microwave products are sold primarily to Original Equipment Manufacturers that serve the mobile radio, commercial communications and defense electronics markets. The Company continues to invest in production engineering and infrastructure development to penetrate OEM market segments as they become popular. MFC is concentrating its technical resources and product development efforts toward potential high volume customers as part of a concentrated effort to provide substantial long-term growth. Sales to one OEM customer represented approximately 20% of total sales for the nine months ended June 30, 2012 compared to approximately 18% of total sales for the nine months ended June 30, 2011.

MFC's Satellite product sales decreased \$190,692 or 15.6% to \$1,029,089 for the nine months ended June 30, 2012 when compared to satellite product sales of \$1,219,781 during the same period last year. The decrease can be attributed to a decrease in demand for the Company's filters which suppress strong out-of-band interference caused by military and civilian radar systems and other sources. Although economic conditions do impact sales, management expects demand for these types of filters to continue with the proliferation of earth stations world wide and increased sources of interference.

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MFC's Cable TV product sales decreased \$11,514 or 1.1% to \$1,051,438 for the nine months ended June 30, 2012 when compared to Cable TV product sales of \$1,062,952 during the same period last year. Management continues to project a decrease in demand for Cable TV products due to the shift from analog to digital television. Due to the inherent nature of digital modulation versus analog modulation, fewer filters will be required. The Company has developed filters for digital television and there will still be requirements for analog filters for limited applications in commercial and private cable systems.

MFC's Broadcast TV/Wireless Cable product sales increased \$22,318 or 29.4% to \$98,344 for the nine months ended June 30, 2012 when compared to sales of \$76,026 during the same period last year. The increase can be attributed to an increase in demand for UHF Broadcast products which are primarily sold to system integrators for rural communities.

Gross profit for the nine months ended June 30, 2012 equaled \$1,274,969, a decrease of \$71,111 or 5.3%, when compared to gross profit of \$1,346,080 for the nine months ended June 30, 2011. The decrease can primarily be attributed to the lower sales volume this year when compared to the same period last year. As a percentage of sales, gross profit equaled to 36.5% for the nine months ended June 30, 2012 compared to 36.1% for the nine months ended June 30, 2011.

SGA expenses for the nine months ended June 30, 2012 equaled \$1,274,001, an increase of \$43,419 or 3.5%, when compared to SGA expenses of \$1,230,582 for the nine months ended June 30, 2011. The increase can primarily be attributed to expenses associated with a proxy contest. As previously disclosed, a shareholder filed proxy materials proposing proxy access and nominating two directors for election at the Annual Meeting of Shareholders which was held on March 28, 2012. On March 27, 2012, the night before the annual meeting, the Company received an e-mail from this same shareholder indicating that neither he nor anyone acting on his behalf would be attending the shareholder meeting to nominate directors or present the proxy access proposal. Per our FORM 8-K filing on March 29, 2012, management's nominees were elected. As a percentage of sales, SGA expenses increased to 36.5% for the nine months ended June 30, 2012 compared to 33.0% for the nine months ended June 30, 2011 primarily due to the lower sales volume this year when compared to the same period last year, as well as the above mentioned increase in SGA expenses due to the above referenced proxy contest.

The Company recorded income from operations of \$968 for the nine months ended June 30, 2012 compared to income from operations of \$115,498 for the nine months ended June 30, 2011. The decrease in operating income can primarily be attributed to the lower sales volume and the higher SGA expenses this year when compared to the same period last year.

Other income for the nine months ended June 30, 2012 equaled \$26,673, an increase of \$19,927 when compared to other income of \$6,746 for the nine months ended June 30, 2011. The increase can be attributed to a \$20,000 gain on the sale of a fixed asset.

The Company recorded a benefit for income taxes of \$38,582 for the nine months ended June 30, 2012 compared to \$0 for the nine months ended June 30, 2011. The benefit for the current year can be attributed to a New York State qualified research expenses tax credit which was received in July of 2012. We have not recognized any (benefit) provision for income taxes. Any benefit for losses has been subject to a valuation allowance since the realization of the deferred tax benefit is not considered more likely than not. As required by FASB ASC 740, the Company has evaluated the positive and negative evidence bearing upon the realization of its deferred tax assets. The Company has determined that, at this time, it is more likely than not that the Company will not realize all of the benefits of federal and state deferred tax assets, and, as a result, a valuation allowance was established.

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Off-Balance Sheet Arrangements

At June 30, 2012 and 2011, the Company did not have any unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which might have been established for the purpose of facilitating off-balance sheet arrangements.

