CALIFORNIA AMPLIFIER INC
Form 10-Q/A
May 23, 2001

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q/A

Amendment Number 1 to

/x/ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended: August 28, 1999

OR

/ / **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ______ to ______

Commission File Number: 012182

CALIFORNIA AMPLIFIER, INC.

(Exact name of registrant's specified in its charter)

Delaware (State or Other jurisdiction of incorporation or organization)	**95-3647070** (IRS Employer Identification No.)
460 Calle San Pablo **Camarillo, California** (Address of principal executive offices)	**93012** (Zip Code)

(805) 987-9000
(Registrant's telephone number including area code)

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the close of the period covered by this report.

Common Stock Outstanding as of August 28, 1999: 11,952,297

Number of pages in this Form 10-Q/A: 18

PART I FINANCIAL INFORMATION

ITEM 1: Financial Statements

CONSOLIDATED BALANCE SHEETS
(in thousands, except par value)

	Aug. 28, 1999	Feb. 27, 1999
	(Unaudited) ***(As Restated, see Note 1)***	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 7,182	$ 9,312
Accounts receivable, net	12,722	5,002
Inventories	5,422	3,974
Deferred tax asset	1,120	1,597
Prepaid expenses and other current assets	530	446
Total current assets	26,976	20,331
Property and equipment, at cost, net of accumulated depreciation and amortization	5,986	4,498
Goodwill, net of amortization	3,967	
Other assets	1,049	720
	$ 37,978	$ 25,549
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 9,317	$ 2,644
Accrued liabilities	3,081	1,613
Short-term debt and current portion of long-term debt	3,641	597
Total current liabilities	16,039	4,854
Long-term debt	275	516
Minority interest share in net assets of Micro Pulse, Inc.	147	114
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, 3,000 shares authorized; no shares issued and outstanding		
Common stock, $.01 par value; 30,000 shares authorized; 11,952 shares outstanding in August 1999 and 11,785 shares outstanding in February 1999	120	118
Additional paid-in capital	14,403	14,050
Accumulated other comprehensive loss	(245)	(170)
Retained earnings	7,239	6,067

		Aug. 28, 1999		Feb. 27, 1999
Total stockholders' equity		21,517		20,065
	$	37,978	$	25,549

See Notes to Unaudited Consolidated Financial Statements

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CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited; in thousands, except per share data)

	Three Months Ended		Six Months Ended	
	Aug. 28, 1999	Aug. 29, 1998	Aug. 28, 1999	Aug. 29, 1998
	(As Restated,) see Note 1)		*(As Restated,) see Note 1)*	
Sales	$ 18,657	$ 8,322	$ 31,585	$ 17,382
Cost of sales	13,405	6,383	22,690	12,650
Gross profit	5,252	1,939	8,895	4,732
Research and development	1,384	1,271	2,527	2,487
Selling	1,150	1,155	2,223	2,401
General and administrative	1,129	957	2,233	2,028
Income (loss) from operations	1,589	(1,444)	1,912	(2,184)
Interest and other, net	(87)	(11)	(39)	(17)
Minority interest's share in (income) loss, of Micro Pulse	(44)	147	(42)	135
Income (loss) before income taxes	1,458	(1,308)	1,831	(2,066)
(Provision for) benefit from income taxes	(525)	471	(659)	744
Net income (loss)	$ 933	$ (837)	1,172	$ (1,322)
Net income (loss) per share				
Basic	$ .08	$ (.07)	$ .10	$ (.11)
Diluted	$ .07	$ (.07)	$ .09	$ (.11)
Shares used in per share calculations				
Basic	11,894	11,785	11,860	11,782
Diluted	13,450	11,785	12,765	11,782

See Notes to Unaudited Consolidated Financial Statements

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CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited, in thousands)

	Six Months Ended	
	Aug. 28, 1999	Aug. 29, 1998
	(As Restated, see Note 1)	
Cash flows from operating activities:		
Net income	$ 1,172	$ (1,322)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Provision for doubtful accounts	30	
Depreciation and amortization	1,379	1,612
Loss (gain) on sale of property and equipment	3	(4)
Minority interest share in income (loss) of Micro Pulse, net of tax	33	(135)
Deferred tax asset	477	223
Change in assets and liabilities, net of effect of Gardiner acquisition in fiscal year 2000:		
Accounts receivable	(7,750)	526
Inventories	(648)	1,575
Prepaid expenses and other assets	(367)	(770)
Accounts payable	6,673	544
Accrued liabilities	830	(612)
Net cash provided by operating activities	1,832	1,637
Cash flows from investing activities:		
Purchase of property and equipment, net of retirements	(1,198)	274
Net assets acquired from Gardiner	(2,747)	
Net cash (used in) provided by investing activities	(3,945)	274
Cash flows from financing activities:		
Debt repayments	(297)	(434)
Issuances of common stock	355	25
Net cash provided by (used in) financing activities	58	(409)
Effect of foreign exchange rates	(75)	(12)
Net (decrease) increase in cash and cash equivalents	(2,130)	1,490
Cash and cash equivalents at the beginning of period	9,312	4,422
Cash and cash equivalents at end of period	$ 7,182	$ 5,912

See Notes to Unaudited Consolidated Financial Statements

CALIFORNIA AMPLIFIER, INC.

