

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

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended March 29, 2008 ,

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. 0-12719

GIGA-TRONICS INCORPORATED

(Exact name of registrant as specified in its charter)

California

(State or other jurisdiction of incorporation or organization)

94-2656341

(I.R.S. Employer Identification No.)

4650 Norris Canyon Road, San Ramon, CA

(Address of principal executive offices)

94583

(Zip Code)

Registrant's telephone number, including area code: (925) 328-4650

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

Title of each class

Common Stock, No par value

Name of each exchange on which registered

The NASDAQ Stock Market LLC

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act.

Yes ☐ No ☒

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

Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of 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 check mark 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. (Check one):

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer (Do not check if a smaller reporting company)	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>

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

The aggregate market value of voting and non-voting common equity held by non-affiliates of the Registrant computed by reference to the price at which the common equity was sold or the average bid and asked prices as of September 28, 2007 was \$9,058,171.

There were a total of 4,824,021 shares of the Registrant’s Common Stock outstanding as of June 11, 2008.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the following documents have been incorporated by reference into the parts indicated:

<u>PART OF FORM 10-K</u>	<u>DOCUMENT</u>
PART III	Registrant’s PROXY STATEMENT for its 2008 Annual Meeting of Shareholders to be filed no later than 120 days after the close of the fiscal year ended March 29, 2008.

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PART 1

The forward-looking statements included in this report including, without limitation, statements containing the words “believes”, “anticipates”, “estimates”, “expects”, “intends” and words of similar import, which reflect management’s best judgment based on factors currently known, involve risks and uncertainties. Actual results could differ materially from those anticipated in these forward-looking statements as a result of a number of factors, including but not limited to those discussed under “Certain Factors Which May Adversely Affect Future Operations Or An Investment In Giga-tronics” in Item 1 below and in Item 7, “Management’s Discussion and Analysis”.

ITEM 1. DESCRIPTION OF BUSINESS

General

Giga-tronics Incorporated (Giga-tronics, or the Company) includes operations of Giga-tronics Instrument Division, ASCOR Inc. (ASCOR) and Microsource Inc. (Microsource). As of April 1, 2008, ASCOR Inc. was merged into and is now a division of Giga-tronics Incorporated.

Giga-tronics designs, manufactures and markets through its Giga-tronics Instrument Division, a broad line of test and measurement equipment used in the development, test and maintenance of wireless communications products and systems, flight navigational equipment, electronic defense systems and automatic testing systems. These products are used primarily in the design, production, repair and maintenance of commercial telecommunications, radar, and electronic warfare equipment.

Giga-tronics was incorporated on March 5, 1980. Its principal executive offices are located at 4650 Norris Canyon Road, San Ramon, California, and its telephone number at that location is (925) 328-4650.

Effective July 23, 1996, Giga-tronics acquired ASCOR. ASCOR, previously located in Fremont, California, designs, manufactures, and markets a line of switching and connecting devices that link together many specific purpose instruments that comprise a portion of automatic test systems. ASCOR offers a family of switching and interface test adapters as standard VXI configured products, as well as complete system integration services to the Automatic Test Equipment market. Effective April 1, 2007, all ASCOR operations are conducted out of the San Ramon, California facility. Its Fremont, California facility of approximately 18,700 square feet is available for sub-lease.

Effective May 18, 1998, Giga-tronics acquired Microsource. Microsource, located in Santa Rosa, California, develops and manufactures a broad line of YIG (Yttrium, Iron, Garnet) tuned oscillators, filters and microwave synthesizers, which are used by its customers in manufacturing a wide variety of microwave instruments and devices.

Giga-tronics intends to broaden its product lines and expand its market, both by internal development of new products and through the acquisition of other business entities. From time to time, the Company considers a variety of acquisition opportunities.

Industry Segments

The Company manufactures products used in test, measurement and handling. The Company operates primarily in four operating and reporting segments: Giga-tronics Instrument Division, ASCOR, Microsource and Corporate.

Products and Markets

Giga-tronics Instrument Division

The Giga-tronics Instrument Division segment produces signal sources, generators and sweepers, and power measurement instruments for use in the microwave and radio frequency (RF) range (10 kilohertz (kHz) to 50 gigahertz (GHz)). Within each product line are a number of different models and options allowing customers to select frequency range and specialized capabilities, features and functions. The end-user markets for these products can be divided into three broad segments: commercial telecommunications, radar and electronic warfare. This segment’s instruments are used in the

design, production, repair and maintenance and calibration of other manufacturers' products, from discrete components to complex systems.

ASCOR

The ASCOR segment produces switch modules and interface adapters that operate with a bandwidth from direct current (DC) to optical frequencies. This segment's switch modules may be incorporated within its customers' automated test equipment. The end-user markets for these products are primarily related to defense, aeronautics, communications, satellite and electronic warfare.

Microsource

The Microsource segment develops and manufactures a broad line of YIG tuned oscillators, filters and microwave synthesizers, which are used by its customers in manufacturing a wide variety of microwave instruments or devices.

Sources and Availability of Raw Materials and Components

Substantially all of the components required by Giga-tronics to make its assemblies are available from more than one source. The Company occasionally uses sole source arrangements to obtain leading-edge technology or favorable pricing or supply terms, but not in any material volume. In the Company's opinion, the loss of any sole source arrangement it has would not be material to its operations.

Although extended delays in receipt of components from its suppliers could result in longer product delivery schedules for the Company, the Company believes that its protection against this possibility stems from its practice of dealing with well-established suppliers and maintaining good relationships with such suppliers.

Patents and Licenses

The Company's competitive position is largely dependent upon its ability to provide performance specifications for its instruments and systems that (a) easily, effectively and reliably meet customers' needs and (b) selectively surpass competitors' specifications in competing products. Patents may occasionally provide some short-term protection of proprietary designs. However, because of the rapid progress of technological development in the Company's industry, such protection is most often, although not always, short-lived. Therefore, although the Company occasionally pursues patent coverage, it places major emphasis on the development of new products with superior performance specifications and the upgrading of existing products toward this same end. This is reflected in a substantial allocation of budget to project development costs.

The Company's products are based on its own designs, which in turn derive from its own engineering abilities. If the Company's new product engineering efforts fall behind, its competitive position weakens. Conversely, effective product development greatly enhances its competitive status.

The Company presently holds 22 patents. None of these are critical to the Company's ongoing business, and the Company does not actively maintain them. Capitalized costs relating to these patents were both incurred and fully amortized prior to March 1, 2003. Accordingly, these patents have no recorded value included in the Company's fiscal 2008 and 2007 consolidated financial statements.

The Company is not dependent on trademarks, licenses or franchises. It does utilize certain software licenses in certain functional aspects for some of its products. Such licenses are readily available, non-exclusive and are obtained at either no cost or for a relatively small fee.

Seasonal Nature of Business

The business of the Company is not seasonal.

Working Capital Practices

The Company generally strives to maintain at least 60 days of inventory and generally sells to customers on 30-day payment terms. Typically, the Company receives payment terms of 30 days. The Company believes that these practices are consistent with typical industry practices.

