BEL FUSE INC /NJ
Form 10-K
March 12, 2012

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

FORM 10-K

(MARK ONE)

[X]	ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the Fiscal Year Ended December 31, 2011
	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 No. 0-11676

BEL FUSE INC.
206 Van Vorst Street
Jersey City, NJ 07302
(201) 432-0463

(Address of principal executive offices and zip code)
(Registrant's telephone number, including area code)

NEW JERSEY	22-1463699
(State of incorporation)	(I.R.S. Employer Identification No.)

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

Title of Each Class	Name of Each Exchange on which Registered
Class A Common Stock ($0.10 par value)	NASDAQ
Class B Common Stock ($0.10 par value)	NASDAQ

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

Indicate by checkmark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes [ ] No [X]

Indicate by checkmark if the registrant is not required to file reports to Section 13 or 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 (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 [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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).	Yes [X]	No [ ]
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (229.405 of this chapter) is not contained herein, and will not be contained, to the best of 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.	[ ]	

Indicate by checkmark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer [ ]	Accelerated filer [X]	Non-accelerated filer [ ] (Do not check if a 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 Act). Yes [ ] No [X]

The aggregate market value of the voting and non-voting common equity of the registrant held by non-affiliates (for this purpose, persons and entities other than executive officers and directors) of the registrant, as of the last business day of the registrant's most recently completed second fiscal quarter (June 30, 2011) was $239 million.

Title of Each Class	Number of Shares of Common Stock Outstanding as of March 1, 2012
Class A Common Stock	2,174,912
Class B Common Stock	9,633,643

Documents incorporated by reference:

Bel Fuse Inc.'s Definitive Proxy Statement for the 2012 Annual Meeting of Stockholders is incorporated by reference into Part III.

BEL FUSE INC.

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FORWARD LOOKING INFORMATION

The terms “Company” and “Bel” as used in this Annual Report on Form 10-K refer to Bel Fuse Inc. and its consolidated subsidiaries unless otherwise specified.

The Company’s quarterly and annual operating results are affected by a wide variety of factors that could materially and adversely affect revenues and profitability, including the risk factors described in Item 1A of the Company's Annual Report on Form 10-K. As a result of these and other factors, the Company may experience material fluctuations in future operating results on a quarterly or annual basis, which could materially and adversely affect its business, financial condition, operating results, and stock prices. Furthermore, this document and other documents filed by the Company with the Securities and Exchange Commission (the “SEC”) contain certain forward-looking statements under the Private Securities Litigation Reform Act of 1995 (“Forward-Looking Statements”) with respect to the business of the Company. These Forward-Looking Statements are subject to certain risks and uncertainties, including those mentioned above, and those detailed in Item 1A of this Annual Report on Form 10-K, which could cause actual results to differ materially from these Forward-Looking Statements. The Company undertakes no obligation to publicly release the results of any revisions to these Forward-Looking Statements which may be necessary to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events. An investment in the Company involves various risks, including those mentioned above and those which are detailed from time to time in the Company’s SEC filings.

PART I

Item 1. Business

General

Bel Fuse Inc. is a leading producer of electronic products that help make global connectivity a reality. The Company designs, manufactures and markets a broad array of magnetics, modules, circuit protection devices and interconnect products, as further described below. These products are designed to protect, regulate, connect, isolate or manage a variety of electronic circuits. Bel’s products are primarily used in the networking, telecommunications, computing, military, aerospace and transportation industries. Bel’s portfolio of products also finds application in the automotive, medical and consumer electronics markets. On January 29, 2010, the Company completed its acquisition of 100% of the issued and outstanding capital stock of Cinch Connectors, Inc. (“Cinch U.S.”), Cinch Connectors de Mexico, S.A. de C.V. (“Cinch Mexico”) and Cinch Connectors Ltd. (“Cinch Europe”) (collectively, “Cinch”) from Safran S.A.

With over 60 years in the electronics industry, Bel has reliably demonstrated the ability to succeed in a variety of product areas across multiple industries. The Company has a strong track record of technical innovation working with the engineering teams of market leaders. Bel has consistently proven itself a valuable supplier to the foremost companies in its chosen industries by developing cost-effective solutions for the challenges of new product development. By combining our strength in product design with our own specially-designed manufacturing facilities, Bel has established itself as a formidable competitor on a global basis.

The Company, which is organized under New Jersey law, operates in one industry with three reportable operating segments, which are geographic in nature. Bel’s principal executive offices are located at 206 Van Vorst Street, Jersey City, New Jersey 07302; (201) 432-0463. The Company operates other facilities in North America, Europe and Asia and trades on the NASDAQ Global Select Market (BELFA and BELFB). For information regarding Bel's three geographic operating segments, see Note 11 of the notes to consolidated financial statements.

Product Groups

The Company has set forth below a description of its product groups as of December 31, 2011.

Magnetics

- MagJack® integrated connector modules
- Power transformers
- Discrete components

The Company produces MagJack® integrated connector modules. These devices integrate RJ45 and/or USB connectors with discrete magnetic components to provide a more robust part that allows customers to substantially reduce board space and inventory requirements. MagJack® provides the signal conditioning, electromagnetic interference suppression and signal isolation for networking, telecommunications, and broadband applications. These connectors are designed for network speeds from 10/100Base-T to 10GBase-T and include options for Power over Ethernet (PoE) capability.

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Power transformer products include standard and custom designs produced by the Company's Signal Transformer subsidiary. Manufactured for use in alarm, security, motion control, elevator, medical products and many other industries, Signal's designs are available in PC mount, chassis mount, surface mount and toroidal construction. These devices are designed to comply with international safety standards governing transformers including UL, CSA, IEC, TUV, and VDE.

Discrete magnetic components comprise Bel's legacy product group, which includes transformers and chokes for use in networking, telecommunications and broadband applications. These magnetic devices condition, filter and isolate the signal as it travels through network equipment, helping to ensure accurate data/voice/video transmission.

Modules

- Power conversion modules
- Integrated modules

Bel's Power conversion products include standard and custom isolated and non-isolated DC-DC converters designed specifically to power low voltage silicon devices. The need for converting one DC voltage to another is growing rapidly as developers of integrated circuits commonly adjust the supply voltage as a means of optimizing device performance. The DC-DC converters are used in data networking equipment, distributed power architecture, and telecommunication devices, as well as computers and peripherals.

The Company has expanded its line of modules designed to support data transmission over existing power lines including next generation HomePlug® AV powerline applications. Typically deployed in home-based communication/entertainment devices such as Set Top Boxes (STBs), DSL modems, home theaters, HDTVs motherboards, and IPTV equipment, Bel's modules incorporate the silicon required to enable powerline functionality, supporting a lower cost of ownership within a reduced footprint. Bel's powerline modules are also being integrated in smart meters and appliances to support emerging Smart Grid technology developments.

The Company continues to pursue market opportunities where it can supply customized, value-added modules that capitalize on the Company's manufacturing capabilities in surface mount assembly, automatic winding, hybrid fabrication, and component encapsulation.

Circuit Protection

- Miniature, subminiature and micro fuses – cartridge, surface mount and through hole designs
- PTC devices – surface mount and radial through hole designs

Bel circuit protection products include board level fuses (miniature, micro and surface mount), and Polymeric PTC (Positive Temperature Coefficient) devices, designed for the global electronic and telecommunication markets. Fuses and PTC devices prevent currents in an electrical circuit from exceeding certain predetermined levels, acting as a safety valve to protect expensive components from damage by cutting off high currents before they can generate enough heat to cause smoke or fire. Additionally, PTC devices are resettable and do not have to be replaced before normal operation of the end product can resume.

While the Company continues to manufacture traditional fuse types, its surface mount chip fuses are used in space-critical applications such as mobile phones and computers. Like all of Bel's fuse products, the chip fuses comply with RoHS6 standards for the elimination of lead and other hazardous materials.

The Company's circuit protection devices are used extensively in products such as televisions, consumer electronics, power supplies, computers, telephones, and networking equipment.

Interconnect

Stewart Interconnect Products:

- Passive jacks
- Plugs
- Cable assemblies

Bel has a comprehensive line of modular connectors including RJ45 and RJ11 passive jacks, plugs, and cable assemblies. Passive jacks serve primarily as the connectivity device in networking equipment such as routers, hubs, switches, and patch panels. Modular plugs and cable assemblies are utilized within the structured cabling system, often referred to as premise wiring. The Company's connector products are designed to meet all major performance standards for Category 5e, 6, 6a, and Category 7a compliant devices used within Gigabit Ethernet and 10Gigabit Ethernet networks.

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Cinch Interconnect Products (acquired in January 2010)

- I/O Interconnect – Circular Connectors, Micro D Connectors
- Compression Board to Board, Device to Board Interconnect
- High speed cables
- Enclosures
- Custom cable assemblies

Cinch is a supplier of reliable, high quality standard products for use in a variety of industries. Cinch also possesses various enabling technologies and expertise with which to provide custom solutions and products for strategic accounts within its focus markets. Those focus markets are the transportation market for which a number of leading edge products have been, and continue to be, developed, and the telecommunications market to which Cinch supplies various standard products as well as a number of new, higher speed devices consistent with the rapidly changing needs in this industry.

Cinch is also a major supplier of products to the military/aerospace market with significant presence in the commercial aircraft industry, as well as in the munitions, missile, and satellite communications sectors.

The following table describes, for each of Bel's product groups, the principal functions and applications associated with such product groups.