LIQUIDITY and CAPITAL RESOURCES

	June 30, 2012	September 30, 2011
Cash & cash equivalents	\$1,100,583	\$1,258,885
Working capital	\$1,513,344	\$1,658,110
Current ratio	3.85 to 1	3.59 to 1
Long-term debt	\$0	\$0

Cash and cash equivalents decreased \$158,302 to \$1,100,583 at June 30, 2012 when compared to cash and cash equivalents of \$1,258,885 at September 30, 2011. The decrease was a result of \$20,586 in net cash provided by operating activities, \$198,225 in net cash used for capital expenditures, \$20,000 provided by the sale of fixed assets and \$663 used to purchase treasury stock.

The decrease in inventories of \$69,231 at June 30, 2012 when compared to September 30, 2011 can primarily be attributed to the slowdown in orders and customers scheduled delivery dates.

The decrease in accounts payable of \$77,302 at June 30, 2012 when compared to September 30, 2011 can primarily be attributed to the decrease in inventories.

The decrease in accrued compensated absences of \$59,643 at June 30, 2012 when compared to September 30, 2011 can primarily be attributed to accrued vacation used or paid during the nine months ended June 30, 2012.

The decrease in other current liabilities of \$52,740 at June 30, 2012 when compared to September 30, 2011 can primarily be attributed to the payment of a \$50,000 profit sharing contribution which was accrued at September 30, 2011.

Capital expenditures totaling \$198,225 for the nine months ended June 30, 2012 consisted primarily of machinery.

On June 20, 2012, the Board of Directors of Microwave Filter Company, Inc. approved a special cash dividend payment of \$.05 per common share. The cash dividend was payable on July 31, 2012 to shareholders of record as of July 13, 2012. The cash dividend totaled \$129,273.

At June 30, 2012, the Company had unused aggregate lines of credit totaling \$750,000 collateralized by all inventory, equipment and accounts receivable.

Management believes that its working capital requirements for the foreseeable future will be met by its existing cash balances, future cash flows from operations and its current credit arrangements.

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SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

In an effort to provide investors a balanced view of the Company's current condition and future growth opportunities, this Quarterly Report on Form 10-Q includes comments by the Company's management about future performance. These statements which are not historical information are "forward-looking statements" pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These, and other forward-looking statements, are subject to business and economic risks and uncertainties that could cause actual results to differ materially from those discussed. These risks and uncertainties include, but are not limited to: risks associated with demand for and market acceptance of existing and newly developed products as to which the Company has made significant investments; general economic and industry conditions; slower than anticipated penetration into the satellite communications, mobile radio and commercial and defense electronics markets; competitive products and pricing pressures; increased pricing pressure from our customers; risks relating to governmental regulatory actions in broadcast, communications and defense programs; as well as other risks and uncertainties, including but not limited to those detailed from time to time in the Company's Securities and Exchange Commission filings. These forward-looking statements are made only as of the date hereof, and the Company undertakes no obligation to update or revise the forward-looking statements, whether as a result of new information, future events or otherwise. You are encouraged to review Microwave Filter Company's 2011 Annual Report and Form 10-K for the fiscal year ended September 30, 2011 and other Securities and Exchange Commission filings. Forward looking statements may be made directly in this document or "incorporated by reference" from other documents. You can find many of these statements by looking for words like "believes," "expects," "anticipates," "estimates," or similar expressions.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There has been no significant change in our exposures to market risk during the nine months ended June 30, 2012. For a detailed discussion of market risk, see our Annual Report on Form 10-K for the fiscal year ended September 30, 2011, Part II, Item 7A, Quantitative and Qualitative Disclosures About Market Risk.

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ITEM 4. CONTROLS AND PROCEDURES

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report. Based on such evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, the Company's disclosure controls and procedures were effective as of the end of the period covered by this report.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There have been no changes in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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PART II - OTHER INFORMATION

Item 1. Legal Proceedings

The State of New York Workers' Compensation Board has commenced an action against Microwave Filter Company, Inc. to recover for an underfunded self insured program that Microwave Filter Company, Inc. participated in. Due to the relatively short period of time Microwave Filter Company, Inc. participated in the program and the limited amount of potential exposure, we do not expect the resolution of this action will have a material adverse effect on our financial condition, results of operations or cash flows. The Company has accrued \$12,000 for this action in other current liabilities.

Item 1A. Risk Factors

Not applicable.

Item 2. Changes in Securities

None during this reporting period.

Item 3. Defaults Upon Senior Securities

The Company has no senior securities.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

a. Exhibits

31.1 Section 13a-14(a)/15d-14(a) Certification of Carl F. Fahrenkrug

31.2 Section 13a-14(a)/15d-14(a) Certification of Richard L. Jones

32.1 Section 1350 Certification of Carl F. Fahrenkrug

32.2 Section 1350 Certification of Richard L. Jones

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

MICROWAVE FILTER COMPANY, INC.

August 8, 2012 (Date)	Carl F. Fahrenkrug _____ Carl F. Fahrenkrug Chief Executive Officer
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August 8, 2012 (Date)	Richard L. Jones _____ Richard L. Jones Chief Financial Officer
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