Importance of Limited Number of Customers

The Company is a leading supplier of microwave and RF test instruments to various United States (U.S.) government defense agencies, as well as to their prime contractors. Management anticipates sales to U.S. government agencies and their prime contractors will remain significant in fiscal 2009. U.S. and international defense-related agencies accounted for 62% and 61% of net sales in fiscal 2008 and 2007, respectively. Commercial business accounted for the remaining 38% and 39% of net sales in fiscal 2008 and 2007, respectively. Prior to the last five years, in which the defense business has improved, sales to the defense industry in general and direct sales to the U.S. and foreign government agencies in particular had declined. Any decline of defense orders could have a negative effect on the business, operating results, financial condition and cash flows of Giga-tronics.

During fiscal 2008 and 2007, the U.S. government defense agencies and their prime contractors made up 40% and 39%, respectively, of the Giga-tronics Instrument Division's revenues.

During fiscal 2008, ASCOR derived 53% of its revenues from the U.S. government defense agencies and their prime subcontractors. During fiscal 2007, ASCOR derived 84% of its revenues from the U.S. government defense agencies and their prime subcontractors.

During fiscal 2008, Microsource derived 41% of its revenue from an electronic instrument manufacturer and 42% of its revenues from the U.S. government defense agencies and their prime contractors, and another 12% from foreign defense agencies and their prime contractors. During fiscal 2007, Microsource derived 24% of its revenue from an electronic instrument manufacturer and 69% of its revenues from the U.S. government defense agencies and their prime contractors.

Other than U.S. government agencies and their defense contractors, no other customer accounted for 10% or more of consolidated revenues of the Company in fiscal 2008 or 2007.

In management's opinion, other than U.S. government agencies and their prime contractors, the Company has no customers where the loss of which would have a material adverse effect on the Company and its subsidiaries as a whole.

The Company's products are largely capital investments for its customers, and the Company's belief is that its customers have economic cycles in which capital investment budgets for the kinds of products that the Company produces expand and contract. The Company, therefore, expects that a major customer in one year will often not be a major customer in the following year. Accordingly, the Company's revenues and earnings will decline if the Company is unable to find new customers or increase its business with other existing customers to replace declining revenues from the previous year's major customers. A substantial decline in revenues from U.S. government defense agencies and their prime contractors would also have a material adverse effect on the Company's revenues and results of operations unless replaced by revenues from the commercial sector.

Backlog of Orders

On March 29, 2008, the Company's backlog of unfilled order was approximately \$7,528,000 compared to approximately \$8,439,000 at March 31, 2007. As of March 29, 2008, there were approximately \$2,924,000 in unfilled orders that were scheduled for shipment beyond one year, as compared to approximately \$3,145,000 at March 31, 2007. Orders for the Company's products include program orders from both the U.S. government and defense contractors with extended delivery dates. Accordingly, the backlog of orders may vary substantially from quarter to quarter and the backlog entering any single quarter may not be indicative of sales for any period.

Backlog includes only those customer orders for which a delivery schedule has been agreed upon between the Company and the customer and, in the case of U.S. government orders, for which funding has been appropriated.

Competition

Giga-tronics serves the broad market for electronic instrumentation with applications ranging from the design, test, calibration and maintenance of other electronic devices to providing sophisticated components for complex electronic systems to sub-systems capable of sorting and identifying high frequency communication signals. These applications cut across the commercial, industrial and military segments of the broad market. The Company has a variety of competitors. Several of its competitors are much larger than the Company and have greater resources and substantially broader product lines. Others are of comparable size with more limited product lines.

Competition from numerous existing companies is intense and potential new entrants are expected to increase. The Company's instrument, switch, oscillator and synthesizer products compete with Agilent, Anritsu, Racal, Aeroflex and Rohde & Schwarz. Many of these companies have substantially greater research and development, manufacturing, marketing, financial, technological, personnel and managerial resources than Giga-tronics. There can be no assurance that any products developed by these competitors will not gain greater market acceptance than any developed by Giga-tronics.

To compete effectively in this circumstance, the Company (a) places strong emphasis on maintaining a high degree of technical competence as it relates to the development of new products and the upgrading of existing products and (b) is highly selective in establishing technological objectives. The Company does not attempt to compete 'across the board', but selectively based upon its particular strengths and the competitors' perceived limitations.

Specification requirements of customers in this market vary widely. The Company is able to compete by offering products that meet a customer's particular specification requirements; by being able to offer certain product specifications at lower cost resulting from the Company's past production of products with those of similar specifications; and by being able to offer certain product specifications at a higher quality level. All of these advantages are attributable to the Company's continuing investment in research and development and in a highly trained engineering staff.

The customer's decision is most often based on the best match of its particular requirements and the supplier's operating specifications. In most cases, attracting and retaining customers does not require the Company to offer the best overall product with respect to each of the customer's requirements, but rather the best product relative to the specifications that are most important to the customer.

Price is a competitive consideration. In that circumstance, the Company believes it has more flexibility in making pricing decisions than its larger and more structured competitors.

Sales and Marketing

Giga-tronics Instrument Division, ASCOR, and Microsource market their products through various independent distributors and representatives to commercial and government customers, although not necessarily through the same distributors and representatives.

Product Development

Products of the type manufactured by Giga-tronics historically have had relatively long product life cycles. However, the electronics industry is subject to rapid technological changes at the component level. The future success of the Company is dependent on its ability to steadily incorporate advancements in component technologies into its new products. Product development expenses totaled approximately \$2,248,000 and \$3,731,000 in fiscal 2008 and 2007, respectively.

Activities included the development of new products and the improvement of existing products. It is management's intention to maintain product development at levels required to sustain its competitive position. All of the Company's product development activities are internally funded and expensed as incurred.

Giga-tronics expects to continue to make significant investments in research and development. There can be no assurance that future technologies, processes or product developments will not render Giga-tronics' current product offerings obsolete or that Giga-tronics will be able to develop and introduce new products or enhancements to existing products that satisfy customer need, in a timely manner or achieve market acceptance. The failure to do so could adversely affect Giga-tronics' business.

Manufacturing

The assembly and testing of Giga-tronics Instrument Division's microwave, RF and power measurement products are done at its San Ramon facility. The assembly and testing of ASCOR's switching and connecting devices was previously done at its Fremont facility, but effective April 1, 2007, was moved to the San Ramon facility. The assembly and testing of Microsource's line of YIG tuned oscillators, filters and microwave synthesizers are done at its Santa Rosa facility.

Environment

To the best of its knowledge, the Company is in compliance with all Federal, state and local laws and regulations involving the protection of the environment.

Employees

As of March 29, 2008, Giga-tronics employed 93 individuals on a full-time basis. Management believes that the future success of the Company depends on its ability to attract and retain skilled personnel. None of the Company's employees are represented by a labor union, and the Company considers its employee relations to be good.