Product Group		Function	Applications
Magnetics			
	MagJack® Integrated Connectors	Condition, filter, and isolate the electronic signal to ensure accurate data/voice/video transmission and provide RJ45 and USB connectivity.	Network switches, routers, hubs, and PCs used in 10/100/1000 Gigabit Ethernet, Power over Ethernet (PoE), PoE Plus, home networking, and cable modem applications.
	Power Transformers	Safety isolation and distribution.	Power supplies, alarm, fire detection, and security systems, HVAC, lighting and medical equipment. Class 2, three phase, chassis mount, and PC mount designs available.
	Discrete Components	Condition, filter, and isolate the electronic signal to ensure accurate data/voice/video transmission.	Network switches, routers, hubs, and PCs used in 10/100/1000 Gigabit Ethernet and Power over Ethernet (PoE).
Modules			
	Power Conversion Modules (DC-DC Converters)	Convert DC voltage level to another DC level as required to meet the power needs of low voltage silicon devices.	Networking equipment, distributed power architecture, telecom devices, computers, and peripherals.
	Integrated Modules	Condition, filter, and isolate the electronic signal to ensure accurate data/voice/video transmission within a highly integrated, reduced footprint.	Broadband, home networking, set top boxes, HDTV, and telecom equipment supporting ISDN, T1/E1 and DSL technologies. Also integrated in smart meters and appliances in support of developing

			Smart Grid technology.
Circuit Protection			
	Miniature Fuses	Protects devices by preventing current in an electrical circuit from exceeding acceptable levels.	Power supplies, electronic ballasts, and consumer electronics.
	Surface mount PTC devices and fuses	Protects devices by preventing current in an electrical circuit from exceeding acceptable levels. PTC devices can be reset to resume functionality.	Cell phone chargers, consumer electronics, power supplies, and set top boxes.
	Radial PTC devices and micro fuses	Protects devices by preventing current in an electrical circuit from exceeding acceptable levels. PTC devices can be reset to resume functionality.	Cell phones, mobile computers, IC and battery protection, power supplies, and telecom line cards.
Interconnect			
	Passive Jacks	RJ45 and RJ11 connectivity for data/voice/video transmission.	Network routers, hubs, switches, and patch panels deployed in Category 5e, 6, 6a, and 7a cable systems.
	Plugs	RJ45 and RJ11 connectivity for data/voice/video transmission.	Network routers, hubs, switches, and patch panels deployed in Category 5e, 6, 6a, and 7a cable systems.

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Cable Assemblies	RJ45 and RJ11 connectivity for data/voice/video transmission.	Structured Category 5e, 6, 6a, and 7a cable systems (premise wiring).
Compression Interface	CIN::APSE , iQ and AMC Connectors	High density parallel interfacing. Supporting Board-to-Board, Device-to-Board and Flex-To-Board applications – in ATE and high speed computer applications
High Speed Cables	QSFP, QSFP+ , CX4 and 12X	High speed data rate transfers – supported by industry standards like Infiniband – targeting networking applications
Connectors	Omega series, circular connectors, Dura-Con MIL-DTL-83513, Barrier Blocks, Harness Connectors	MIL/Aero applications, Specifically FQIS – Fuel quantity indicator system applications. Highest reliability interconnect applications
Enclosures and Harnesses	ModICE™ and SHS Headers/Connectors	Engine control units, transportation applications

Acquisitions

Acquisitions have played a critical role in the growth of Bel and the expansion of both its product portfolio and its customer base. Furthermore, acquisitions continue to be a key element in the Company’s growth strategy. As part of the Company’s acquisition strategy, it may, from time to time, purchase equity positions in companies that are potential merger candidates. The Company frequently evaluates possible merger candidates that would provide an expanded product and technology base that will allow the Company to further penetrate its strategic customers and/or an opportunity to reduce overall operating expense as a percentage of revenue. Bel also looks at whether the merger candidates are positioned to take advantage of the Company's lower cost offshore manufacturing facilities; and whether a cultural fit will allow the acquired company to be integrated smoothly and efficiently.

On January 29, 2010 (the “Acquisition Date”), the Company completed its acquisition of 100% of the issued and outstanding capital stock of Cinch from Safran S.A. Bel paid $39.7 million in cash and assumed an additional $0.8 million of expenses in exchange for the net assets acquired. The transaction was funded with cash on hand. Cinch is headquartered in Lombard, Illinois and has manufacturing facilities in Vinita, Oklahoma; Reynosa, Mexico; and Worksop, England.

Cinch manufactures a broad range of interconnect products for customers in the military and aerospace, high-performance computing, telecom/datacom, and transportation markets. The addition of Cinch’s well-established lines of connector and cable products and extensive clientele has enabled Bel to broaden its customer base to include aerospace and military markets. The acquisition of Cinch has also created the opportunity for expense reduction and the elimination of redundancies. The combination of these factors has given rise to goodwill in the amount of $2.3 million related to this acquisition. See Note 2 to the consolidated financial statements for further details on this

acquisition.

On July 1, 2009, the Company acquired all of the outstanding shares of Winsonko (Guangxi Pingguo) Electron Co., Ltd. for $0.5 million in cash, including an immaterial amount of transaction costs.

Sales and Marketing

The Company sells its products to customers throughout North America, Europe and Asia. Sales are made through one of three channels: direct strategic account managers, regional sales managers working with independent sales representative organizations or authorized distributors. Bel's strategic account managers are assigned to handle major accounts requiring global coordination.

Independent sales representatives and authorized distributors are overseen by the Company's sales management personnel located throughout the world. As of December 31, 2011, the Company had a sales and support staff of 88 persons that supported a network of 98 sales representative organizations and non-exclusive distributors. The Company has written agreements with all of its sales representative organizations and major distributors. These written agreements, terminable on short notice by either party, are standard in the industry.

Sales support functions have also been established and located in Bel international facilities to provide timely, efficient support for customers. This supplemental level of service, in addition to first-line sales support, enables the Company to be more responsive to customers' needs on a global level. The Company's marketing capabilities include product management which drives new product development, application engineering for technical support and marketing communications. Product marketing managers facilitate technical partnerships for engineering development of IC-compatible components and modules.

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For information regarding customer concentrations, see "Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies – Revenue Recognition."

Research and Development ("R&D")

The Company's engineering groups are strategically located around the world to facilitate communication with and access to customers' engineering personnel. This collaborative approach enables partnerships with customers for technical development efforts. On occasion, Bel executes non-disclosure agreements with customers to help develop proprietary, next generation products destined for rapid deployment.

The Company also sponsors membership in technical organizations that allow Bel's engineers to participate in developing standards for emerging technologies. It is management's opinion that this participation is critical in establishing credibility and a reputable level of expertise in the marketplace, as well as positioning the Company as an industry leader in new product development.

R&D costs are expensed as incurred and are included in cost of sales. Generally, R&D is performed internally for the benefit of the Company. R&D costs include salaries, building maintenance and utilities, rents, materials, administration costs and miscellaneous other items. R&D expenses for the years ended December 31, 2011, 2010 and 2009 amounted to $12.0 million, $11.4 million and $7.8 million, respectively.

Competition

The Company operates in a variety of markets, all of which are highly competitive. There are numerous independent companies and divisions of major companies that manufacture products that are competitive with one or more of Bel's products.

The Company's ability to compete is dependent upon several factors including product performance, quality, reliability, depth of product line, customer service, technological innovation, design, delivery time and price. Overall financial stability and global presence also play a role and give Bel a favorable position in relation to many of its competitors. Management intends to maintain a strong competitive posture in the Company's markets by continued expansion of the Company's product lines and ongoing investment in research, development and manufacturing resources.

Associates

As of December 31, 2011, the Company had 3,451 full-time associates. At that date, the Company employed 1,153 people at its North American facilities, 2,173 people at its Asian facilities and 125 people at its European facilities, excluding workers supplied by independent contractors. The Company's manufacturing facility in New York is represented by a labor union and all factory workers in the People's Republic of China (PRC), Worksop, England and Reynosa, Mexico are represented by unions. At December 31, 2011, 25 of our workers in the New York facility were covered by a collective bargaining agreement which expires on March 31, 2012. The Company believes that its relations with its associates are satisfactory.

Suppliers

The Company has multiple suppliers for most of the raw materials that it purchases. Where possible, the Company has contractual agreements with suppliers to assure a continuing supply of critical components.

With respect to those items which are purchased from single sources, the Company believes that comparable items would be available in the event that there was a termination of the Company's existing business relationships with any such supplier. While such a termination could produce a disruption in production, the Company believes that the termination of business with any one of its suppliers would not have a material adverse effect on its long-term operations. Actual experience could differ materially from this belief as a result of a number of factors, including the time required to locate an alternative supplier, and the nature of the demand for the Company’s products. In the past, the Company has experienced shortages in certain raw materials, such as capacitors, ferrites and integrated circuits (“IC’s”), when these materials were in great demand. Even though the Company may have more than one supplier for certain materials, it is possible that these materials may not be available to the Company in sufficient quantities or at the times desired by the Company. In the event that the current economic conditions have a negative impact on the financial condition of our suppliers, this may impact the availability and cost of our raw materials.

Backlog

The Company typically manufactures products against firm orders and projected usage by customers. Cancellation and return arrangements are either negotiated by the Company on a transactional basis or contractually determined. The Company's estimated value of the backlog of orders as of February 29, 2012 was approximately $83.4 million as compared with a backlog of $100.4 million as of February 28, 2011. Management expects that virtually all of the Company's backlog as of February 29, 2012 will be shipped by December 31, 2012. Such expectation constitutes a Forward-Looking Statement. Factors that could cause the Company to fail to ship all such orders by year-end include unanticipated supply difficulties, changes in customer demand and new customer designs. Due to these factors, backlog may not be a reliable indicator of the timing of future sales. See Item 1A of this Annual Report- "Risk Factors - Our backlog figures may not be reliable indicators."

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Intellectual Property

The Company has been granted a number of patents in the U.S., Europe and Asia and has additional patent applications pending relating to its products. While the Company believes that the issued patents are defendable and that the pending patent applications relate to patentable inventions, there can be no assurance that a patent will be obtained from the applications or that its existing patents can be successfully defended. It is management's opinion that the successful continuation and operation of the Company's business does not depend upon the ownership of patents or the granting of pending patent applications, but upon the innovative skills, technical competence and marketing and managerial abilities of its personnel. The patents have a life of seventeen years from the date of issue or twenty years from filing of patent applications. The Company's existing patents expire on various dates from May 20, 2012 to August 7, 2029.

The Company utilizes registered trademarks in the U.S., Europe and Asia to identify various products that it manufactures. The trademarks survive as long as they are in use and the registrations of these trademarks are renewed.

Available Information

The Company maintains a website at www.belfuse.com where it makes available the proxy statements, press releases and reports on Form 4, 8-K, 10-K and 10-Q that it and its insiders file with the SEC. These forms are made available as soon as reasonably practicable after such material is electronically filed with or furnished to the SEC. Press releases are also issued via electronic transmission to provide access to the Company’s financial and product news. The Company also provides notification of and access to voice and Internet broadcasts of its quarterly and annual results. The Company’s website also includes investor presentations and corporate governance materials.

Item 1A. Risk Factors

An investment in our common stock involves a high degree of risk. Investors should carefully consider the risks described below, together with all other information contained in this Annual Report before making investment decisions with respect to our common stock. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also materially adversely affect our business in the future.