Notes to Unaudited Consolidated Financial Statements
(As Restated)

1. **Basis of Presentation** The accompanying unaudited consolidated financial statements have been prepared in accordance with the requirements of Form 10-Q and, therefore, do not include all information and footnotes which would be presented were such financial statements prepared in accordance with generally accepted accounting principles. These statements should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended February 27, 1999. In the opinion of management, these interim financial statements reflect all adjustments necessary for a fair presentation of the financial position and results of operations for each of the periods presented. The results of operations and cash flows for such periods are not necessarily indicative of results to be expected for the full fiscal year.

Restatement of the Three and Six Months Ended August 28, 1999 On March 29, 2001, the Company announced that during preparation for the Company's fiscal 2001 audit, the corporate controller abruptly resigned and advised management by letter that he had made certain improper adjustments to the Company's accounting records that caused a reduction in recorded expenses. The Company began an investigation into the circumstances reported by the controller and determined that expenses had been inappropriately reduced. As part of its investigation, the Company reviewed substantially all of the journal entries input by the controller and reviewed the general ledger closings for each period in fiscal 2000. The investigation revealed that the controller had reduced reported expenses through the posting of improper journal entries and irregularities in the consolidation of its Hong Kong subsidiary. All of these improper journal entries and irregularities were previously unknown to the Company's management.

The Company has determined the effect of these irregularities and other errors on its previously issued financial statements and has restated the accompanying financial statements as of August 28, 1999 and for the three and six month periods ended August 28, 1999. The improper journal entries have been reversed, and the general ledger closings for each period within the fiscal year have been re-performed and properly consolidated with the accounts of the Company's Hong Kong subsidiary.

In the process of reclosing interim financial statements, the Company identified minor discrepancies which are corrected in the accompanying unaudited interim financial statements.

The Company's investigation determined that there has been no misappropriation of cash or other assets.

Statement of Operations Data
(in thousands)

	Three Months Ended Aug. 28, 1999		
	As Originally Reported	**Restatement Adjustments**	**As Restated**
Sales	$ 18,575	$ 82	$ 18,657
Cost of sales	13,331	74	13,405
Gross profit	5,244	8	5,252
Operating expenses	3,714	(51)	3,663
Other income (expense), net	(123)	8	(131)
Provision for income taxes	(506)	19	(525)
Net income	901	32	933
Net income per share			
Basic	$ 0.08	$ 0.00	$ 0.08
Diluted	$ 0.07	$ 0.00	$ 0.07

	Six Months Ended Aug. 28, 1999		
	As Originally Reported	**Restatement Adjustments**	**As Restated**

	Six Months Ended Aug. 28, 1999		
Sales	$ 31,668	$ (83)	$ 31,585
Cost of sales	22,511	179	22,690
Gross profit	9,157	(262)	8,895
Operating expenses	7,100	(117)	6,983
Other income (expense), net	(90)	(9)	(81)
Provision for income taxes	(708)	(49)	(659)
Net income	1,259	(87)	1,172
Net income per share			
Basic	$ 0.11	$ (0.01)	$ 0.10
Diluted	$ 0.10	$ (0.01)	$ 0.09

Balance Sheet Data

(in thousands)

	As of Aug. 28, 1999		
	As Originally Reported	Restatement Adjustments	As Restated
Cash and cash equivalents	$ 7,186	$ (4)	$ 7,182
Accounts receivable, net	10,810	1,912	12,722
Inventories	4,887	535	5,422
Deferred tax asset	988	132	1,120
Prepaid expenses and other current assets	552	(22)	530
Goodwill, net of amortization	3,748	219	3,967
Other assets	859	190	1,049
Accounts payable	6,002	3,315	9,317
Accrued liabilities	3,347	(266)	3,081
Stockholders' equity	21,604	(87)	21,517

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2. **Inventories** Inventories include the cost of material, labor and manufacturing overhead and are stated at the lower of cost (first-in, first-out) or market and consist of the following (in thousands):

	Aug. 28, 1999	Feb. 27, 1999
Raw materials	$ 3,986	$ 2,441
Work in process	50	40
Finished goods	1,386	1,493
	$ 5,422	$ 3,974

3. **Comprehensive Income (Loss)** Effective March 1, 1998 the Company adopted the provisions of SFAS No. 130, "Reporting Comprehensive Income" which establishes standards for reporting and display of comprehensive income and its components in a full set of general-purpose financial statements. Comprehensive income is defined as the total of net income and all non-owner changes in equity. The following table details the components of comprehensive income (loss) for the three and six months ended August 28, 1999 and August 29, 1998 (in thousands):

	Quarter Ended	
	Aug. 28, 1999	Aug. 29, 1998

	Quarter Ended	
Net income (loss)	$ 933	$ (837)
Foreign currency translation adjustment	(5)	12
Comprehensive income (loss)	$ 928	$ (825)

	Six Months Ended	
	Aug. 28, 1999	Aug. 29, 1998
Net income (loss)	$ 1,172	$ (1,322)
Foreign currency translation adjustment	(75)	(12)
Comprehensive income (loss)	$ 1,097	$ (1,334)