Information about Foreign Operations

The Company sells to its international customers through a network of foreign technical sales representative organizations. All transactions between the Company and its international customers are in U.S. dollars.

Geographic Distribution of Net Sales

(Dollars in thousands)	2008	Percent	2007	Percent
Domestic	\$ 11,348	61.9%	\$ 14,218	78.8%
International	6,983	38.1%	3,830	21.2%

See footnote 5 of the financial statements for further breakdown of international sales for the last two years.

The Company has no foreign-based operations or material amounts of identifiable assets in foreign countries. Its gross margins on foreign and domestic sales are similar.

ITEM 1A. RISK FACTORS

Business climate is volatile

Giga-tronics has a significant number of defense-related orders. If the defense market demand decreases, actual shipments could be less than projected shipments with a resulting decline in sales. The Company's commercial product backlog has a number of risks and uncertainties such as the cancellation or deferral of orders, dispute over performance and the Company's ability to collect amounts due under these orders. If any of these events occurs, actual shipments could be less than projected shipments and earnings could decline.

Giga-tronics sales are substantially dependent on the wireless industry

Giga-tronics sells directly or indirectly to customers and equipment manufacturers in the wireless industry. Currently, this industry is undergoing dramatic and rapid change. As such, the business that Giga-tronics records could decrease or existing recorded backlog could be stretched or deferred resulting in less than projected shipments. Reduced shipments may have a material adverse effect on operations.

Giga-tronics' markets involve rapidly changing technology and standards

The market for electronics equipment is characterized by rapidly changing technology and evolving industry standards. Giga-tronics believes that its future success will depend in part upon its ability to develop and commercialize its existing products, develop new products and applications, and in part to develop, manufacture and successfully introduce new

products and product lines with improved capabilities and to continue to enhance existing products. There can be no assurance that Giga-tronics will successfully complete the development of current or future products or that such products will achieve market acceptance.

Liquidity

Based on current levels of sales and expenses, management believes that cash and cash equivalents remain adequate to meet current operating needs. However, this estimate is based on projections that may or may not be realized, and therefore actual cash usage could be greater than projected. To operate beyond that term would require the Company to earn additional cash from operations, renew or obtain a line of credit or obtain additional funds from other sources. The Company maintains a line of credit for \$2,500,000; however, the Company has not utilized this line of credit.

Giga-tronics' common stock price is volatile

The market price of the Company's common stock could be subject to significant fluctuations in response to variations in quarterly operating results, shortfalls in revenues or earnings from levels expected by securities analysts and other factors such as announcements of technological innovations or new products by Giga-tronics or by competitors, government regulations or developments in patent or other proprietary rights. In addition, the NASDAQ Capital Market and other stock markets have experienced significant price fluctuations in recent periods. These fluctuations often have seemingly been unrelated to the operating performance of the specific companies whose stocks are traded. Broad market fluctuations, as well as general foreign and domestic economic conditions, may adversely affect the market price of the common stock.

Giga-tronics stock at any time has historically traded on thin volume on NASDAQ. Sales of a significant volume of stock could result in a depression of Giga-tronics' share prices.

Performance problems in Giga-tronics' products or problems arising from the use of its products together with other vendors' products may harm its business and reputation

Products as complex as those Giga-tronics produces may contain unknown and undetected defects or performance problems. For example, it is possible that a product might not comply with stipulated specifications under all circumstances. In addition, Giga-tronics' customers generally use its products together with their own products and products from other vendors. As a result, when problems occur in a combined environment, it may be difficult to identify the source of the problem. A defect or performance problem could result in lost revenues, increased warranty costs, diversion of engineering and management time and effort, impaired customer relationships and injury to Giga-tronics' reputation generally. To date, performance problems in Giga-tronics' products or in other products used together with Giga-tronics' products have not had a material adverse effect on its business. However, management cannot be certain that a material adverse impact will not occur in the future.

Competition

The Company's instrument, switch, oscillator and synthesizer products compete with Agilent, Anritsu, Racal, Aeroflex and Rohde & Schwarz. Many of these companies have substantially greater research and development, manufacturing, marketing, financial, technological, personnel and managerial resources than Giga-tronics. These resources also make these competitors better able to withstand difficult market conditions than the Company. There can be no assurance that any products developed by the competitors will not gain greater market acceptance than any developed by Giga-tronics.

Giga-tronics acquisitions may not be effectively integrated and their integration may be costly

As part of its business strategy, Giga-tronics may broaden its product lines and expand its markets, in part through the acquisition of other business entities. Giga-tronics is subject to various risks in connection with any future acquisitions. Such risks include, among other things, the difficulty of assimilating the operations and personnel of the acquired companies, the potential disruption of the Company's business, the inability of management to maximize the financial and

strategic position of the Company by the successful incorporation of acquired technology and rights into its product offerings, the maintenance of uniform standards, controls, procedures and policies, and the potential loss of key employees of acquired companies. The Company has not made any acquisitions in the past nine years. No assurance can be given that any acquisition by Giga-tronics will or will not occur, that if an acquisition does occur, that it will not materially harm the Company or that any such acquisition will be successful in enhancing the Company's business. The Company currently

contemplates that future acquisitions may involve the issuance of additional shares of common stock. Any such issuance may result in dilution to all Giga-tronics' shareholders, and sales of such shares in significant volume by the shareholders of acquired companies may depress the price of its common stock.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. DESCRIPTION OF PROPERTY

As of March 29, 2008, Giga-tronics' principal executive office and the Instrument Division marketing, sales and engineering offices and manufacturing facilities for its microwave and RF signal generator and power measurement products are located in approximately 47,300 square feet in San Ramon, California, which the Company occupies under a lease agreement expiring December 31, 2011.

ASCOR's marketing, sales and engineering offices and manufacturing facilities for its switching and connecting devices were previously located in approximately 18,700 square feet in Fremont, California under a lease that expires on June 30, 2009. The Company effectively abandoned this property as a part of its restructuring plan as of March 31, 2007. All of the above activities have been conducted in the San Ramon, California facility effective April 1, 2007. The Company has an accrued loss of approximately \$355,000 for future lease expense, net of estimated future sub-lease rental income. As of March 29, 2008, the Company has not sub-leased the available space.

Microsource's manufacturing facilities for its YIG tuned oscillators, filters and microwave synthesizers are located in an approximately 33,400 square foot facility in Santa Rosa, California, which it occupies under a lease expiring May 31, 2013.

The Company believes that its facilities are adequate for its business activities.

ITEM 3. LEGAL PROCEEDINGS

As of March 29, 2008, the Company has no material pending legal proceedings. From time to time, Giga-tronics is involved in various disputes and litigation matters that arise in the ordinary course of business.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders during the fourth quarter of the fiscal year ended March 29, 2008.

PART II

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED SHAREHOLDER MATTERS

Common Stock Market Prices

Giga-tronics' common stock is traded on the NASDAQ Capital Market (formerly the NASDAQ Small Cap Market) using the symbol 'GIGA'. The number of record holders of the Company's common stock as of March 29, 2008 was approximately 1,600. The table below shows the high and low closing bid quotations for the common stock during the indicated fiscal periods. These quotations reflect inter-dealer prices without retain mark-ups, mark-downs, or commission and may not reflect actual transactions.