We do business in a highly competitive industry

Our business is largely in a highly competitive worldwide industry, with relatively low barriers to competitive entry. We compete principally on the basis of product performance, quality, reliability, depth of product line, customer service, technological innovation, design, delivery time and price. The electronic components industry has become increasingly concentrated and globalized in recent years and our major competitors, some of which are larger than Bel, have significant financial resources and technological capabilities.

Our backlog figures may not be reliable indicators.

Many of the orders that comprise our backlog may be delayed, accelerated or canceled by customers without penalty. Customers may on occasion double order from multiple sources to ensure timely delivery when leadtimes are particularly long. Customers often cancel orders when business is weak and inventories are excessive. Therefore, we cannot be certain that the amount of our backlog equals or exceeds the level of orders that will ultimately be delivered. Our results of operations could be adversely impacted if customers cancel a material portion of orders in our backlog.

There are several factors which can cause us to lower our prices.

a) The average selling prices for our products tend to decrease rapidly over their life cycle, and customers are increasingly putting pressure on suppliers to lower prices even when production costs are increasing. Our profits suffer if we are not able to reduce our costs of production, induce technological innovations as sales prices decline, or pass through cost increases to customers.

b) Any drop in demand or increase in supply of our products could cause a dramatic drop in our average sales prices which in turn could result in a decrease in our gross margins. A shift in product mix could also have a favorable or unfavorable impact on our gross margins, depending upon the underlying raw material content and labor requirements of the associated products.

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c) Increased competition from low cost suppliers around the world has put further pressures on pricing. We continually strive to lower our costs, negotiate better pricing for components and raw materials and improve our operating efficiencies. Profit margins will be materially and adversely impacted if we are not able to reduce our costs of production or introduce technological innovations when sales prices decline.

In China, we are challenged to match availability of workers and maintain leadtimes in line with customer demand for certain of our products, which has been highly volatile in recent years. This volatility can materially adversely affect Bel's results.

In the PRC, the availability of labor is cyclical and is significantly affected by the migration of workers in relation to the annual Lunar New Year holiday as well as economic conditions in the PRC. In addition, we have little visibility into the ordering habits of our customers and can be subjected to large and unpredictable variations in demand for our products. Accordingly, we must continually recruit and train new workers to replace those lost to attrition each year and to address peaks in demand that may occur from time to time. These recruiting and training efforts and related inefficiencies, and overtime required in order to meet demand can add volatility to the costs incurred by the Company for labor in the PRC. In 2011, we experienced a softening in customer demand for certain of our products, which resulted in underutilized capacity and lower gross margins, as our fixed costs had a lower absorption rate. Conversely, any future significant increase in customer demand would result in the hiring and training of new workers and related inefficiencies.

We are dependent on our ability to develop new products.

Our future operating results are dependent, in part, on our ability to develop, produce and market new and more technologically advanced products. There are numerous risks inherent in this process, including the risks that we will be unable to anticipate the direction of technological change or that we will be unable to timely develop and bring to market new products and applications to meet customers' changing needs.

Our acquisitions may not produce the anticipated results.

A significant portion of our growth is from acquisitions. We cannot assure you that we will identify or successfully complete transactions with suitable acquisition candidates in the future. If an acquired business fails to operate as anticipated or cannot be successfully integrated with our other businesses, our results of operations, enterprise value, market value and prospects could all be materially and adversely affected. Integration of new acquisitions into our consolidated operations may result in lower average operating results for the group as a whole, and may divert management's focus from the ongoing operations of the Company during the integration period.

Our strategy also focuses on the reduction of selling, general and administrative expenses through the integration or elimination of redundant sales facilities and administrative functions at acquired companies. On January 29, 2010, the Company acquired Cinch as previously described in the Acquisitions section of this Form 10-K. If we are unable to achieve our expectations with respect to the Cinch acquisition or future acquisitions, such inability could have a material and adverse effect on our results of operations. In connection with the acquisition of Cinch, we recorded $2.3 million of goodwill and $11.4 million of other intangible assets. If our acquisitions fail to perform up to our expectations, or if the value of goodwill or other intangible assets decreases as a result of weakened economic conditions, we could be required to record a loss from the impairment of assets.

If we were to undertake a substantial acquisition for cash, the acquisition would either be funded with cash on hand or financed in part through bank borrowings or the issuance of public or private debt or equity. The acquisition of Cinch was funded with cash on hand. If we borrow money to finance future acquisitions, this would likely decrease our ratio of earnings to fixed charges and adversely affect other leverage criteria and could result in the imposition of material

restrictive covenants. Under our existing credit facility, we are required to obtain our lenders' consent for certain additional debt financing and to comply with other covenants, including the application of specific financial ratios, and we may be restricted from paying cash dividends on our capital stock. We cannot assure you that the necessary acquisition financing would be available to us on acceptable terms, or at all, when required. If we issue a substantial amount of stock either as consideration in an acquisition or to finance an acquisition, such issuance may dilute existing stockholders and may take the form of capital stock having preferences over our existing common stock.

We are exposed to weaknesses in international markets and other risks inherent in foreign trade.

We have operations in six countries around the world outside the United States, and approximately 61% of our revenues during 2011 were derived from sales to customers outside the United States. Some of the countries in which we operate have in the past experienced and may continue to experience political, economic, and military instability or unrest, medical epidemic and natural disasters. These conditions could have a material and adverse impact on our ability to operate in these regions and, depending on the extent and severity of these conditions, could materially and adversely affect our overall financial condition and operating results.

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Although our operations have traditionally been largely transacted in U.S. dollars or U.S. dollar linked currencies, recent world financial instability may cause additional foreign currency risks in the countries in which we operate. The decoupling of the Chinese Renminbi from the U.S. dollar has increased, and will continue to increase financial risk. With the acquisition of Cinch, the Company has additional exposure to foreign currency risks associated with the British Pound and Mexican Peso as the Company now has a larger labor force in Great Britain and Mexico.

Other risks inherent in doing business internationally include: expropriation and nationalization, trade restrictions, transportation delays, and changes in United States laws that may inhibit or restrict our ability to manufacture in or sell to any particular country. For information regarding risks associated with our presence in Asia, see "Item 2 - Properties" of this Annual Report on Form 10-K.

While we have benefited from favorable tax treatment in many of the countries where we operate, this situation could change if laws or rules in the United States or those foreign jurisdictions change, incentives are changed or revoked, or we are unable to renew current incentives.

The loss of certain substantial customers could materially and adversely affect us.

During the year ended December 31, 2011, we had two customers with sales in excess of 10% of our consolidated revenue. One such customer, located in Asia, represented 11.4% of our revenue and the other, located in North America, represented 10.9% of our revenue. We believe that the loss of either of these customers would have a material adverse effect on the Company’s results of operations, financial position and cash flows. We have experienced significant concentrations in prior years. See Note 11 of the notes to the Company’s consolidated financial statements.

We may experience labor unrest.

As we implement transfers of certain of our operations, we may experience strikes or other types of labor unrest as a result of lay-offs or termination of employees in higher labor cost countries. Our manufacturing facilities in New York, the United Kingdom and Mexico are represented by labor unions and all factory workers in the PRC are represented by government-sponsored unions.

We may experience labor shortages.

Government economic, social and labor policies in the PRC may cause shortages of factory labor in areas where we have our products manufactured. If we are required to manufacture more products outside of the PRC as a result of such shortages, our margins will likely be materially adversely affected.

Our results of operations may be materially and adversely impacted by environmental and other regulations.

Our manufacturing operations, products and/or product packaging are subject to environmental laws and regulations governing air emissions; wastewater discharges; the handling, disposal and remediation of hazardous substances, wastes and certain chemicals used or generated in our manufacturing processes; employee health and safety labeling or other notifications with respect to the content or other aspects of our processes, products or packaging; restrictions on the use of certain materials in or on design aspects of our products or product packaging; and, responsibility for disposal of products or product packaging. More stringent environmental regulations may be enacted in the future, and we cannot presently determine the modifications, if any, in our operations that any such future regulations might require, or the cost of compliance with these regulations.

We may face risks relating to climate change that could have an adverse impact on our business.

Greenhouse gas (“GHG”) emissions have increasingly become the subject of substantial international, national, regional, state and local attention. GHG emission regulations have been promulgated in certain of the jurisdictions in which we operate, and additional GHG requirements are in various stages of development. Such measures could require us to modify existing or obtain new permits, implement additional pollution control technology, curtail operations or increase our operating costs. Any additional regulation of GHG emissions, including a cap-and-trade system, technology mandate, emissions tax, reporting requirement or other program, could adversely affect our business.

Customer requirements and new regulations may increase our expenses and impact the availability of certain raw materials, which could adversely affect our revenue and operating profits.

The products we manufacture utilize materials that are impacted by the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”) requirement for disclosure of the use of “conflict minerals” mined in the Democratic Republic of the Congo and adjoining countries.

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We have begun the process of determining the country of origin of certain metals that we purchase from our suppliers, as required by the Dodd-Frank Act. The supply chain due diligence and verification of sources may require several years to complete based on the current availability of smelter origin information and the number of vendors. We have begun to obtain and review the information from our suppliers. We may not be able to complete the process in the timeframe required because of the complexity of our supply chain.

Other governmental social responsibility regulations also may impact our suppliers, manufacturing operations and operating profits.

The need to find alternative sources for certain raw materials or products because of customer requirements and regulations may impact our ability to secure adequate supplies of raw materials, lead to supply shortages, or adversely impact the prices at which we can procure compliant goods.

Our results may vary substantially from period to period.

Our revenues and expenses may vary significantly from one accounting period to another accounting period due to a variety of factors, including customers' buying decisions, our product mix, the volatility of raw material costs and general market and economic conditions. Such variations could significantly impact our stock price.

A shortage of availability or an increase in the cost of raw materials and components may adversely impact our ability to procure high quality raw materials at cost effective prices and thus may negatively impact profit margins.

Our results of operations may be adversely impacted by difficulties in obtaining raw materials, supplies, power, labor, natural resources and any other items needed for the production of our products, as well as by the effects of quality deviations in raw materials and the effects of significant fluctuations in the prices of existing inventories and purchase commitments for these materials. Many of these materials and components are produced by a limited number of suppliers and may be constrained by supplier capacity.

As product life cycles shorten and during periods of market slowdowns, the risk of materials obsolescence increases and this may materially and adversely impact our financial results.