4. **Segments**

In June 1997, the FASB introduced SFAS No. 131 "Disclosures About Segments of an Enterprise and Related Information." In conjunction with the Company's reorganization into business units in January 1998, the Company adopted SFAS No. 131 in fiscal year 1999, and it will be applied as required to interim periods thereafter. The adoption of this standard had no effect on the Company's

financial position or results of operations, but did change the presentation of segment information as presented below (in thousands):

	Three Months Ended August 28, 1999				
	Satellite	Wireless Access	Antenna	Corporate	Total
Sales	$ 13, 082	$ 3,984	$ 1,591	$	$ 18,657
Gross Profit	3,395	1,319	538		5,252
Gross Margin	26.0%	33.1%	33.8%		28.2%
Income (Loss) Before Tax	2,336	156	46	(1,080)	1,458

	Three Months Ended August 29, 1998				
	Satellite	Wireless Access	Antenna	Corporate	Total
Sales	$ 3,099	$ 4,210	$ 1,013	$	$ 8,322
Gross Profit	830	891	218		1,939
Gross Margin	26.8%	21.2%	21.5%		23.3%
Income (Loss) Before Tax	(32)	(306)	(211)	(759)	(1,308)

	Six Months Ended August 28, 1999				
	Satellite	Wireless Access	Antenna	Corporate	Total
Sales	$ 19,948	$ 8,953	$ 2,684	$	$ 31,585
Gross Profit	5,191	2,700	1,004		8,895
Gross Margin	26.0%	30.2%	37.4%		28.2%
Income (Loss) Before Tax	3,429	356	45	(1,999)	1,831

	Six Months Ended August 29, 1998				
	Satellite	Wireless Access	Antenna	Corporate	Total
Sales	$ 5,301	$ 9,762	$ 2,319	$	$ 17,382
Gross Profit	1,534	2,440	758		4,732
Gross Margin	28.9%	25.0%	32.7%		27.2%
Loss Before Tax		(156)	(233)	(1,677)	(2,066)

5. **Acquisition and Pro Forma Results of Operations**

On April 19, 1999, the Company acquired the technology and product rights to substantially all of Gardiner Communications Corp.'s ("Gardiner") products, inventory, and manufacturing and development related equipment. The total purchase price, including assumption of certain liabilities and certain costs incurred in connection with the acquisition, was approximately $9.3 million. The Company paid approximately $2.8 million in cash on closing, and an additional $3.4 million in cash for additional inventory and equipment in September and October 1999, the Company's third fiscal quarter. Gardiner received a $3.1 million, 8% one year promissory note due April 19, 2000. A portion of the debt can be converted into 525,000 shares of the Company's common stock at the lower per share conversion price equal to $4.25 or the average closing sales price of the Company's common stock for the immediate twenty trading days prior to conversion. As part of the purchase, the Company recorded Goodwill of $4.1 million which is being amortized over 15 years.

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The following pro forma combines the operations of the Company and Gardiner as if the acquisition had occurred at the beginning of each of the respective periods (in thousands, except per share data):

	6 Months August 28, 1999		6 Months August 29, 1998	
	As Reported	Pro forma	As Reported	Pro forma
Sales	$ 31,585	$ 33,585	$ 17,382	$ 25,861
Net Income (Loss)	$ 1,172	$ 1,332	$ (1,322)	$ (581)
Net Income (Loss) Per Diluted Share	$ .09	$ .10	$ (.11)	$ (.05)

6. **Statement of Cash Flows** In fiscal year 2000, the Company recorded goodwill of $4.1 million in conjunction with the acquisition of certain assets from Gardiner Communications and issued a note payable for $3.1 million. The non-cash portion of this acquisition was excluded from the statement of cash flows.

7. **Subsequent Events**

On June 11, 1997, the Company and certain of its directors and officers had two legal actions filed against them, one in the United States District Court, Central District of California, entitled *Yourish v. California Amplifier, Inc., et al.*, Case No. 97-4293 CBM (Mcx), and the other in the Superior Court for the State of California, County of Ventura, entitled *Yourish v. California Amplifier, Inc. et al.*, Case No. CIV 173569. On June 30, 1997, another legal action was filed against the same defendants in the Superior Court for the State of California, County of Ventura, entitled *Burns, et al., v. California Amplifier, Inc., et al.*, Case No. CIV 173981. All three actions were purported class actions on behalf of purchasers of the common stock of the Company between September 12, 1995 and August 8, 1996. The actions claimed that the defendants engaged in a scheme to make false and misleading statements and omitted disclosure of material adverse facts to the public concerning the Company, allegedly causing the Company's stock price to artificially rise, and thereby allegedly allowing the individual defendants to sell stock at inflated prices. Plaintiffs claimed that the purported stockholder class was damaged when the price of the stock declined upon disclosure of the alleged adverse facts. On September 21, 1998, the Federal legal action was dismissed in the United States District Court. The dismissal was upheld by the U.S. Court of Appeals for the Ninth Circuit on October 8, 1999.