	2008	High	Low	2007	High	Low
First Quarter	(4/1 - 6/30)	\$ 2.22	\$ 1.61	(3/26 - 6/24)	\$ 2.89	\$ 1.78
Second Quarter	(7/1 - 9/29)	2.36	1.62	(6/25 - 9/30)	1.94	1.29
Third Quarter	(9/30 - 12/29)	3.85	1.71	(10/1 - 12/30)	2.45	1.39
Fourth Quarter	(12/30 - 3/29)	1.87	1.27	(12/31 - 3/31)	2.97	1.83

Giga-tronics has not paid cash dividends in the past and has no plans to do so in the future, based upon its belief that the best use of its available capital is in the enhancement of its product position.

Giga-tronics has not issued any unregistered securities or repurchased any of its securities during the past fiscal year.

Equity Compensation Plan Information

The following table provides information on options and other equity rights outstanding and available at March 29, 2008.

Equity Compensation Plan Information			
Plan Category	No. of securities to be issued upon exercise of outstanding option, warrants and rights	Weighted average exercise price of outstanding option, warrants and rights	No. of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved			
by security holders	855,650	\$ 2.04	445,225
Equity compensation plans not approved			
by security holders	n/a	n/a	n/a
Total	855,650	\$ 2.04	445,225

ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth selected financial data for the Company's last five fiscal years. This information is derived from the Company's audited consolidated financial statements, unless otherwise stated. This data should be read in conjunction with the consolidated financial statements, related notes, and other financial information included elsewhere in this report.

SELECTED CONSOLIDATED FINANCIAL DATA

Summary of Operations:

	Years Ended				
(In thousands except per share data)	March 29, 2008	March 31, 2007	March 25, 2006	March 26, 2005	March 27, 2004
Net sales	\$ 18,331	\$ 18,048	\$ 20,620	\$ 21,477	\$ 17,491
Gross profit	7,748	7,546	8,300	9,598	4,736
Operating expenses	7,939	9,548	9,316	8,760	9,179
Interest income, net	36	108	32	-	7
Pre-tax (loss) income from continuing operations	(201)	(1,894)	(984)	849	(4,440)
Provision for income taxes	2	1	4	4	4
(Loss) income from continuing operations	(203)	(1,895)	(988)	845	(4,444)
(Loss) income on discontinued operations, net of income taxes	(31)	28	27	(233)	(2,377)
Net (loss) income	\$ (234)	\$ (1,867)	\$ (961)	\$ 612	\$ (6,821)
Basic (loss) earnings per share:					
From continuing operations	\$ (0.04)	\$ (0.40)	\$ (0.21)	\$ 0.18	\$ (0.94)
On discontinued operations	(0.01)	0.01	0.01	(0.05)	(0.51)
Net (loss) earnings per share - basic	<u>\$ (0.05)</u>	<u>\$ (0.39)</u>	<u>\$ (0.20)</u>	<u>\$ 0.13</u>	<u>\$ (1.45)</u>
Diluted (loss) earnings per share:					
From continuing operations	\$ (0.04)	\$ (0.40)	\$ (0.21)	\$ 0.18	\$ (0.94)
On discontinued operations	(0.01)	0.01	0.01	(0.05)	(0.51)
Net (loss) earnings per share - diluted	<u>\$ (0.05)</u>	<u>\$ (0.39)</u>	<u>\$ (0.20)</u>	<u>\$ 0.13</u>	<u>\$ (1.45)</u>
Shares of common stock - basic	4,813	4,809	4,782	4,725	4,704
Shares of common stock - diluted	4,813	4,809	4,782	4,741	4,704

Financial Position:

	Years Ended				
(In thousands except per share data)	March 29, 2008	March 31, 2007	March 25, 2006	March 26, 2005	March 27, 2004
Current ratio	3.55	3.09	3.93	4.29	2.92
Working Capital	\$ 7,131	\$ 7,280	\$ 8,856	\$ 9,337	\$ 7,997
Total assets	\$ 10,361	\$ 11,161	\$ 12,346	\$ 12,961	\$ 13,733
Shareholders' equity	\$ 7,392	\$ 7,393	\$ 9,098	\$ 9,812	\$ 9,196

Percentage Data:

	Years Ended				
(Percentage of net sales)	March 29, 2008	March 21, 2007	March 25, 2006	March 26, 2005	March 27, 2004
Gross profit	42.3%	41.8%	40.3%	44.7%	27.1%
Operating expenses	43.3%	52.9%	45.2%	40.8%	52.5%
Interest income, net	0.2%	0.6%	0.1%	0.0%	0.0%
Pre-tax (loss) income from continuing operations	(1.1%)	(10.5%)	(4.8%)	4.0%	(25.4%)
(Loss) income on discontinued operations, net of income taxes	(0.2%)	0.2%	0.1%	(1.1%)	(13.6%)
Net (loss) income	(1.3%)	(10.3%)	(4.7%)	2.8%	(39.0%)

SELECTED CONSOLIDATED FINANCIAL DATA

The following is a summary of unaudited results of operations for the fiscal years ended March 29, 2008 and March 31, 2007.

Quarterly Financial Information (Unaudited)		2008				
(In thousands except per share data)		First	Second	Third	Fourth	Year
Net sales	\$	4,628	\$ 4,651	\$ 4,953	\$ 4,009	\$ 18,331
Gross profit		1,944	2,081	2,049	1,674	7,748
Operating expenses		1,941	1,879	1,974	2,145	7,939
Interest income, net		14	9	6	7	36
Pre-tax income (loss) from continuing operations		30	198	51	(480)	(201)
Provision for income taxes		2	-	-	-	2
Income (loss) from continuing operations		28	198	51	(480)	(203)
Income (loss) on discontinued operations, net of income taxes		64	(10)	(20)	(65)	(31)
Net income (loss)	\$	92	\$ 188	31	\$ (545)	\$ (234)
Basic earnings (loss) per share:						
From continuing operations	\$	0.01	\$ 0.04	\$ 0.01	\$ (0.10)	\$ (0.04)
On discontinued operations		0.01	(0.00)	(0.00)	(0.01)	(0.01)
Net earnings (loss) per share - basic	\$	<u>0.02</u>	<u>\$ 0.04</u>	<u>\$ 0.01</u>	<u>\$ (0.11)</u>	<u>\$ (0.05)</u>
Diluted earnings (loss) per share:						
From continuing operations	\$	0.01	\$ 0.04	\$ 0.01	\$ (0.10)	\$ (0.04)
On discontinued operations		0.01	(0.00)	(0.00)	(0.01)	(0.01)
Net earnings (loss) per share - diluted	\$	<u>0.02</u>	<u>\$ 0.04</u>	<u>\$ 0.01</u>	<u>\$ (0.11)</u>	<u>\$ (0.05)</u>
Shares of common stock - basic		4,809	4,810	4,814	4,818	4,813
Shares of common stock - diluted		4,863	4,880	4,913	4,818	4,813