Rapid shifts in demand for various products may cause some of our inventory of raw materials, components or finished goods to become obsolete.

The life cycles and demand for our products are directly linked to the life cycles and demand for the end products into which they are designed. Rapid shifts in the life cycles or demand for these end products due to technological shifts, economic conditions or other market trends may result in material amounts of inventory of either raw materials or finished goods becoming obsolete. While the Company works diligently to manage inventory levels, rapid shifts in demand may result in obsolete or excess inventory and materially impact financial results.

A loss of the services of the Company’s executive officers or other skilled associates could negatively impact our operations and results.

The success of the Company’s operations is largely dependent upon the performance of its executive officers, managers, engineers and sales people. Many of these individuals have a significant number of years of experience within the Company and/or the industry in which we compete and would be extremely difficult to replace. The loss of the services of any of these associates may materially and adversely impact our results of operations if we are unable to replace them in a timely manner.

Our stock price, like that of many technology companies, has been and may continue to be volatile.

The market price of our common stock may fluctuate as a result of variations in our quarterly operating results and other factors beyond our control. These fluctuations may be exaggerated if the trading volume of our common stock is low. The market price of our common stock may rise and fall in response to a variety of other factors, including:

- announcements of technological or competitive developments;
- general market or economic conditions;
- market or economic conditions specific to particular geographical areas in which we operate;
- acquisitions or strategic alliances by us or our competitors;
- the gain or loss of a significant customer or order; or
- changes in estimates of our financial performance or changes in recommendations by securities analysts regarding us or our industry

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In addition, equity securities of many technology companies have experienced significant price and volume fluctuations even in periods when the capital markets generally are not distressed. These price and volume fluctuations often have been unrelated to the operating performance of the affected companies.

Our intellectual property rights may not be adequately protected under the current state of the law.

We cannot assure you we will be successful in protecting our intellectual property through patent or other laws. As a result, other companies may be able to develop and market similar products which could materially and adversely affect our business.

We may be sued by third parties for alleged infringement of their proprietary rights and we may incur defense costs and possibly royalty obligations or lose the right to use technology important to our business.

From time to time, we receive claims by third parties asserting that our products violate their intellectual property rights. Any intellectual property claims, with or without merit, could be time consuming and expensive to litigate or settle and could divert management attention from administering our business. A third party asserting infringement claims against us or our customers with respect to our current or future products may materially and adversely affect us by, for example, causing us to enter into costly royalty arrangements or forcing us to incur settlement or litigation costs. In connection with patent infringement lawsuits discussed in Item 3. Legal Proceedings, the Company incurred expenses of $3.5 million and $8.1 million related to lawsuit settlements in 2011 and 2010, respectively. In 2009, the Company paid a lump sum licensing fee of $2.1 million in exchange for a licensing agreement covering past and future sales of the Company’s MagJack® integrated connector modules (ICMs).

Our investments in marketable securities could have a negative impact on our profitability.

As part of our acquisition strategies, we may from time to time acquire equity positions in companies that could be attractive acquisition candidates or could otherwise be potential co-venturers in potential business transactions with us. Market declines occurring subsequent to any such investment could have a negative impact on our profitability.

As a result of protective provisions in the Company’s certificate of incorporation, the voting power of certain officers, directors and principal shareholders may be increased at future meetings of the Company’s shareholders.

The Company's certificate of incorporation provides that if a shareholder, other than shareholders subject to specific exceptions, acquires (after the date of the Company’s 1998 recapitalization) 10% or more of the outstanding Class A common stock and does not own an equal or greater percentage of all then outstanding shares of both Class A and Class B common stock (all of which common stock must have been acquired after the date of the 1998 recapitalization), such shareholder must, within 90 days of the trigger date, purchase Class B common shares, in an amount and at a price determined in accordance with a formula described in the Company's certificate of incorporation, or forfeit its right to vote its Class A common shares. As of February 29, 2012, to the Company’s knowledge, there were two shareholders of the Company's common stock with ownership in excess of 10% of Class A outstanding shares with no ownership of the Company's Class B common stock and with no basis for exception from the operation of the above-mentioned provisions. In order to vote their respective shares at Bel's next shareholders' meeting, these shareholders must either purchase the required number of Class B common shares or sell or otherwise transfer Class A common shares until their Class A holdings are under 10%. As of February 29, 2012, to the Company's knowledge, these shareholders owned 31.6% and 14.5%, respectively, of the Company's Class A common stock and had not taken steps to either purchase the required number of Class B common shares or sell or otherwise transfer Class A common shares until their Class A holdings fall below 10%. Unless and until this situation is satisfied in a manner permitted by the Company’s Restated Certificate of Incorporation, the subject shareholders will not be permitted to vote their shares of Common Stock.

To the extent that the voting rights of particular holders of Class A common stock are suspended as of times when the Company's shareholders vote due to the above-mentioned provisions, such suspension will have the effect of increasing the voting power of those holders of Class A common shares whose voting rights are not suspended. As of February 29, 2012, Daniel Bernstein, the Company's chief executive officer, beneficially owned 161,902 Class A common shares (or 13.8%) of the outstanding Class A common shares whose voting rights were not suspended, the Estate of Elliot Bernstein beneficially owned 251,132 Class A common shares (or 21.4%) of the outstanding Class A common shares whose voting rights were not suspended and all directors and executive officers as a group (which includes Daniel Bernstein, but does not include the Estate of Elliot Bernstein) beneficially owned 309,790 Class A common shares (or 26.3%) of the outstanding Class A common shares whose voting rights were not suspended.

Item 1B. Unresolved Staff Comments

Not applicable.

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Item 2. Properties

The Company is headquartered in Jersey City, New Jersey, where it currently owns 19,000 square feet of office and warehouse space. In addition to its facilities in Jersey City, New Jersey, the Company leases 94,000 square feet in 12 facilities and owns properties of 45,000 square feet which are used primarily for management, financial accounting, engineering, sales and administrative support.

The Company also operated 12 manufacturing facilities in 6 countries as of December 31, 2011. Approximately 36% of the 1.3 million square feet the Company occupies is owned while the remainder is leased. See Note 15 of the notes to consolidated financial statements for additional information pertaining to leases.

The following is a list of the locations of the Company's principal manufacturing facilities at December 31, 2011.

Location	Approximate Square Feet	Owned/ Leased	Percentage Used for Manufacturing
Zhongshan, People's Republic of China	385,000	Leased	70%
Zhongshan, People's Republic of China	118,000	Owned	100%
Zhongshan, People's Republic of China	78,000	Owned	100%
Pingguo, People's Republic of China	149,000	Leased	66%
Louny, Czech Republic	11,000	Owned	75%
Dominican Republic	41,000	Leased	85%
Cananea, Mexico	39,000	Leased	60%
Reynosa, Mexico	77,000	Leased	56%
Worksop, England (a)	52,000	Leased	28%
Inwood, New York	39,000	Owned	40%
Glen Rock, Pennsylvania	74,000	Owned	60%
Vinita, Oklahoma	87,000	Owned	53%
	1,150,000		

(a) Approximately 58% of the Worksop facility is designated for manufacturing use, but 30% is currently idle

Of the space described above, 201,000 square feet is used for engineering, warehousing, sales and administrative support functions at various locations and 154,000 square feet is used for dormitories, canteen and other employee related facilities in the PRC.

The Territory of Hong Kong became a Special Administrative Region ("SAR") of the PRC during 1997. The territory of Macao became a SAR of the PRC at the end of 1999. Management cannot presently predict what future impact, if any, this will have on the Company or how the political climate in the PRC will affect its contractual arrangements in the PRC. A significant portion of the Company's manufacturing operations and approximately 41% of its identifiable assets are located in Asia.

Item 3. Legal Proceedings

The information called for by this Item is incorporated herein by reference to the caption "Legal Proceedings" in Note 15. "Commitments and Contingencies" included in Part II, Item 8. "Financial Statements and Supplementary Data."

Item 4. Mine Safety Disclosures

Not applicable.

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PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters and Issuer Purchases of Equity Securities

(a) Market Information

The Company's voting Class A Common Stock, par value $0.10 per share, and non-voting Class B Common Stock, par value $0.10 per share ("Class A" and "Class B," respectively), are traded on the NASDAQ Global Select Market under the symbols BELFA and BELFB. The following table sets forth the high and low sales price range (as reported by The Nasdaq Stock Market Inc.) for the Common Stock on NASDAQ for each quarter during the past two years.

	Class A High	Class A Low	Class B High	Class B Low
Year Ended December 31, 2011				
First Quarter	$ 28.35	$ 22.16	$ 26.77	$ 18.83
Second Quarter	24.54	20.51	22.45	18.33
Third Quarter	24.04	15.37	22.18	13.76
Fourth Quarter	22.36	15.48	19.97	13.40
Year Ended December 31, 2010				
First Quarter	$ 21.80	$ 14.64	$ 24.04	$ 17.37
Second Quarter	22.25	15.50	25.15	16.35
Third Quarter	23.36	16.45	24.03	16.27
Fourth Quarter	27.88	20.46	25.52	20.11

(b) Holders

As of February 29, 2012, there were 67 registered shareholders of the Company's Class A Common Stock and 172 registered shareholders of the Company's Class B Common Stock. As of February 29, 2012, the Company estimates that there were 671 beneficial shareholders of the Company's Class A Common Stock and 1,884 beneficial shareholders of the Company's Class B Common Stock. At February 29, 2012, to the Company's knowledge, there were two shareholders of the Company's Class A common stock whose voting rights were suspended. These two shareholders owned an aggregate of 46% of the Company's outstanding shares of Class A common stock. See Item 1A – Risk Factors for additional discussion.

(c) Dividends

Throughout 2009, 2010 and 2011, the Company declared dividends on a quarterly basis at a rate of $0.06 per Class A share of common stock and $0.07 per Class B share of common stock. During the years ended December 31, 2011, 2010 and 2009, the Company declared dividends totaling $3.2 million, $3.2 million and $3.1 million, respectively. There are no contractual restrictions on the Company's ability to pay dividends provided the Company is not in default under its credit agreements immediately before such payment and after giving effect to such payment. On February 1, 2012, the Company paid a dividend to all shareholders of record at January 15, 2012 of Class A and Class B Common Stock in the total amount of $0.1 million ($0.06 per share) and $0.7 million ($0.07 per share), respectively. The Company currently anticipates paying dividends quarterly in the future.