On March 27, 2000 the trial began for the lawsuit filed in the Superior Court for the State of California, County of Ventura, entitled *Yourish v. California Amplifier, Inc., et al.*, Case No. CIV 173569. On March 29, 2000 the parties reached a settlement. Under terms of the settlement the Company will issue 187,500 shares of its common stock along with a cash payment of $3.5 million, funded in part by insurance proceeds, for a total settlement of approximately $11.0 million, of which $9.5 million was accrued in the consolidated financial statements for the year ended February 26, 2000. By Order dated September 14, 2000, the court approved the terms of the settlement and dismissed the action with prejudice. As of November 25, 2000, the Company had issued 65,625 of the 187,500 shares and paid $2.5 million of the $3.5 million, with one of its insurance carriers paying the remaining $1.0 million.

In connection with the settlement of the *Yourish* action, the Company and certain of its former and current officers and directors have filed a lawsuit (*California Amplifier, Inc., et al. v. RLI Insurance Company, et al.*, Ventura County Superior Court Case No. CIV196258), against one of its insurance carriers to recover $2.0 million of coverage the insurance carrier has stated was not covered under its policy of insurance. The insurance carrier filed a Motion for Judgment on the Pleadings seeking judgment on the basis, *inter alia*, that the claims in the *Yourish* action for alleged violations of Sections 25400 and 25500 of the California Corporation Code were not insurable as a matter of law pursuant to Insurance Code Section 533. The Plaintiffs opposed the motion and a hearing was held on September 22, 2000. On October 18, 2000, the Court entered an Order on granting the motion for judgment on

the pleadings. Judgment was entered on November 9, 2000, and Notice of Entry of Judgment given on November 15, 2000. California Amplifier filed a Notice of Appeal on November 21, 2000 and an Opening Brief on March 1, 2001. The Defendants filed a Response Brief on April 30, 2001. Plaintiff's Reply Brief was filed on May 21, 2001. No hearing date has been set to argue the appeal.

On March 29, 2001, the Company announced that it was investigating improper adjustments made by the corporate controller to the Company's accounting records (see Note 1). On March 29, 2001, subsequent to the Company's announcement, NASDAQ halted trading of the Company's common stock.

On April 4, 2001, the Company announced that Arthur Andersen LLP had withdrawn its opinion with respect to the Company's financial statements for the fiscal year ended February 26, 2000.

On May 3, 2001, the Company announced that it had received notification from NASDAQ that due to the Company's failure to comply with filing requirements requiring audited financial statements to be included in its annual report, NASDAQ intended to delist the shares of the Company's common stock at the opening of business on May 8, 2001. The Company appealed the notice of delisting and currently has a hearing scheduled for May 25, 2001. Until the hearing, the Company's common stock will continue to be listed on NASDAQ, although trading will continue to be halted.

On May 4, 2001, the Company announced that it had received notice from the Securities and Exchange Commission (the SEC) that the SEC is conducting an informal inquiry into the circumstances that caused the Company to restate its financial statements. The Company intends to cooperate with the SEC inquiry.

Following the announcement by the Company on March 29, 2001 of the resignation of its Controller and the possible overstatement of net income for the fiscal year ended February 26, 2000, the Company and certain of its officers and directors have been named defendants in twenty putative class actions in federal court:

(A) *John Michael Roberts and David Sciorsci, On Behalf of Themselves and All Others Similarly Situated, Plaintiffs v. California Amplifier, Inc., Defendant*, United States District Court, Central District of California, Western Division, Case No. CV-01-02988 MMM (RNBx). This action alleges violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder.

(B) *Mike Rogers, On His Own Behalf and On Behalf of All Others Similarly Situated, Plaintiff v. California Amplifier, Inc., Fred Sturm, and Michael R. Ferron, Defendants*, United States District Court, Central District of California, Western Division, Case No. CV-01-02992 ER (JWJx). This action alleges violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder.

(C) *James Leonhard, On His Own Behalf and On Behalf of All Others Similarly Situated, Plaintiff v. California Amplifier, Inc., Fred Sturm and Michael R. Ferron*, Defendants, United States District Court, Central District of California, Western Division, Case No. CV-01-03046 ER (CWx). This action alleges violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder.

(D) *Stephen W. Brock, On His Own Behalf and On Behalf of All Others Similarly Situated, Plaintiff v. California Amplifier, Inc., Fred Sturm, and Michael R. Ferron*, Defendants, United States District Court, Central District of California, Western Division, Case No. SACV-01-373 DOC (ANx). This action alleges violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder.

(E) *Edward Kall, On His Own Behalf and On Behalf of All Others Similarly Situated, Plaintiff v. California Amplifier, Inc., Fred Sturm, and Michael R. Ferron*, Defendants, United States District

Court, Central District of California, Western Division, Case No. SACV-01-382 DOC (ANx). This action alleges violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder.

(F) *Richard Taylor, Individually and On Behalf of All Others Similarly Situated, Plaintiff v. California Amplifier, Inc., Fred Sturm, and Michael R. Ferron*, Defendants, United States District Court, Central District of California, Western Division, Case No. CV-01-03112 MRP (AIJx). This action alleges violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder.

(G) *Michael Sebani, On Behalf of Himself and All Others Similarly Situated, Plaintiff v. California Amplifier, Inc., Defendant*, United States District Court, Central District of California, Western Division, Case No. CV-01-03187 FMC (CWx). This action alleges violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder.