Quarterly Financial Information (Unaudited)
2007

(In thousands except per share data)	First	Second	Third	Fourth	Year
Net sales	\$ 3,386	\$ 3,934	\$ 5,564	\$ 5,146	\$ 18,048
Gross profit	1,199	1,857	2,394	2,096	7,546
Operating expenses	2,258	2,306	2,378	2,606	9,548
Interest income, net	29	37	25	17	108
Pre-tax (loss) income from continuing operations	(1,030)	(412)	41	(493)	(1,894)
Provision for income taxes	-	1	-	-	1
(Loss) income from continuing operations	(1,030)	(413)	41	(493)	(1,895)
Income (loss) on discontinued operations, net of income taxes	3	10	17	(2)	28
Net (loss) income	\$ (1,027)	\$ (403)	\$ 58	\$ (495)	\$ (1,867)
Basic (loss) earnings per share:					
From continuing operations	\$ (0.21)	\$ (0.08)	\$ 0.01	\$ (0.10)	\$ (0.40)
On discontinued operations	0.00	0.00	0.00	(0.00)	0.01
Net (loss) earnings per share - basic	<u>\$ (0.21)</u>	<u>\$ (0.08)</u>	<u>\$ 0.01</u>	<u>\$ (0.10)</u>	<u>\$ (0.39)</u>
Diluted (loss) earnings per share:					
From continuing operations	\$ (0.21)	\$ (0.08)	\$ 0.01	\$ (0.10)	\$ (0.40)
On discontinued operations	0.00	0.00	0.00	(0.00)	0.01
Net (loss) earnings per share - diluted	<u>\$ (0.21)</u>	<u>\$ (0.08)</u>	<u>\$ 0.01</u>	<u>\$ (0.10)</u>	<u>\$ (0.39)</u>
Shares of common stock - basic	4,809	4,809	4,809	4,809	4,809
Shares of common stock - diluted	4,809	4,809	4,884	4,809	4,809

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION**Overview**

Giga-tronics produces instruments, subsystems and sophisticated microwave components that have broad applications in both defense electronics and wireless telecommunications. In 2008 Giga-tronics' business consisted of four operating and reporting segments: Giga-tronics Instrument Division, ASCOR, Microsource and Corporate.

The Company's business is highly dependent on government spending in the defense electronics sector and on the wireless telecommunications market. Defense orders have improved on a year-to-date basis for fiscal 2008 versus fiscal 2007. In addition, the Company has seen some improvement in commercial orders. On a year-to-date basis, commercial orders are slightly up in fiscal 2008 versus fiscal 2007.

The Company continues to monitor costs, including reductions in personnel, facilities and other expenses, to more appropriately align costs with revenues. In April 2007, the Company restored the prior salary reductions. In March 2007, the Company moved ASCOR's engineering, sales and marketing, and administrative activities to the San Ramon, California facility, effectively abandoning its Fremont, California facility. As a result, the Company has accrued its future lease obligations, net of estimated sub-lease income, through June 2009. The Company is pursuing subleasing of this facility. Microsource sales and marketing and engineering activities were also consolidated into the San Ramon facility to better integrate its component development activities with the Company's overall new product plans. The Microsource facility in Santa Rosa, California, however, remains open as a manufacturing operation.

Results of Operations

New orders by segment are as follows for the fiscal years ended:

New Orders					
(Dollars in thousands)	2008	% change	2007	% change	2006
Instrument Division	\$ 8,434	(3%)	\$ 8,677	(3%)	\$ 8,943
ASCOR	5,361	22%	4,390	30%	3,389
Microsource	3,625	17%	3,091	9%	2,825
Total	<u>\$ 17,420</u>	<u>8%</u>	<u>\$ 16,158</u>	<u>7%</u>	<u>\$ 15,157</u>

New orders received in fiscal 2008 increased 8% to \$17,420,000 from the \$16,158,000 received in fiscal 2007. New orders increased primarily due to an increase in military orders.

New orders received in fiscal 2007 increased 7% to \$16,158,000 from the \$15,157,000 received in fiscal 2006. New orders increased primarily due to an increase in military orders.

In fiscal 2008, orders at the Instrument Division decreased primarily due to a decrease in military demand for its products. Orders at ASCOR and Microsource increased primarily due to an increase in military demand for their products.

In fiscal 2007, orders at the Instrument Division decreased primarily due to a decrease in commercial wireless market demand for its products. Orders at ASCOR increased primarily due to an increase in military demand for its products. Orders at Microsource increased primarily due to increased orders from commercial customers.

The following table shows order backlog and related information at fiscal year-end:

(Dollars in thousands)	2008	% change	2007	% change	2006
Backlog of unfilled orders	\$ 7,528	(11%)	\$ 8,439	(18%)	\$ 10,329
Backlog of unfilled orders shippable within one year	4,604	(13%)	5,294	(10%)	5,863
Previous fiscal year end (FYE) one-year backlog reclassified during year as shippable later than one year	425	40%	303	(88%)	2,439
Net cancellations during year of previous FYE one-year backlog	-	-	904	-	-

The decrease in backlog at year-end 2008 of 11% was primarily due to shipments exceeding orders.

The decrease in backlog at year-end 2007 of 18% was primarily due to shipments exceeding orders and a cancellation of \$904,000 from an existing customer.

The allocation of net sales was as follows for the fiscal years shown:

Allocation of Net Sales					
(Dollars in thousands)	2008	% change	2007	% change	2006
Commercial	\$ 7,020	-	\$ 7,054	(40%)	\$ 11,657
Government / Defense	11,311	3%	10,994	23%	8,963

The allocation of net sales by segment was as follows for the fiscal years shown:

Allocation of Net Sales by Segment					
(Dollars in thousands)	2008	% change	2007	% change	2006
Instrument Division					
Commercial	\$ 4,972	2%	\$ 4,870	(33%)	\$ 7,319
Government / Defense	3,554	(13%)	4,096	77%	2,309
ASCOR					
Commercial	\$ 310	(36%)	\$ 485	(26%)	\$ 659
Government / Defense	5,710	85%	3,087	(21%)	3,900
Microsource					
Commercial	\$ 1,738	2%	\$ 1,699	(54%)	\$ 3,679
Government / Defense	2,047	(46%)	3,811	38%	2,754

Fiscal 2008 net sales were \$18,331,000, a 2% increase from the \$18,048,000 of net sales in 2007. The increase in sales was primarily due to improved military deliveries. Sales at the Giga-tronics Instrument Division decreased 5% or \$440,000. Sales at ASCOR increased 69% or \$2,448,000. Microsource sales decreased 31% or \$1,725,000.