(d) Issuer Purchases of Equity Securities

From 2000 through December 31, 2011, the Company has purchased and retired 527,817 Class A common shares at a cost of approximately $16.8 million and has purchased and retired 23,600 Class B common shares at a cost of approximately $0.8 million. No shares of Class A or Class B common stock were repurchased during the year ended December 31, 2011.

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Item 6. Selected Financial Data

The following tables set forth selected consolidated financial data as of the dates and for the periods presented. The selected consolidated balance sheet data as of December 31, 2011 and 2010 and the selected consolidated statement of operations data for the years ended December 31, 2011, 2010 and 2009 have been derived from our audited consolidated financial statements and related notes that we have included elsewhere in this Annual Report. The selected consolidated balance sheet data as of December 31, 2009, 2008 and 2007 and the selected consolidated statement of operations data for the years ended December 31, 2008 and 2007 have been derived from audited consolidated financial statements that are not presented in this Annual Report.

The selected historical consolidated financial data as of any date and for any period are not necessarily indicative of the results that may be achieved as of any future date or for any future period. You should read the following selected historical consolidated financial data in conjunction with the more detailed information contained in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the related notes that we have presented elsewhere in this Annual Report.

For information regarding the Company's acquisitions of Cinch in 2010 and Bel Pingguo in 2009, see "Business – Acquisitions."

	Years Ended December 31,				
	2011	2010	2009	2008	2007
	(In thousands of dollars, except per share data)				
Selected Statements of Operations Data:					
Net sales	$295,121	$302,539	$182,753	$258,350	$259,137
Cost of sales (e)	244,749	239,185	161,454	217,079	203,007
Selling, general and administrative expenses (f)	39,284	40,443	30,055	36,093	36,117
Impairment of assets (a) (c)	-	-	12,875	14,805	-
Litigation charges (g)	3,471	8,103	-	-	-
Restructuring charges (b)	314	-	413	1,122	-
Gain on sale of property, plant and equipment (h)	(93)	(352)	(4,693)	-	(5,499)
Gain (loss/impairment charge) on investments (d)	119	-	7,129	(10,358)	2,146
Interest income and other, net	357	420	527	2,454	4,046
Earnings (loss) before provision (benefit) for income taxes	7,872	15,580	(9,695)	(18,653)	31,704
Income tax provision (benefit)	4,108	1,931	(1,385)	(3,724)	5,368
Net earnings (loss)	3,764	13,649	(8,310)	(14,929)	26,336
Earnings (loss) per share:					
Class A common share - basic and diluted	0.28	1.10	(0.71)	(1.25)	2.11
Class B common share - basic	0.33	1.18	(0.72)	(1.28)	2.25
Class B common share - diluted	0.33	1.18	(0.72)	(1.28)	2.24
Cash dividends declared per share:					
Class A common share	0.24	0.24	0.24	0.24	0.20
Class B common share	0.28	0.28	0.28	0.28	0.24

	As of December 31,				
	2011	2010	2009	2008	2007
	(In thousands of dollars, except percentages)				
Selected Balance Sheet Data and Ratios:					
Working capital	$165,264	$157,296	$167,833	$163,985	$173,171
Total assets	276,911	277,172	245,946	261,784	293,860
Stockholders' equity	221,080	220,333	208,932	217,773	244,527
Return on average total assets (i)	1.35 %	5.22 %	-3.32 %	-5.17 %	9.34 %
Return on average stockholders' equity (i)	1.69 %	6.37 %	-3.88 %	-6.23 %	11.30 %

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(a) During the third quarter of 2009, the Company conducted an interim valuation test related to the Company's goodwill by operating segment. As a result of the reduction in fair value of the Asia operating segment, the Company recorded charges of $12.9 million related to the impairment of goodwill of its Asia operating segment during 2009. During the fourth quarter of 2008, the Company conducted its annual valuation test related to the Company's goodwill by operating segment. As a result of the reduction in the fair value of the North America operating segment, the Company recorded charges of $14.1 million related to the impairment of goodwill of its North America operating segment during 2008.

(b) During 2011, the Company recorded $0.3 million of restructuring costs associated with the realignment of its Cinch UK operations. In 2009, the Company incurred $0.4 million of restructuring costs related primarily to the Westborough, Massachusetts facility lease obligation, as the Company ceased its manufacturing operations at that facility in 2008. Also in connection with this closure, the Company incurred severance costs of $0.6 million and lease termination costs of $0.5 million during 2008.

(c) During 2008, the Company incurred fixed asset impairments of $0.7 million related to assets located at the Westborough, Massachusetts facility which ceased operations as of December 31, 2008. This charge is included in Impairment of Assets in the Company's consolidated statement of operations for the year ended December 31, 2008.

(d) During 2009, the Company realized a net gain for financial reporting purposes of $7.1 million related to the sale of its investments in Toko, Inc. and Power-One, Inc and the final redemptions of its investment in the Columbia Strategic Cash Portfolio. During 2008, the Company recorded other-than-temporary impairment charges and realized losses of $10.4 million related to its investments in Toko, Inc., Power-One, Inc. and the Columbia Strategic Cash Portfolio. During 2007, the Company realized a gain from the sale of Toko, Inc. common stock in the amount of $2.5 million, offset by an other-than-temporary impairment charge of $0.3 million related to its investment in the Columbia Strategic Cash Portfolio.

(e) During 2009, the Company incurred a $2.0 million licensing fee in connection with the settlement of the Murata lawsuit.

(f) During 2009, the Company incurred $0.6 million in acquisition costs related to the acquisitions of Bel Pingguo and Cinch Connectors. During 2010, the Company incurred an additional $0.3 million of acquisition costs related to Cinch.

(g) During 2011, the Company recorded litigation charges totaling $3.5 million related to the SynQor and Halo lawsuits. During 2010, the Company recorded a litigation charge in the amount of $8.1 million in connection with the SynQor lawsuit. Both of these lawsuits are further described in Note 15 to the accompanying consolidated financial statements.

(h) During 2009, the Company realized a $4.6 million gain from the sale of property in Jersey City, New Jersey. During 2007, the Company realized gains from the sale of property, plant and equipment in Hong Kong and Macao in the amount of $5.5 million.

(i) Returns on average total assets and stockholders' equity are computed for each year by dividing net earnings (loss) for such year by the average balances of total assets or stockholders' equity, as applicable, on the last day of each quarter during such year and on the last day of the immediately preceding year.

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Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with the Company's consolidated financial statements and the notes related thereto. The discussion of results, causes and trends should not be construed to imply any conclusion that such results, causes or trends will necessarily continue in the future.

Overview

Our Company

Bel is a leading producer of electronic products that help make global connectivity a reality. The Company designs, manufactures and markets a broad array of magnetics, modules, circuit protection devices and interconnect products. These products are designed to protect, regulate, connect, isolate or manage a variety of electronic circuits. Bel's products are primarily used in the networking, telecommunications, computing, military, aerospace and transportation industries. Bel's portfolio of products also finds application in the automotive, medical and consumer electronics markets.

Bel's business is operated through three geographic segments: North America, Asia and Europe. During 2011, 46% of the Company's revenues were derived from North America, 43% from Asia and 11% from its Europe operating segment. The Company's revenues are primarily driven by working closely with customers' engineering staffs and aligning new and existing product offerings with industry standards committees. Sales of the Company's interconnect products represented approximately 36% of our total net sales for 2011. The remaining 2011 revenues related to sales of the Company's modules products (31%), magnetic products (30%) and circuit protection products (3%).

The Company's expenses are driven principally by the cost of the materials that it uses, the cost of labor where Bel's factories are located, and its ability to efficiently manage overhead costs. As material and labor costs vary by product line, any significant shift in product mix has an associated impact on the Company's costs of sales. Bel generally enters into processing arrangements with several independent suppliers of wire wound components in Asia. Costs are recorded as incurred for all products manufactured, whether at third-party facilities or at the Company's own manufacturing facilities. Such amounts are determined based upon the estimated stage of production and include labor cost and fringes and related allocations of factory overhead. The Company manufactures products at its manufacturing facilities in the People's Republic of China (PRC); Glen Rock, Pennsylvania; Inwood, New York; Haina, Dominican Republic; Reynosa and Cananea, Mexico; Louny, Czech Republic; Vinita, Oklahoma; and Worksop, England.

In the PRC, where the Company generally enters into processing arrangements with several independent third-party contractors and also has its own manufacturing facilities, the availability of labor is cyclical and is significantly affected by the migration of workers in relation to the annual Lunar New Year holiday as well as economic conditions in the PRC. In addition, the Company has little visibility into the ordering habits of its customers and can be subjected to large and unpredictable variations in demand for its products. Accordingly, the Company must continually recruit and train new workers to replace those lost to attrition each year and to address peaks in demand that may occur from time to time. These recruiting and training efforts and related inefficiencies, and overtime required in order to meet demand, can add volatility to the costs incurred by the Company for labor in the PRC.

Trends Affecting our Business

The Company believes the key factors affecting Bel's 2011 and/or future results include the following:

•

Product Mix – Sales of the Company's module products increased from 20% of total sales during 2010 to 31% of total sales during 2011. Module products have a higher material and lower added-value content than the Bel's other product lines. As a result, these products will not have as high a margin as Bel's other products. The Company also experienced a significant reduction in sales of its MagJack product during 2011, which is a higher-margin product. Bel has begun to focus its product development efforts on non-commodity products. This major effort will be in the modular product line in both power and integrated modules and Mil-AeroSpace products included in our interconnect product line.

- Pricing and Availability of Materials – The Company has seen component pricing and availability stabilize for most of its product lines. Although there has recently been some moderation in commodity prices, higher costs for commodities including gold, copper, and petroleum-based plastics continue to keep manufacturing costs high in comparison to the prior year. Fluctuations in component prices and other commodity prices associated with Bel's raw materials will have a corresponding impact on Bel's profit margins.

- Labor Costs – The costs of labor, particularly in the PRC where a significant percentage of Bel's products are manufactured, have been higher in recent years as a result of government mandates for new higher minimum wage and overtime requirements. The PRC government increased minimum wage levels by 21% in the areas where Bel's products are manufactured effective May 1, 2010. While the Company implemented price increases to its customers during 2010 to partially offset the existing increases in labor and material costs, there was an additional government mandate effective March 2011 which increased the minimum wage level by 18% at certain of Bel's facilities in the PRC. Increases in the minimum wage are expected to impact additional Bel facilities in the PRC in 2012. The Company believes that this increase and any additional increases to the minimum wage levels will have a negative impact on Bel's profit margins in future quarters.