(H) *Peter Chervin, On Behalf of Himself and All Others Similarly Situated, Plaintiff v. California Amplifier, Inc., Defendant*, United States District Court, Central District of California, Western Division, Case No. CV-01-03300 (Ex). This action alleges violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder.

(I) *Brian Abramson, On Behalf of Himself and All Others Similarly Situated, Plaintiff v. California Amplifier, Inc., Defendant*, United States District Court, Central District of California, Western Division, Case No. CV-01-03322 MRP (DNBx). This action alleges violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder.

(J) *Orlando Martinez, On Behalf of Himself and All Others Similarly Situated, Plaintiff v. California Amplifier, Inc., Defendant*, United States District Court, Central District of California, Western Division, Case No. CV-01-03329 NM (SHx). This action alleges violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder.

(K) *Charles Medalie, On Behalf of Himself and All Others Similarly Situated, Plaintiff v. California Amplifier, Inc., Defendant*, United States District Court, Central District of California, Western Division, Case No. CV-01-03379 CBM (BQRx). This action alleges violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder.

(L) *Dennis M. McCarthy, On Behalf of Himself and All Others Similarly Situated, Plaintiff v. California Amplifier, Inc., Defendant*, United States District Court, Central District of California, Western Division, Case No. CV-01-03441 WJR (MANx). This action alleges violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder.

(M) *Ronald E. Beard, On Behalf of Himself and All Others Similarly Situated, Plaintiff v. California Amplifier, Inc., Defendant*, United States District Court, Central District of California, Western Division, Case No. CV-01-03507 GAF (CTx). This action alleges violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder.

(N) *David G. Hess, Individually and On Behalf of All Others Similarly Situated, Plaintiff v. California Amplifier, Inc., Fred Sturm, Michael R. Ferron, and John Doe Defendants*, United States District Court, Central District of California, Western Division, Case No. CV-01-03508 DT (CWx). This action alleges violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder.

(O) *Richard Bradford Brewer, On His Own Behalf and On Behalf of All Others Similarly Situated, Plaintiff v. California Amplifier, Inc., Fred Sturm, and Michael R. Ferron*, Defendants, United States District Court, Central District of California, Western Division, Case No. CV-01-03511 AHM (RZ). This action alleges violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder.

(P) *Yousef Machour, On Behalf of Himself and All Others Similarly Situated, Plaintiff v. California Amplifier, Inc., Defendant*, United States District Court, Central District of California, Western Division, Case No. CV-01-03587 CM (BQRx). This action alleges violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder.

(Q) *James Welch, On Behalf of Himself and All Others Similarly Situated, Plaintiff v. California Amplifier, Inc., Defendant*, United States District Court, Central District of California, Western Division, Case No. CV-01-03758 SVW (MANx). This action alleges violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder.

(R) *James S. Thomas, On Behalf of Himself and All Others Similarly Situated, Plaintiff v. California Amplifier, Inc., Fred Sturm, and Michael R. Ferron, Defendants*, United States District Court, Central District of California, Western Division, Case No. CV-01-03774 TJH (MANx). This action alleges violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder.

(S) *Greg Moccia, On Behalf of Himself and All Others Similarly Situated, Plaintiff v. California Amplifier, Inc., Defendant*, United States District Court, Central District of California, Western Division, Case No. CV-01-03776 FMC (MANx). This action alleges violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder.

(T) *Chadrakant Itchhaporia, On Behalf of Himself and All Others Similarly Situated, Plaintiff v. California Amplifier, Inc., Defendant*, United States District Court, Central District of California, Western Division, Case No. CV-01-03896 DDP (Mcx). This action alleges violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder.

Sixteen of the class actions seek to represent a class of purchasers of the Company's common stock for the period between April 6 or 7, 2000 to March 28, 2001. Four of the class actions seek to represent a class of purchasers of the Company's common stock for the period between June 10 or 11, 1999 to March 28 or 29, 2001 (*Taylor, Welch, Moccia, and Itchhaporia*). All of the complaints cite to the Company's March 29, 2001 announcement regarding the resignation of the Company's corporate controller and statement that net income for the fiscal year ended February 26, 2000 may have been overstated by as much as $2.2 million. The complaints generally allege that the defendants artificially inflated the price of the Company's stock during the class period by allegedly making false representations about the Company's financial results or failing to disclose adverse facts about its financial results. The complaints also allege without specific facts that the individual defendants knew or were reckless in making the alleged false statements about the Company's financial results.

The twenty actions are expected to be consolidated into a single action pursuant to stipulation of the parties. The Company expects to move to dismiss the complaints after they are consolidated and a lead plaintiffs' counsel appointed, and intends to defend the actions vigorously. At this time it is not possible to determine the outcome of these actions.

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

RESULTS OF OPERATIONS

Three Months Ended August 28, 1999 and August 29, 1998

Sales

Total sales increased by $10.3 million from $8.3 million for the three months ended August 29, 1998 to $18.7 million for the three months ended August 28, 1999. Sales of Satellite Products increased $10.0 million from $3.1 million to $13. 1 million. Sales of Wireless Products decreased $226,000 from $4.2 million to $ 4.0 million. Sales of Antenna Products by Micro Pulse increased $578,000 from $1.0 million to $1.6 million.