Fiscal 2007 net sales were \$18,048,000, a 12% decrease from the \$20,620,000 of net sales in 2006. The decrease in sales was primarily due to weakness in the Company's commercial wireless market, partially offset by improved military deliveries. Sales at the Giga-tronics Instrument Division decreased 7% or \$662,000. Sales at ASCOR decreased 22% or \$987,000. Microsource sales decreased 14% or \$923,000. The decrease in export sales in fiscal 2007 is primarily based on the cyclical buying patterns of the Company's international customers.

Cost of sales was as follows for the fiscal years shown:

Cost of Sales					
(Dollars in thousands)	2008	% change	2007	% change	2006
Cost of sales	\$ 10,583	1%	\$ 10,502	(15%)	\$ 12,320

In fiscal 2008, cost of sales increased 1% to \$10,583,000 from \$10,502,000 in fiscal 2007.

In fiscal 2007, cost of sales decreased 15% to \$10,502,000 from \$12,320,000 in fiscal 2006. The decrease is primarily attributable to a volume decrease of 10% and a 5% decrease in mix cost of sales.

Operating expenses were as follows for the fiscal years shown:

Operating Expenses					
(Dollars in thousands)	2008	% change	2007	% change	2006
Engineering	\$ 2,248	(40%)	\$ 3,731	(1%)	\$ 3,760
Selling, general and administrative	5,538	2%	5,456	(2%)	5,556
Restructuring	153	(58%)	361	-	-
Total	\$ 7,939	(17%)	\$ 9,548	3%	\$ 9,316

Operating expenses decreased 17% or \$1,609,000 in fiscal 2008 over 2007 due to a decrease of \$1,483,000 in product development expense and a decrease of \$208,000 in restructuring charges, offset by an increase of \$82,000 in selling, general and administrative expense. The increase in selling, general and administrative expense is a result of higher marketing expense of \$251,000 and higher commission expense of \$199,000, offset by lower administrative expense of \$368,000. As a result of adopting SFAS 123(R) in fiscal 2007, the Company recorded \$211,000 of expense in fiscal 2008. Included in the operating expenses for fiscal 2008 was a one-time restructuring charge of \$73,000 to reserve the remaining lease obligation on the Fremont facility and \$80,000 in severance cost, for a total of \$153,000.

Operating expenses increased 3% or \$232,000 in fiscal 2007 over 2006 due to a one-time restructuring charge of \$361,000 in fiscal 2007, offset in part by a decrease of \$29,000 in product development expense and a decrease of \$100,000 in selling, general and administrative expense. The decrease in selling, general and administrative expense is a result of lower commission expense of \$347,000, offset by higher marketing expense of \$208,000 and higher administrative expense of \$39,000. As a result of adopting SFAS 123(R) in fiscal 2007, the Company recorded \$162,000 of expense. A restructuring charge of \$361,000 was made in the fourth quarter of fiscal 2007 due to the integration of all ASCOR and Instrument Division engineering and manufacturing activities at the San Ramon, California facility.

Net interest income in 2008 decreased from \$108,000 to \$36,000 due to a lower average cash balance throughout the year.

Net interest income in 2007 increased from \$32,000 to \$108,000 due to improved cash management.

Giga-tronics recorded a net loss of \$234,000 or \$0.05 per fully diluted share for fiscal 2008 versus a net loss of \$1,867,000 or \$0.39 per fully diluted share in fiscal 2007.

Giga-tronics recorded a net loss of \$1,867,000 or \$0.39 per fully diluted share for fiscal 2007 versus a net loss of \$961,000 or \$0.20 per fully diluted share in fiscal 2006. The loss in fiscal 2007 versus the loss in fiscal 2006 was attributable to lower revenue.

Inventories consist of the following:

Net Inventories			
(Dollars in thousands)	2008	% change	2007
Raw materials	\$ 2,767	(13%)	\$ 3,163
Work-in-progress	1,501	(29%)	2,128
Finished goods	369	77%	209
Demonstration inventory	371	9%	341
Total	<u>\$ 5,008</u>	<u>(14%)</u>	<u>\$ 5,841</u>

Inventories decreased by \$833,000 during fiscal year 2008.

Critical Accounting Policies

The Company's discussion and analysis of its financial condition and the results of operations are based upon the consolidated financial statements included in this report and the data used to prepare them. The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and management is required to make judgments, estimates and assumptions in the course of such preparation. The Summary of Significant Accounting Policies included with the consolidated financial statements describes the significant accounting policies and methods used in the preparation of the consolidated financial statements. On an ongoing basis, the Company re-evaluates its judgments, estimates and assumptions, including those related to revenue recognition, product warranties, allowance for doubtful accounts, valuation of inventories and valuation allowance on deferred tax assets. The Company bases its judgment and estimates on historical experience, knowledge of current conditions, and its beliefs of what could occur in the future considering available information. Actual results may differ from these estimates under different assumptions or conditions. Management of Giga-tronics has identified the following as the Company's critical accounting policies:

Revenues

Revenues are recognized when there is evidence of an arrangement, delivery has occurred, the price is fixed or determinable, and collectability is reasonably assured. This generally occurs when products are shipped and the risk of loss has passed. Revenue related to products shipped subject to customers' evaluation is recognized upon final acceptance.

Product Warranties

The Company's warranty policy generally provides two to four years for the 2400 and 2500 families of microwave synthesizers and one year for all other products. The Company records a liability for estimated warranty obligations at the date products are sold. The estimated cost of warranty coverage is based on the Company's actual historical experience with its current products or similar products. For new products, the required reserve is based on historical experience of similar products until sufficient historical data has been collected on the new product. Adjustments are made as new information becomes available.

Accounts Receivable

Accounts receivable are stated at their net realizable value. The Company has estimated an allowance for uncollectible accounts based on analysis of specifically identified problem accounts, outstanding receivables, consideration of the age of those receivables, and the Company's historical collection experience.

Inventory

Inventories are stated at the lower of cost or market. Cost is determined on a first-in, first-out basis. The Company periodically reviews inventory on hand to identify and write down excess and obsolete inventory based on estimated product demand.

Deferred Income Taxes

Income taxes are accounted for using the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Future tax benefits are subject to a valuation allowance when management is unable to conclude that its deferred tax assets will more likely than not be realized from the results of operations. The Company has recorded a valuation allowance to reflect the estimated amount of deferred tax assets that may not be realized. The ultimate realization of deferred tax assets is dependent upon generation of future taxable income during the periods in which those temporary differences become deductible. Management considers projected future taxable income and tax planning strategies in making this assessment. Based on the historical taxable income and projections for future taxable income over the periods in which the deferred tax assets become deductible, management has established a valuation allowance against its net deferred tax assets as of March 29, 2008 and March 31, 2007.

Product Development Costs

The Company incurs pre-production costs on certain long-term supply arrangements. The costs, which represent non-recurring engineering and tooling costs, are capitalized as other assets and amortized over their useful life when reimbursable by the customer. All other pre-production and product development costs are expensed as incurred.

Share-Based Compensation

The Company has a stock incentive plan that provides for the issuance of stock options to employees. The Company calculates compensation expense under SFAS 123(R) using a Black-Scholes-Merton option pricing model. In so doing, the Company makes certain key assumptions in making estimates used in the model. The Company believes the estimates used, which are presented in Note 1 of Notes to Consolidated Financial Statements, are appropriate and reasonable.