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- Management of Overhead Costs – The Company has continued to monitor its overall profit margin percentage over the past several quarters and is currently realigning the organization to reduce overhead and other costs. During the fourth quarter of 2011, the Company incurred $0.3 million of restructuring costs related to the realignment of its Cinch UK operations. The Company expects to finalize and implement additional streamlining steps during 2012 to take advantage of a variety of operational efficiencies. It is currently anticipated that the costs associated with these steps will be approximately $5.4 million, and will primarily impact the first three quarters of 2012. These streamlining efforts are expected to result in annual savings of $4.4 million once they are fully implemented. This expectation is a Forward-Looking Statement. Anticipated results may be impacted by a variety of factors, including the timing of implementation steps, the absence of unexpected difficulties in transitioning to new operating processes and the acceptance of the streamlining efforts by the individuals most directly affected.

- Impact of Pending Lawsuits – The Company recorded $3.5 million in litigation charges during 2011 related to the Halo and SynQor lawsuits, as further described in Note 15. "Contingencies and Commitments" of Item 8. of this Annual Report on Form 10-K. Bel is currently appealing the verdict in the SynQor case; however, if the Company is unsuccessful in its appeal, sales of certain of Bel's existing products may be materially adversely affected. This would result in decreased sales volume and would have a corresponding impact on Bel's gross profit.

- Acquisition-Related Costs – The Company's continuing strategy to actively consider potential acquisitions could give rise to significant legal and professional fees in future periods.

The Company is expecting business conditions to remain challenging into 2012. The Company anticipates very modest growth overall in 2012, with continued pricing pressures from its customers.

Summary by Operating Segment

Net sales to external customers by reportable operating segment for the years ended December 31, 2011, 2010 and 2009 were as follows (dollars in thousands):

	2011		2010		2009	
North America	$ 134,804	46 %	$ 111,888	37 %	$ 41,898	23 %
Asia	126,941	43 %	156,635	52 %	123,764	68 %
Europe	33,376	11 %	34,016	11 %	17,091	9 %
	$ 295,121	100 %	$ 302,539	100 %	$ 182,753	100 %

Net sales and income (loss) from operations by operating segment for the years ended December 31, 2011, 2010 and 2009 were as follows (dollars in thousands):

	2011	2010	2009
Total segment sales:			
North America	$ 149,114	$ 125,383	$ 51,189
Asia	177,815	196,243	144,572
Europe	34,597	35,150	18,110
Total segment sales	361,526	356,776	213,871
Reconciling item:			
Intersegment sales	(66,405)	(54,237)	(31,118)
Net sales	$ 295,121	$ 302,539	$ 182,753
Income (loss) from operations:			
North America	$ 9,026	$ 4,181	$ (205)

Asia	(3,480)	9,357	(16,462)
Europe	1,850	1,622	(684)
	$ 7,396	$ 15,160	$ (17,351)

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The significant shift in the proportion of net sales between the Company's Asia and North America reportable operating segments during 2011 was primarily due to a $20.0 million increase in sales of a product line within the module product group which is manufactured in China but sold to a customer in North America, and a $40.6 million decrease in sales of magnetic products, which primarily impacted the Company's Asia segment. In addition, Cinch sales increased by $10.8 million during 2011 as compared to 2010, primarily in the North America operating segment and to a lesser extent in the Europe operating segment. In 2010, there was an increase in revenue volume across all operating segments, as well as a shift in the percentage of total net sales among the Company's reportable operating segments primarily due to the Cinch acquisition. During the year ended December 31, 2010, the Cinch acquisition contributed sales to external customers of $44.3 million and income from operations of $3.6 million to the Company's North America operating segment and sales to external customers of $10.7 million and income from operations of $1.0 million to the Company's Europe operating segment. In addition to the corresponding impact from the shift in sales, income (loss) from operations was also impacted by $3.5 million and $8.1 million of litigation charges recorded in 2011 and 2010, respectively, which primarily impacted Asia's income from operations. In 2009, the Company recorded a goodwill impairment charge of $12.9 million in its Asia operating segment.

See Note 11 of the notes to consolidated financial statements contained in this Annual Report on Form 10-K for additional segment disclosures.

Our 2011 Results

During 2011, a decrease in sales within the magnetic product line, which includes Bel's MagJack products, more than offset a $29.4 million increase in shipments of module products. Because the module product line typically has higher material content than Bel's other product lines, this shift in the mix of products sold reduced the gross margin percentage for 2011. As a result of this, Bel's sales decreased by 2.5% during 2011 as compared to 2010, while cost of sales increased by 2.3% compared to 2010. The 2011 financial results were also impacted by $3.5 million of litigation charges, partially offset by reduced labor costs due to a smoother transition out of the Lunar New Year in 2011 as compared to 2010. The Company reported net income of $3.8 million for the year ended December 31, 2011. Additional details related to these factors affecting Bel's 2011 results are described in the Results of Operations section below.

Results of Operations

The following table sets forth, for the past three years, the percentage relationship to net sales of certain items included in the Company's consolidated statements of operations.

	Percentage of Net Sales Years Ended December 31,		
	2011	2010	2009
Net sales	100.0 %	100.0 %	100.0 %
Cost of sales	82.9	79.1	88.3
Selling, general and administrative expenses	13.3	13.4	16.4
Impairment of assets	-	-	7.0
Litigation charges	1.2	2.7	-
Restructuring charges	0.1	-	0.2
Gain on sale of property, plant and equipment	-	0.1	2.6
	-	-	3.9

Realized gain on sale of investments			
Interest income and other, net	0.1	0.1	0.3
Earnings (loss) before provision (benefit) for income taxes	2.7	5.1	(5.3)
Income tax provision (benefit)	1.4	0.6	(0.8)
Net earnings (loss)	1.3	4.5	(4.5)

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The following table sets forth the year over year percentage increases or decreases of certain items included in the Company's consolidated statements of operations.

	Increase (Decrease) from Prior Period	
	2011 compared with 2010	2010 compared with 2009
Net sales	(2.5) %	65.5 %
Cost of sales	2.3	48.1
Selling, general and administrative expenses	(2.9)	34.6
Net earnings/loss	(72.4)	264.2

Sales

The Company experienced significant offsetting fluctuations in sales among its product groups in 2011, which resulted in a 2.5% decrease in net sales as compared to 2010. Net sales increased by 65.5% during 2010 as compared to 2009. The increase in sales during 2010 related primarily to improved market conditions, which resulted in an increase in legacy-Bel revenue of $64.7 million. The remaining increase for 2010 related to the addition of Cinch revenue of $55.1 million.

The Company's net sales by major product line as a percentage of consolidated net sales for the years ended December 31, 2011, 2010 and 2009 were as follows:

	Year Ended December 31,					
	2011		2010		2009	
Interconnect	$ 107,346	36 %	$ 101,059	33 %	$ 32,447	18 %
Modules	90,475	31 %	61,092	20 %	54,323	30 %
Magnetics	87,104	30 %	127,664	43 %	86,326	47 %
Circuit protection	10,196	3 %	12,724	4 %	9,657	5 %
	$ 295,121	100 %	$ 302,539	100 %	$ 182,753	100 %

Sales related to the Cinch acquisition, which are included in the interconnect product group above, have shown steady growth in 2011. The most significant shift in product mix relates to a $40.6 million decrease in sales of the Company's magnetic products partially offset by $29.4 million increase in sales of modules products. The Company anticipates future growth to be primarily within Bel's modular and interconnect product lines.

The Company continues to have limited visibility as to future customer requirements and as such, the Company cannot predict with any degree of certainty sales revenues for 2012. The Company cannot quantify the extent of sales growth arising from unit sales mix and/or price changes. Product demand and sales volume will affect how we price our products. Through the Company's engineering and research effort, the Company has been successful in adding additional value to existing product lines, which tends to increase sales prices initially until that generation of products becomes mature and sales prices experience price degradation. In general, as products become mature, average selling prices decrease.

Cost of Sales

The Company's cost of sales as a percentage of consolidated net sales for the years ended December 31, 2011, 2010 and 2009 were comprised of the following:

	Year Ended December 31,		
	2011	2010	2009
Material	50.4%	44.7%	55.3%
Labor	10.9%	13.9%	11.5%
Research and development	4.1%	3.8%	4.3%
Other expenses	17.5%	16.7%	17.2%
Total cost of sales	82.9%	79.1%	88.3%

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2011 as Compared to 2010

The most significant factor contributing to the increase in cost of sales as a percentage of sales relates to an increase in material costs resulting from the shift in product mix from magnetic to module product groups noted above. The module product group has a greater percentage of material content thus lower gross margins than Bel's other product groups. There were some increases in material costs due to higher prices for commodities, such as gold and copper, that are included in many of the components and materials that Bel purchases. The labor costs in 2011 reflected a smoother transition out of the Lunar New Year holiday in PRC than that experienced in 2010. During the first half of 2010, Bel was faced with meeting the demand of an extremely high backlog of orders coming out of the Lunar New Year holiday, which resulted in excessive recruiting and training expenses, and the related production inefficiencies and overtime incurred to meet this demand. While the workforce was more stabilized in 2011, labor costs were impacted by increases in mandated minimum wage and overtime rates. The variance in other expenses primarily relates to a $1.2 million increase in overhead costs in 2011 as compared to 2010. Approximately $0.4 million of this increase is due to the inclusion of a full year of Cinch activity in 2011 versus only eleven months in 2010. The remainder of the increase relates to higher operating costs at manufacturing facilities in Zhongshan, PRC and Reynosa, Mexico.

Included in cost of sales are R&D expenses of $12.0 million and $11.4 million for the years ended December 31, 2011 and 2010, respectively. Approximately $0.3 million of the increase in 2011 was due to the inclusion of a full year of Cinch R&D expenses versus only eleven months in 2010, while the development of the aforementioned new product line within the module group and investment in other new product development contributed to the remainder of the increase.