The increase in sales of Satellite Products resulted primarily from the Company's entry into the U.S. DBS satellite market as a result of its acquisition of certain satellite television products from Gardiner Communicatins in April 1999.

The decrease in the sale of Wireless Products resulted from continued softness in both domestic and international Wireless Cable markets. Domestically, wireless cable operators are not currently purchasing significant amounts of one-way video equipment as they finalize a deployment strategy for two-way wireless voice and Internet applications. Internationally, there continues to be a lack of capital available for system expansion, thereby significantly reducing the demand for subscriber equipment.

The increase in the sale of Antenna Products by Micro Pulse resulted primarily from sales of antenna products into new wireless markets as the Company focuses on antenna applications outside the GPS market.

Gross Profit and Gross Margin

Gross profit increased by $3.3 million from $1.9 million for the three months ended August 29, 1998 to $5.3 million for the three months ended August 28, 1999. Gross margins increased from 23.3% for the three months ended August 29, 1998 to 28.2% for the three months ended August 28, 1999. The improvement in gross margins is a result of higher sales of DBS satellite products purchased under an assembly subcontract arrangement with Gardiner, accompanied by better factory efficiencies and cost reductions in the Company's manufacturing operations thereby improving the gross margins for the Company's legacy satellite products and Wireless Cable video products.

In September 1999, the Company assumed control of the manufacturing operations for the DBS products acquired in April 1999 from Gardiner. Since the acquisition and through August 1999, Gardiner acted as a subcontractor for the DBS product. The Company may incur significant start-up costs to attain volume production levels, however, many of the existing Gardiner employees will become employees of the Company to assist in the transition.

See also Note 4 Segments included elsewhere herein.

Operating Expenses

Research and development expenses increased by $113,000 from $1.3 million to $1.4 million.

Selling expenses decreased by $5,000, from approximately $1.2 million.

Although the research and selling expenses between periods are relatively the same in terms of absolute dollars, there were significant decreases in discretionary spending in the current quarter as compared to the comparable prior year quarter, offset by increases in salaries, and added personnel, primarily related to the Gardiner acquisition in April 1999.

General and administrative expenses increased by $172,000 from $957,000 to $1.1 million. The increase relates primarily to incentive bonus accruals for anticipated bonuses to be paid if the Company's fiscal year 2000 operating results exceed profit objectives established at the beginning of the year.

Income (Loss) from Operations

Income (loss) from operations, for the reasons noted above, increased by $3.0 million, from operating loss of $1.4 million for the three months ended August 29, 1998, to operating income of $1.6 million for the three months ended August 28, 1999.

Minority Interest Share in (Income) Loss of Micro Pulse

The Company consolidates 100% of the sales and expenses of Micro Pulse. The minority interest share in (income) loss of Micro Pulse eliminates the 49.5% of the (income) loss of Micro Pulse relating to the minority stockholders share of the (income) loss of Micro Pulse.

(Provision for) Benefit from Income Taxes

The (provision for) benefit from income taxes for the three months ended August 28, 1999 is based upon an annualized tax rate of 36%, the same tax rate as fiscal year 1999. This tax rate assumes savings from benefits allowed for export sales through a foreign sales corporation and research and development tax credits.

Net Income (Loss)

Net income (loss), for reasons outlined above, increased by $1.8 million, from a net loss of $837,000, to net income of $933,000 for the three months ended August 28, 1999.

Six Months Ended August 28, 1999 and August 29, 1998

Sales

Total sales increased by $14.2 million from $17.4 million for the six months ended August 29, 1998 to $31.6 million for the six months ended August 28, 1999. Sales of Satellite Products increased $14. 6 million from $5.3 million to $19.9 million. Sales of Wireless Products decreased $809,000 from $9.8 million to $9.0 million. Sales of Antenna Products increased $365,000 from $2.3 million to $2.7 million.

The increase in sales of Satellite Products resulted primarily from the Company's entry into the U.S. DBS satellite market as a result of its acquisition of certain satellite television products from Gardiner Communications in April 1999.

The decrease in the sale of Wireless Products resulted from continued softness in both domestic and international Wireless Cable markets. Domestically, wireless cable operators are currently not purchasing significant amounts of one-way video equipment as they finalize a deployment strategy for two-way wireless voice and Internet applications. Internationally, there continues to be a lack of capital available for system expansion, thereby significantly reducing the demand for subscriber equipment.

The increase in the sale of Antenna Products by Micro Pulse resulted primarily from sales of Antenna Products into new wireless markets as the Company focuses on antenna applications outside the GPS market.

Gross Profit and Gross Margin

Gross profit increased by $4.2 million from $4.7 million for the six months ended August 29, 1998 to $8.9 million for the six months ended August 28, 1999, while gross margins increased from 27.2% to

28.2%. The increase in gross profit resulted from the increase in sales and slightly higher gross margins. The comparison of gross margins between the six month fiscal year periods is difficult since the sales mix is so different between periods, and heavily weighted to DBS satellite products in the six month period ended August 28, 1999. The gross margins achieved on sales of DBS product for the current year fiscal period are based upon the subcontract assembly agreement with Gardiner, offset by additional Company costs of supervision. Sales of Wireless Cable video products and gross margins remain under pressure as the traditional wireless cable video market reduces capital expenditures as operators evaluate the two-way data opportunities.