Financial Condition and Liquidity

As of March 29, 2008, Giga-tronics had \$1,845,000 in cash and cash-equivalents, compared to \$1,804,000 as of March 31, 2007.

Working capital for the 2008 fiscal year end was \$7,131,000, compared to \$7,280,000 in 2007 and \$8,856,000 in 2006. The decrease in working capital at 2008 from 2007 was primarily due to the operating loss in the year and other fiscal year-end liabilities offset by a reduction in net inventories. The decrease in working capital at 2007 from 2006 was primarily due to the operating loss in the year, increased customer deposits of \$160,000 and other fiscal year-end liabilities.

The Company's current ratio (current assets divided by current liabilities) at March 29, 2008 was 3.6 compared to 3.1 on March 31, 2007 and 3.9 on March 25, 2006. At March 29, 2008, the increase in this ratio was primarily the result of a decrease in net inventories offset by other fiscal year-end liabilities. At March 31, 2007, the reduction in this ratio was primarily the result of an increase in net inventories and partially offset by the decreases in cash and accounts receivable.

Cash provided by operations amounted to \$220,000 in 2008. Cash used in operations amounted to \$1,406,000 in 2007. Cash provided by operations was \$740,000 in 2006. Cash provided by operations in 2008 was primarily attributed to the decrease in inventories, partially offset by the operating loss in the year. Cash used in operations in 2007 was primarily attributed to the operating loss in the year. Cash provided by operations in 2006 was primarily attributed to an increase in customer advances and the decrease in inventories, partially offset by the operating loss in the year.

Additions to property and equipment were \$206,000 in 2008 compared to \$204,000 in 2007 and \$115,000 in 2006. The capital equipment spending in fiscal 2008 was due to the implementation of the Enterprise Resource Plan (ERP) system at the Instrument Division and at Microsource. The increase in capital equipment spending in fiscal 2007 was due to an upgrade of capital equipment enabling the manufacture of new products being released. The reduction in capital equipment spending in fiscal 2006 reflected the overall decline in business activity.

Other cash inflows in 2008 consisted of \$22,000 from the sale of common stock in connection with the exercise of stock options. Other cash inflows in 2006 consisted of \$247,000 from the sale of common stock in connection with the exercise of stock options.

Contractual Obligations

The Company leases various facilities under operating leases that expire through May 2013. Total future minimum lease payments under these leases amount to approximately \$4,125,000.

The Company is committed to purchase certain inventory under non-cancelable purchase orders. As of March 29, 2008, total non-cancelable purchase orders were approximately \$500,000 through fiscal 2009.

The following table disclosed the amount of payments due under certain contractual obligations in the specified time periods.

(Dollars in thousands)	Under one year	One to three years	Three to five years	More than five years
Operating leases	\$ 971	\$ 1,942	\$ 1,155	\$ 57
Purchase obligations	500	-	-	-
Total	<u>\$ 1,471</u>	<u>\$ 1,942</u>	<u>\$ 1,155</u>	<u>\$ 57</u>

Off-Balance-Sheet Arrangements

The Company has no other off-balance-sheet arrangements (including standby letters of credit, guaranties, contingent interests in transferred assets, contingent obligations indexed to its own stock or any obligation arising out of a variable interest in an unconsolidated entity that provides credit or other support to the Company), that have or are likely to have a material effect on its financial conditions, changes in financial conditions, revenue, expense, results of operations, liquidity, capital expenditures or capital resources.

Management believes that the Company has adequate resources to meet its anticipated operating and capital expenditure needs for the foreseeable future. Giga-tronics intends to maintain research and development expenditures for the purpose of broadening its product base. From time to time, Giga-tronics considers a variety of acquisition opportunities to also broaden its product lines and expand its markets. Such acquisition activity could also increase the Company's operating expenses and require the additional use of capital resources.

Recently Issued Accounting Pronouncements

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, *Fair Value Measurement* (FAS 157). This Standard defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. FAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. The Company has not determined the effect that the adoption of FAS 157 will have on its consolidated financial position, results of operations or cash flows.

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* - including an Amendment of FASB Statement No. 115 ("FAS 159"). The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. This standard permits entities to choose to measure many financial assets and liabilities and certain other items at fair value at specified election dates. The Company will report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. The fair value option may be applied on an instrument-by-instrument basis with several exceptions, such as those investments accounted for by the equity method, and once elected, the option is irrevocable unless a new election date occurs. The fair value option can be applied only to entire instruments and not to portions thereof. The provisions of FAS 159 are effective as of the beginning of an entity's first fiscal year beginning after November 15, 2007. Management did not elect to early adopt FAS 159 and has not yet completed its evaluation of the impact that FAS 159 may have on the Company's financial position, results of operations or cash flows.

In December 2007, the Financial Accounting Standards Board (“FASB”) issued Statement of Financial Accounting Standards No 141 (revised 2007), *Business Combinations* (“SFAS No 141R”). SFAS No 141R among other things, establishes principles and requirements for how the acquirer in a business combination (i) recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquired business, (ii) recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase and (iii) determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS No 141R is effective for fiscal years beginning on or after December 15, 2008, with early adoption prohibited. This standard will change the Company’s accounting treatment for business combinations on a prospective basis.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 160, *Noncontrolling Interests in Consolidated Financial Statements, an Amendment of ARB No. 51* (“SFAS No. 160”). SFAS No. 160 establishes accounting and reporting standards for noncontrolling interests in a subsidiary and for the deconsolidation of a subsidiary. Minority interests will be recharacterized as noncontrolling interests and classified as a component of equity. It also establishes a single method of accounting for changes in a parent’s ownership interest in a subsidiary and requires expanded disclosures. This statement is effective for fiscal years beginning on or after December 15, 2008, with early adoption prohibited. The Company does not expect the adoption of this Statement will have a material impact on its financial position or results of operations.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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CONSOLIDATED BALANCE SHEETS

(In thousands except share data)	March 29, 2008	March 31, 2007
Assets		
Current assets		
Cash and cash-equivalents	\$ 1,845	\$ 1,804
Trade accounts receivable, net of allowance of \$93 and \$62, respectively	2,693	2,750
Inventories, net	5,008	5,841
Prepaid expenses and other current assets	383	360
Total current assets	<u>9,929</u>	<u>10,755</u>
Property and equipment		
Leasehold improvements	373	373
Machinery and equipment	15,468	15,426
Office furniture and fixtures	723	736
Total property and equipment	16,564	16,535
Less accumulated depreciation and amortization	<u>16,164</u>	<u>16,211</u>
Property and equipment, net	400	324
Other assets	32	82
Total assets	<u><u>\$ 10,361</u></u>	<u><u>\$ 11,161</u></u>
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable	\$ 649	\$ 1,106
Accrued commission	181	192
Accrued payroll and benefits	526	666
Accrued warranty	190	207
Customer advances	646	681
Other current liabilities	<u>606</u>	<u>623</u>
Total current liabilities	2,798	3,475
Deferred rent	<u>171</u>	<u>293</u>
Total liabilities	<u>2,969</u>	<u>3,768</u>
Commitments		
Shareholders' equity		
Preferred stock of no par value;		
Authorized 1,000,000 shares; no shares outstanding at March 29, 2008 and March 31, 2007	-	-
Common stock of no par value;		
Authorized 40,000,000 shares; 4,824,021 shares at March 29, 2008 and 4,809,021 shares at March 31, 2007 issued and outstanding	13,398	13,165
Accumulated deficit	<u>(6,006)</u>	<u>(5,772)</u>
Total shareholders' equity	<u>7,392</u>	<u>7,393</u>
Total liabilities and shareholders' equity	<u><u>\$ 10,361</u></u>	<u><u>\$ 11,161</u></u>