2010 as Compared to 2009

The decrease in material costs as a percentage of consolidated net sales in 2010 resulted primarily from a shift in product mix. The Company's module products have a higher material content as compared to the Company's interconnect products. As shown in the table above, the Company's net sales of module products decreased from 30% of net sales in 2009 to 20% in 2010, while net sales of interconnect products increased from 18% of net sales in 2009 to 33% in 2010. Labor costs as a percentage of consolidated net sales increased during 2010 as a result of training expenses, production inefficiencies and additional overtime charges associated with the hiring of over 4,000 new production workers over the past year, which was necessary to accommodate the increase in demand for Bel's products. In addition, labor costs for the second half of 2010 included the 21% increase in the minimum wage levels in the PRC, as discussed in "Trends Affecting our Business" above. The Company also sold a higher proportion of its magnetic and interconnect products, primarily due to the addition of Cinch products, during 2010 as compared to 2009, and these product lines have a higher assembly labor requirement. While R&D expenses decreased as a percentage of sales, the dollar amount increased to $11.4 million in 2010 from $7.8 million in 2009. The increase in R&D expenses related to the inclusion of Cinch's R&D expenses since its acquisition in January 2010 as well as higher legacy-Bel R&D expenses related to power products and ICMs. Other expenses in 2009 included a $2.1 million license fee related to the Murata patent infringement claim, which did not recur in 2010.

Selling, General and Administrative Expenses ("SG&A")

A summary of variances within SG&A expense is as follows (dollars in thousands):

	(Favorable) Unfavorable Variances in SG&A	
	Year Ended	Year Ended

	December 31, 2011 vs. 2010	December 31, 2010 vs. 2009		
	Consolidated	Consolidated	Legacy-Bel	Cinch
Sales commissions	$ (466)	$ 1,892	$ 1,060	$ 832
Salaries and fringes	770	2,755	(809)	3,564
Incentive compensation	(2,070)	2,528	2,263	265
Fraud-related costs	121	(594)	(594)	-
Acquisition-related costs	(138)	(205)	(260)	55
Travel expenses	(112)	873	539	334
Office expenses	378	1,642	100	1,542
Other legal and professional fees	354	716	475	241
Severance charges	(109)	(191)	(372)	181
Fair value of COLI investments (SG&A portion only)	208	160	160	-
Foreign exchange	(96)	58	(76)	134
Other	1	754	(244)	998
	$ (1,159)	$ 10,388	$ 2,242	$ 8,146

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2011 as Compared to 2010

SG&A expense in 2011 was relatively flat compared to 2010 in both overall dollar amount and as a percentage of sales; however, there were fluctuations among SG&A expense categories that largely offset each other. The 2011 expense reflects a reduction in sales commissions due to a higher proportion of non-commissioned sales in 2011 and a smaller bonus accrual based upon financial results in 2011, partially offset by wage increases effective January 1, 2011, increased legal costs associated with the Halo and SynQor lawsuit activity and an additional month of Cinch's salaries and office expenses as compared to 2010.

2010 as Compared to 2009

As Cinch SG&A expenses have been included in Bel's results only since the Acquisition Date, 100% of such Cinch expenses are included in the variances above. The variances in the "Legacy-Bel" column above show an increase in sales commissions due to an increase in Bel sales as compared to the comparable periods of 2009, a bonus accrual based upon financial results in 2010, acquisition-related costs associated with the acquisition of Cinch, and increased legal fees related to patent litigation, offset by a reduction in salaries and fringes due to headcount reductions.

Litigation Charges

During 2011, the Company recorded litigation charges totaling $3.5 million related to the SynQor and Halo lawsuits. During 2010, the Company recorded a litigation charge in the amount of $8.1 million in connection with the SynQor lawsuit. Both of these lawsuits are further described in Note 15 to the accompanying consolidated financial statements.

Impairment of Assets

During the third quarter of 2009, the Company performed an interim valuation of the Company's goodwill. In connection with this analysis, it was determined that the goodwill associated with the Company's Asia operating segment was impaired, primarily due to a reduction in estimated future cash flows. The related impairment charge of $12.9 million is included in the Company's consolidated statement of operations for the year ended December 31, 2009.

Restructuring Charges

The Company recorded $0.3 million of restructuring charges in 2011 related to the realignment of its Cinch UK operations. These charges were primarily associated with severance costs. In connection with the termination of its manufacturing operations at the Company's DC-DC manufacturing facility in Westborough, the Company incurred restructuring charges of $0.4 million in 2009, primarily related to the facility lease obligation.

Gain on Sale of Property, Plant and Equipment

The Company recorded net gains of $0.1 million during the year ended December 31, 2011, primarily related to a $0.2 million gain on insurance proceeds associated with snow damage to the manufacturing facility in Vinita, Oklahoma. This gain was partially offset by losses recorded in connection with the disposal of various equipment. During the year ended December 31, 2010, the Company recognized net gains of $0.4 million primarily related to the sale of a property in Hong Kong. During the year ended December 31, 2009, the Company recognized a previously deferred gain from the sale of property in Jersey City, New Jersey in the amount of $4.6 million.

Realized Gain on Sale of Investments

During the year ended December 31, 2011, the Company realized a $0.1 million gain on the partial sale of its investment in Pulse Electronics Corporation ("Pulse") common stock. During the year ended December 31, 2009, the Company sold its remaining investments in Power-One Inc. ("Power-One") common stock and Toko Inc. ("Toko") common stock. These sales resulted in an aggregate net gain for financial reporting purposes of $6.9 million which was recorded during 2009. The Company also realized $0.2 million in gains associated with redemptions of its investment in the Columbia Strategic Cash Portfolio ("Columbia Portfolio") during the year ended December 31, 2009.

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Provision (Benefit) for Income Taxes

The Company's effective tax rate will fluctuate based on the geographic segment in which the pretax profits are earned. Of the geographic segments in which the Company operates, the U.S. has the highest tax rates; Europe's tax rates are generally lower than U.S. tax rates; and Asia has the lowest tax rates of the Company's three geographical segments.

The provision for income taxes for the year ended December 31, 2011 was $4.1 million compared to $1.9 million for the year ended December 31, 2010. The Company's earnings before income taxes for the year ended December 31, 2011 are approximately $7.7 million lower than in 2010. The Company's effective tax rate, the income tax provision as a percentage of earnings before provision for income taxes, was 52.2% and 12.4% for the years ended December 31, 2011 and 2010, respectively. The increase in the effective tax rate during the year ended December 31, 2011 compared to 2010 is primarily caused by an increase in pretax profit in North America and Europe segments, where tax rates are higher, and a pretax loss with no tax benefit in Asia. In addition, the tax provision for income taxes in 2010 was lower, in part, due to the expiration of certain statutes of limitations which resulted in a reversal of a previously recognized liability for uncertain tax positions in the amount of $1.8 million, partially offset by an increase in the liability for uncertain tax positions in the amount of $1.0 million which arose during the year ended December 31, 2010. During 2011, the Company paid or accrued $3.1 million in net litigation costs which resulted in a negligible tax benefit. During 2010, the Company accrued an $8.1 million liability in connection with a lawsuit, discussed above, which resulted in a tax benefit of $0.1 million.

The provision for income taxes for the year ended December 31, 2010 was $1.9 million compared to a tax benefit of $1.4 million for the year ended December 31, 2009. The Company earned a profit before income taxes for the year ended December 31, 2010 versus a loss for the year ended December 31, 2009 which resulted in $25.3 million higher earnings before income taxes during the year ended December 31, 2010 compared to the year ended December 31, 2009. The Company's effective tax rate, the income tax provision (benefit) as a percentage of earnings (loss) before provision (benefit) from income taxes, was 12.4% and (14.3)% for the years ended December 31, 2010 and December 31, 2009, respectively. The increase in the effective tax rate during the year ended December 31, 2010 as compared to the year ended December 31, 2009 is principally attributable to higher earnings before taxes in all geographic segments during the year ended December 31, 2010 as compared to losses (or very modest earnings) in all geographic segments during 2009. During the year ended December 31, 2010, certain statutes of limitations expired which resulted in a reversal of a previously recognized liability for uncertain tax positions in the amount of $1.8 million. This was offset, in part, by an increase in the liability for uncertain tax positions in the amount of $1.0 million which arose during the year ended December 31, 2010. During 2010, the Company accrued an $8.1 million liability in connection with a lawsuit, discussed above, which resulted in a tax benefit of $0.1 million. During the year ended December 31, 2009, certain statutes of limitations expired which resulted in a reversal of a previously recognized liability for uncertain tax positions in the amount of $3.9 million offset, in part, by an increase in the liability for uncertain tax positions in the amount of $1.3 million, which arose during the year ended December 31,2009. Additionally, the Company settled a lawsuit during the year ended December 31, 2009 which resulted in a tax benefit of $0.8 million. These tax benefits were partially offset by the tax effect of a gain on the sale of property in North America during the year ended December 31, 2009.

The Company has the majority of its products manufactured on the mainland of the PRC, and Bel is not subject to corporate income tax on manufacturing services provided by third parties in the PRC. Hong Kong has a territorial tax system which imposes corporate income tax at a rate of 16.5 percent on income from activities solely conducted in Hong Kong.

The Company holds an offshore business license from the government of Macao. With this license, a Macao offshore company named Bel Fuse (Macao Commercial Offshore) Limited has been established to handle all of the Company's

sales to third-party customers in Asia. Sales by this company consist of products manufactured in the PRC. This company is not subject to Macao corporate profit taxes which are imposed at a tax rate of 12%.

Management's intention is to permanently reinvest the majority of the earnings of foreign subsidiaries in the expansion of its foreign operations. Unrepatriated earnings, upon which U.S. income taxes have not been accrued, are approximately $93.4 million at December 31, 2011. Such unrepatriated earnings are deemed by management to be permanently reinvested. The estimated federal income tax liability (net of estimated foreign tax credits) related to unrepatriated foreign earnings is $21.2 million under the current tax law. The Company repatriated $0.5 million during 2011.

The Company's policy is to recognize interest and penalties related to uncertain tax positions as a component of the current provision for income taxes. During the years ended December 31, 2011, 2010 and 2009, the Company recognized approximately $0.2 million, $0.2 million and $0.1 million, respectively, in interest and penalties in the consolidated statements of operations. The Company has approximately $0.7 million and $0.4 million accrued for the payment of interest and penalties at December 31, 2011 and 2010, respectively, which is included in both income taxes payable and liability for uncertain tax positions in the consolidated balance sheets.