In September 1999, the Company assumed control of the manufacturing operations for the DBS products acquired in April 1999 from Gardiner. Since the acquisition and through August 1999, Gardiner acted as a subcontractor for the DBS products. The Company may incur significant start-up costs to attain volume production levels, however, many of the existing Gardiner employees will become employees of the Company to assist in the transition.

See also Note 4 Segments included elsewhere herein.

Operating Expenses

Research and development expenses increased $40,000 from $2.49 million to $2.53 million.

Selling expenses decreased $178,000 from $2.4 million to $2.2 million.

Although research and selling expenses between periods are relatively the same in terms of absolute dollars, there were significant decreases in discretionary spending in the current six month period as compared to the prior year, offset by increases in salaries, and added personnel primarily related to the Gardiner acquisition in April 1999.

General and Administrative expense increased $205,000 from $2.0 million to $2.2 million. The increase relates primarily to incentive bonus accruals for anticipated bonuses to be paid if the Company's fiscal year 2000 operating results exceed profit objectives established at the beginning of the year.

Income (Loss) from Operations

Income (loss) from operations, for the reasons outlined above, increased $4.1 million, from an operating loss of $2.2 million to operating income of $1.9 million.

Minority Interest Share in (Income) Loss of Micro Pulse

The Company consolidates 100% of the sales and expenses of Micro Pulse. The minority interest share in (income) loss of Micro Pulse eliminates the 49.5% of the (income) loss of Micro Pulse relating to the minority stockholders' share of the (income) loss of Micro Pulse.

(Provision for) Benefit from Income Taxes

The (provision for) benefit from for income taxes for the second quarter of fiscal 2000 is based upon an annualized tax rate of 36%, the same tax rate as fiscal year 1999. This tax rate assumes savings from benefits allowed for export sales through a foreign sales corporation and research and development tax credits.

Net Income (Loss)

Net income (loss), for reasons outlined above, increased by $2.5 million from an operating loss of $1.3 million to operating income of $1.2 million.

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LIQUIDITY AND CAPITAL RESOURCES

The Company has a $6.0 million working capital facility with Santa Monica Bank at the bank's prime rate (8.5% at August 28, 1999). As of August 28, 1999, no amounts were outstanding under the credit facility. The $6.0 million credit facility with Santa Monica Bank expires in June 2001.

The Company believes that cash flow from operations, together with the funds available under its credit facility, are sufficient to support operations and capital equipment requirements over the next twelve months.

The Company believes that inflation has not had a material effect on its operations.

YEAR 2000 COMPLIANCE

COMPANY PRODUCTS

The Company's satellite, wireless cable, voice and data, and antenna microwave reception and transceiver products do not contain time or date code applications and are therefore, not impacted by the Year 2000 century change. The Company's wireless cable scrambling and conditional access system, MultiCipher, does have date and time characteristics in microprocessor embedded software and in its software interface applications. The Company has identified programming issues that may impact how certain information must be input by MultiCipher customers, for example, the scheduling of future pay-per-view events. Upgrades to address such issues are now available to customers on a fee basis. All current shipments of MultiCipher system head-ends are year 2000 compliant.

INTERNAL OPERATIONS

General. The computer system issues relating to dates beyond 1999 are the result of many computer programs being written to use and store dates with only the last two digits of the applicable year. As a result, these programs may assume that all two digit dates are twentieth century dates. This could result in system failure, anomalous system behavior or incorrect system reporting. System failure could, in turn, temporarily affect the Company's ability to process customer transactions, interface with vendors and engage in similar normal business activities.

The Company has assessed how it may be impacted. The Company has formulated and begun implementation of a plan to address all known aspects of the issue. The Company has already completed a substantial portion of this plan and is on schedule to fully complete the plan by November 1999.

Software Information Systems. The Company's software information systems consist primarily of a financial and manufacturing system (Computer Associates KBM), and other smaller scale software applications, and other programs developed internally.

In January 1999, the Computer Associates KBM financial and manufacturing software upgrade was completed and is now year 2000 compliant. In addition, software on networks and desktop computers have been tested for year 2000 compliance. The Company does not expect any major issues related to upgrading or eliminating these software applications to ensure Y2K compliance, at a cost of less than $25,000.

Computer Hardware and Operating Systems. Computer hardware and operating systems includes all data center equipment (IBM AS400 system) and networks (Novell and Microsoft NT). In January 1999, the Company purchased a new IBM AS400 in conjunction with the Computer Associates software upgrades and is now year 2000 compliant. The current NT networks are year 2000 compliant, but the Novell Network is not. This network will be upgraded or converted to NT by November 1999 at a cost of less than $5,000.

Communications Systems. Communications systems includes all data center equipment (fax machines, telephone systems, and related software systems) used to support external communications with customers, employees, and suppliers, business partners and all corporate equipment and software systems used to support internal business management communications. Each significant component of these communications systems has been upgraded.

Suppliers and Other Business Partners. This area of the plan called for all significant suppliers and other business partners to be surveyed for year 2000 readiness. Most of the significant trade vendors have already been contacted. The Company anticipates that these activities will continue into the third quarter of calendar 1999. The Company is not currently aware of any single vendor or business partner with year 2000 compliance issues that could have a material impact on the Company. The Company can provide no assurance that year 2000 compliance will be successfully implemented by all of its suppliers.

Contingency Planning. The Company is currently outlining a contingency plan to address the risk of operational problems and costs likely to result from a failure by the Company or by a supplier or business partner to address year 2000 readiness. It will list specific action plans for failure in any of the identified areas of the year 2000 compliance plan. The Company believes its current state of readiness is on schedule with a conservative plan to be fully year 2000 compliant by November of 1999 and that business risks have been minimized. However, there can be no guarantee that year 2000 compliance issues not yet identified or fully addressed will not materially affect the Company's operations or expose it to third party liability.

SAFE HARBOR STATEMENT

Forward looking statements in this Form 10-Q/A which include, without limitation, statements relating to the Company's plans, strategies, objectives, expectations, intentions, projections and other information regarding future performance, are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. The words "believes," "anticipates," "expects," and similar expressions are intended to identify forward-looking statements. These forward-looking statements reflect the Company's current views with respect to future events and financial performance and are subject to certain risks and uncertainties, including, without limitation, product demand, market growth, new competition, competitive pricing and continued pricing declines in the DBS market, supplier constraints, manufacturing yields, meeting demand with multiple facilities, timing and market acceptance of new product introductions, new technologies, the financial investigation announced on March 29, 2001, litigation and related matters and other risks and uncertainties that are detailed from time to time in the Company's periodic reports filed with the Securities and Exchange Commission, copies of which may be obtained from the Company upon request. Such risks and uncertainties could cause actual results to differ materially from historical results or those anticipated. Although the Company believes the expectations reflected in such forward-looking statements are based upon reasonable assumptions, it can give no assurance that its expectations will be attained. The Company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

PART II OTHER INFORMATION

ITEM 1. Legal Proceedings.

On June 11, 1997, the Company and certain of its directors and officers had two legal actions filed against them, one in the United States District Court, Central District of California, entitled *Yourish v. California Amplifier, Inc., et al.*, Case No. 97-4293 CBM (Mcx), and the other in the Superior Court for the State of California, County of Ventura, entitled *Yourish v. California Amplifier, Inc. et al.*, Case No. CIV 173569. On June 30, 1997, another legal action was filed against the same defendants in the Superior Court for the State of California, County of Ventura, entitled *Burns, et al., v. California Amplifier, Inc., et al.*, Case No. CIV 173981. All three actions are purported class actions on behalf of purchasers of the common stock of the Company between September 12, 1995 and August 8, 1996. The actions claim that the defendants engaged in a scheme to make false and misleading statements and omitted disclosure of material adverse facts to the public concerning the Company, allegedly causing the Company's stock price to artificially rise, and thereby allegedly allowing the individual defendants to sell stock at inflated prices. Plaintiffs claim that the purported stockholder class was damaged when the price of the stock declined upon disclosure of the alleged adverse facts. On September 21, 1998, the Federal legal action was dismissed in the United States District Court. The dismissal was upheld by the U.S. Court of Appeals for the Ninth Circuit on October 8, 1999. The State legal action remains in the Superior Court for the State of California. The current trial date is December 13, 1999, but the Company expects that a trial will be held in early 2000. The Company and its legal counsel are currently evaluating the claims. Based upon the analysis performed to date, the Company, its directors and officers, plan to vigorously defend themselves against these claims in State court.

See also Note 6, Subsequent Events included elsewhere herein.

ITEM 2. Changes in Securities

None

ITEM 3. Defaults upon Senior Securities

None

ITEM 4. Submission of Matters to a Vote of Security Holders

The annual meeting of stockholders of California Amplifier, Inc. was held July 16, 1999.

At the annual meeting of stockholders proposals were considered for the election of Ira Coron, Fred Sturm, Arthur H. Hausman, William E. McKenna and Thomas L. Ringer as directors to serve until the 1999 annual meeting of stockholders. All of the five director-nominees were elected. The voting results are summarized below:

Proposal

1) Election of Directors:

	For	Withheld	Against
Ira Coron	10,785,642	282,622	0
Fred Sturm	10,856,136	212,128	0
Arthur Hausman	10,821,493	246,771	0
William McKenna	10,808,337	259,927	0
Thomas Ringer	10,800,356	267,908	0

2) Approval and ratification of the 1999 Stock Option Plan:

For	Withheld	Against
9,426,955	1,696,356	35,567

ITEM 5. Other Information

None

ITEM 6. Exhibits and Reports on Form 8-K

(a) Current report on Form 8-K/A dated July 1, 1999 (date of event April 19, 1999) reporting Item 7 "Financial Statements, Proforma Financial Information and Exhibits."

SIGNATURES

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

CALIFORNIA AMPLIFIER, INC.

(Registrant)

May 21, 2001

/s/ MICHAEL R. FERRON

Michael R. Ferron
Vice President, Finance and Chief Accounting Officer

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