The Company and its subsidiaries file income tax returns in the U.S. federal jurisdiction and various states and foreign jurisdictions. The Company is no longer subject to U.S. federal examinations by tax authorities for years before 2007 and for state examinations before 2005. Regarding foreign subsidiaries, the Company is no longer subject to examination by tax authorities for years before 2003 in Asia and generally 2005 in Europe. During September 2010 and April 2011, the Company was notified of an Internal Revenue Service ("IRS") tax audit for the years ended December 31, 2004 through 2009. The Company believes the audit is a result of various carryback claims to the years ended December 31, 2004, 2005 and 2006. As the statute of limitations for the years 2004, 2005 and 2006 has expired, any tax adjustment proposed by the IRS for these years would be limited to the amount of the carryback claims of approximately $2.5 million.

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As a result of the expiration of the statute of limitations for specific jurisdictions, it is reasonably possible that the related unrecognized benefits for tax positions taken regarding previously filed tax returns may change materially from those recorded as liabilities for uncertain tax positions in the Company's condensed consolidated financial statements. At December 31, 2011, a total of $1.0 million of previously recorded liabilities for uncertain tax positions relates to the 2007 tax year. The statute of limitations related to this liability, which was scheduled to expire on September 15, 2011, was extended until September 2013.

On August 10, 2010 President Obama signed into law the "Education Jobs & Medicaid Assistance Act" (H.R. 1586) (the "Act"). The Act's international tax provisions place certain restrictions on the use of foreign tax credits. The Company has evaluated the newly enacted international tax provisions and determined that they do not materially affect the Company's operating results or financial condition.

The Company continues to monitor proposed legislation affecting the taxation of transfers of U.S. intangible property and other potential tax law changes.

Inflation and Foreign Currency Exchange

During the past three years, the effect of inflation on the Company's profitability was not material. Historically, fluctuations of the U.S. Dollar against other major currencies have not significantly affected the Company's foreign operations as most sales have been denominated in U.S. Dollars or currencies directly or indirectly linked to the U.S. Dollar. Most significant expenses, including raw materials, labor and manufacturing expenses, are incurred primarily in U.S. Dollars or the Chinese Renminbi, and to a lesser extent in British Pounds and Mexican Pesos. The Chinese Renminbi appreciated by approximately 4.7% in 2011 as compared to 2010. Future appreciation of the Renminbi would result in the Company's incurring higher costs for all expenses incurred in the PRC. The Company's European entities, whose functional currencies are Euros, British Pounds, Czech Korunas, and U.S. Dollars, enter into transactions which include sales which are denominated principally in Euros, British Pounds and various other European currencies, and purchases that are denominated principally in U.S. Dollars and British Pounds. Settlement of such transactions resulted in net realized and unrealized currency exchange losses of $0.2 million for the year ended December 31, 2010, which were charged to expense. Realized and unrealized currency losses during the years ended December 31, 2011 and 2009 were not material. Translation of subsidiaries' foreign currency financial statements into U.S. Dollars resulted in translation losses of $0.2 million and $0.9 million for the years ended December 31, 2011 and 2010, respectively, which are included in accumulated other comprehensive loss. Translation gains during the year ended December 31, 2009 were not material.

Liquidity and Capital Resources

Historically, the Company has financed its capital expenditures primarily through cash flows from operating activities and has financed acquisitions both through cash flows from operating activities and borrowings. Management believes that the cash flow from operations after payments of dividends, combined with its existing capital base and the Company's available lines of credit, will be sufficient to fund its operations for at least the next twelve months. Such statement constitutes a Forward Looking Statement. Factors which could cause the Company to require additional capital include, among other things, a softening in the demand for the Company's existing products, an inability to respond to customer demand for new products, potential acquisitions requiring substantial capital, future expansion of the Company's operations and net losses that would result in net cash being used in operating, investing and/or financing activities which result in net decreases in cash and cash equivalents. Net losses may result in the loss of domestic and foreign credit facilities and preclude the Company from obtaining debt or equity financing in the capital markets on affordable terms or otherwise.

At December 31, 2011 and 2010, $40.2 million and $32.9 million, respectively, of cash and cash equivalents was held by foreign subsidiaries of the Company. Management's intention is to permanently reinvest the majority of these funds outside the U.S. and there are no current plans that would indicate a need to repatriate them to fund the Company's U.S. operations. In the event these funds were needed for Bel's U.S. operations, the Company would be required to accrue and pay U.S. taxes to repatriate these funds.

The Company has a $30 million line of credit, which expires on June 30, 2014. There have not been any borrowings under the credit agreement and as such, there was no balance outstanding as of December 31, 2011 and December 31, 2010. At each of those dates, the entire $30 million line of credit was available to the Company to borrow. The credit agreement bears interest at LIBOR plus 0.75% to 1.25% based on certain financial statement ratios maintained by the Company. The Company is in compliance with its debt covenants as of December 31, 2011.

For information regarding further commitments under the Company's operating leases, see Note 15 of the notes to the Company's consolidated financial statements.

On February 28, 2011, the Company announced that it had delivered a letter to Pulse proposing to acquire all of the outstanding shares of Pulse common stock for per share consideration of $6.00, or approximately $249 million in the aggregate. The Company recorded $0.3 million of expense related to the offer during 2011. Bel began divesting its ownership of Pulse shares during the second quarter of 2011 and recorded a related gain of $0.1 million. As of December 31, 2011, the Company still owns 258,928 shares of Pulse common stock.

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On March 9, 2012, the Company completed its acquisition of 100% of the issued and outstanding capital stock of GigaCom Interconnect AB ("GigaCom Interconnect") with a cash payment of £1.7 million (approximately $2.7 million). GigaCom Interconnect, located in Gothenburg, Sweden, is a supplier of expanded beam fiber optic technology and a participant in the development of next-generation commercial aircraft components. GigaCom Interconnect will become part of Bel's Cinch Connector business. Management believes that GigaCom's offering of expanded beam fiber optic products, which are replacing traditional copper-based components due to their superior performance, reliability and lighter weight, will enhance Cinch's position within the growing aerospace and military markets.

Cash Flows

During the year ended December 31, 2011, the Company's cash and cash equivalents increased by $4.4 million. This resulted primarily from $30.3 million provided by operating activities, $0.4 million of proceeds from the sale of marketable securities and $0.4 million of proceeds from the disposal of property, plant and equipment, offset by $12.8 million transferred to restricted cash related to the SynQor lawsuit, $5.1 million used to purchase marketable securities, $2.9 million paid for the purchase of property, plant and equipment and $3.2 million for payments of dividends. During the year ended December 31, 2011, cash provided by operating activities was $30.3 million as compared to $7.6 million for the year ended December 31, 2010. Accounts receivable decreased by $14.2 million in 2011 due to a $15.1 million reduction in sales during the fourth quarter of 2011 as compared to the fourth quarter of 2010. In addition, the Company experienced a $17.6 million increase in inventory levels during 2010 related to heightened demand for products, which did not recur in 2011.

During the year ended December 31, 2010, the Company's cash and cash equivalents decreased by $40.4 million. This resulted primarily from $40.4 million paid in connection with the acquisition of Cinch, $2.4 million for the purchase of property, plant and equipment, $6.2 million for the purchase of marketable securities and $3.2 million for payments of dividends, offset by $7.6 million provided by operating activities, $3.4 million in net proceeds from the surrender of company-owned life insurance policies, and $0.6 million of proceeds from the sale of property, plant and equipment. During the year ended December 31, 2010, cash provided by operating activities was $7.6 million as compared to $29.2 million for year ended December 31, 2009. This $21.6 million reduction in operating cash flow related primarily to the significant fluctuations in accounts receivable and inventory levels in both 2009 and 2010, commensurate with fluctuating customer demand and the related manufacturing and sales volumes. In early 2009, customer demand for Bel's products was down, which resulted in decreased accounts receivable and inventory levels during 2009 followed by a reversal of this trend during the latter part of 2009 and into 2010.

During the year ended December 31, 2009, the Company's cash and cash equivalents increased by $49.3 million from $75.0 million at December 31, 2008 to $124.2 million at December 31, 2009, reflecting approximately $29.2 million provided by operating activities. This resulted primarily from a reduction in 2009 sales volume and the associated decrease in purchases of raw materials and overall reduction in manufacturing of finished products which led to a $11.3 million decrease in accounts receivable and a $14.8 million decrease in inventory on hand as compared to those balances at December 31, 2008. Other factors contributing to the overall increase in cash and cash equivalents at December 31, 2009 included $20.6 million of proceeds from the sale of marketable securities, $5.3 million from the final redemptions of the Columbia Portfolio, $1.5 million of proceeds from the surrender of company-owned life insurance policies and $2.6 million of proceeds from the sale of property, plant and equipment, primarily from the $2.3 million release of final escrow related to the sale of the Jersey City property, offset, in part, by $2.4 million for the purchase of property, plant and equipment, $0.1 million for the repurchase of the Company's common stock, $3.5 million for the purchase of marketable securities, $0.4 million in payment for an acquisition, $0.1 million for the purchase of a license agreement and $3.1 million for payments of dividends. The remaining reduction in cash and cash equivalent relates to $0.3 million which was reclassified to restricted cash as of December 31, 2009.

Cash and cash equivalents, marketable securities, short-term investments and accounts receivable comprised approximately 48.0% and 50.1% of the Company's total assets at December 31, 2011 and December 31, 2010, respectively. The Company's current ratio (i.e., the ratio of current assets to current liabilities) was 4.9 to 1 and 4.4 to 1 at December 31, 2011 and December 31, 2010, respectively.

Accounts receivable, net of allowances, were $39.1 million at December 31, 2011, as compared with $53.3 million at December 31, 2010. The decrease in accounts receivable is primarily due to an 18.0% decrease in fourth quarter sales for 2011 as compared to the fourth quarter of 2010 in addition to a decrease in the Company's days sales outstanding (DSO) from 57 days at December 31, 2010 to 51 days at December 31, 2011. Marketable securities increased by $4.0 million as a result of the purchase of new marketable securities during 2011. Inventories were $53.4 million at December 31, 2011, as compared with $57.0 million at December 31, 2010.

Contractual Obligations

The following table sets forth at December 31, 2011 the amounts of payments due under specific types of contractual obligations, aggregated by category of contractual obligation, for the time periods described below. This table excludes $4.1 million of unrecognized tax benefits as of December 31, 2011, as the Company is unable to make reasonably reliable estimates of the period of cash settlements, if any, with the respective taxing authorities.

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Contractual Obligations	Payments due by period (dollars in thousands) Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Capital expenditure obligations	$ 1,679	$ 1,679	$ -	$ -	$ -
Operating leases	8,293	2,847	2,765	1,524	1,157
Raw material purchase obligations	25,187	24,970			