See Accompanying Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF OPERATIONS

	Fiscal Years Ended	
	March 29, 2008	March 31, 2007
(In thousands except per-share data)		
Net sales	\$ 18,331	\$ 18,048
Cost of sales	10,583	10,502
Gross profit	<u>7,748</u>	<u>7,546</u>
Engineering	2,248	3,731
Selling, general and administrative	5,538	5,456
Restructuring	153	361
Total operating expenses	<u>7,939</u>	<u>9,548</u>
Operating loss from continuing operations	(191)	(2,002)
Other expense	46	-
Interest income, net	36	108
Loss from continuing operations before income taxes	<u>(201)</u>	<u>(1,894)</u>
Provision for income taxes	2	1
Loss from continuing operations	(203)	(1,895)
(Loss) income on discontinued operations, net of income taxes of nil for 2008 and 2007	(31)	28
Net loss	<u>\$ (234)</u>	<u>\$ (1,867)</u>
Basic and diluted net (loss) earnings per share:		
From continuing operations	\$ (0.04)	\$ (0.40)
On discontinued operations	(0.01)	0.01
Basic and diluted net loss per share	<u>\$ (0.05)</u>	<u>\$ (0.39)</u>
Shares used in per share calculation:		
Basic	4,813	4,809
Diluted	4,813	4,809

See Accompanying Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(In thousands except share data)	Shares	Amount	Accumulated Deficit	Total
Balance at March 25, 2006	4,809,021	\$ 13,003	\$ (3,905)	\$ 9,098
Comprehensive loss - net				
Net loss	-	-	(1,867)	(1,867)
Share based compensation	-	162	-	162
Balance at March 31, 2007	4,809,021	13,165	(5,772)	7,393
Comprehensive loss - net				
Net loss			(234)	(234)
Share based compensation	-	211	-	211
Stock issuance under stock options plans	15,000	22	-	22
Balance at March 29, 2008	4,824,021	\$ 13,398	\$ (6,006)	\$ 7,392

See Accompanying Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Fiscal Years Ended	
	March 29, 2008	March 31, 2007
(In thousands)		
Cash flows from operations:		
Net loss	\$ (234)	\$ (1,867)
Adjustments to reconcile net loss to net cash provided by (used in) operations:		
Net provision for doubtful accounts and notes receivable	31	(1)
Depreciation and amortization	128	215
Gain on sale of fixed asset	(3)	-
Share based compensation	211	162
Deferred rent	(122)	71
Changes in operating assets and liabilities:		
Notes receivable	-	3
Trade accounts receivable	26	686
Inventories	833	(1,028)
Prepaid expenses and other assets	27	(96)
Accounts payable	(457)	236
Accrued commissions	(11)	21
Accrued payroll and benefits	(140)	(115)
Accrued warranty	(17)	(43)
Customer advances	(35)	160
Other current liabilities	(17)	190
Net cash provided by (used in) operations	220	(1,406)
Cash flows from investing activities:		
Proceeds from sales of equipment	5	2
Purchases of property and equipment	(206)	(204)
Net cash used in investing activities	(201)	(202)
Cash flows from financing activities:		
Issuance of common stock	22	-
Increase (decrease) in cash and cash equivalents	41	(1,608)
Beginning cash and cash equivalents	1,804	3,412
Ending cash and cash equivalents	\$ 1,845	\$ 1,804
Supplementary disclosure of cash flow information:		
Cash paid for income taxes	\$ 2	\$ 1
Cash paid for interest	-	-

See Accompanying Notes to Consolidated Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 Summary of Significant Accounting Policies

The Company The accompanying consolidated financial statements include the accounts of Giga-tronics and its wholly-owned subsidiaries. The Company's corporate office and manufacturing facilities are located in Northern California. Giga-tronics and its subsidiary companies design, manufacture and market a broad line of test and measurement equipment used in the development, test, and maintenance of wireless communications products and systems, flight navigational equipment, electronic defense systems, and automatic testing systems. The Company also manufactures and markets a line of test, measurement, and handling equipment used in the manufacturing of semiconductor devices. The Company's products are sold worldwide to customers in the test and measurement and semiconductor industries. The Company currently has no foreign-based operations or material amounts of identifiable assets in foreign countries. Its gross margins on foreign and domestic sales are similar, and all non- U.S. sales are made in U.S. dollars.

Principles of Consolidation The consolidated financial statements include the accounts of Giga-tronics and its wholly- owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fiscal Year The Company's financial reporting year consists of either a 52 week or 53 week period ending on the last Saturday of the month of March. Fiscal year 2008 contained 52 weeks and fiscal year 2007 contained 53 weeks. All references to years in the consolidated financial statements relate to fiscal years rather than calendar years.

Reclassifications Certain reclassifications, none of which affected net loss, have been made to prior year balances in order to conform to the current year presentation.

Revenue Recognition Revenue is recorded when there is evidence of an arrangement, delivery has occurred, the price is fixed or determinable, and collectability is reasonably assured. This occurs when products are shipped, unless the arrangement involves acceptance terms. If the arrangement involves acceptance terms, the Company defers revenue until product acceptance is received. Further, sales made to distributors do not include price protection or product return rights, except for product defects covered under warranty arrangements. The Company has no other post-shipment obligations. The Company reports freight costs paid for shipments to customers as cost of sales.

The Company has estimated an allowance for uncollectable accounts based on analysis of specifically identified problem accounts, outstanding receivables, consideration of the age of those receivables and the Company's historical collection experience. The activity in the reserve account is as follows:

(Dollars in thousands)	March 29, 2008	March 31, 2007
Beginning balance	\$ 62	\$ 63
Provision for doubtful accounts	31	5
Recoveries of doubtful accounts	-	-
Write-off of doubtful accounts	-	6)
Ending balance	<u>\$ 93</u>	<u>\$ 62</u>

Accrued Warranty The Company's warranty policy generally provides two to four years for the 2400 and 2500 families of microwave synthesizers and one year for all other products. The Company records a liability for estimated warranty obligations at the date products are sold. The estimated cost of warranty coverage is based on the Company's actual historical experience with its current products or similar products. For new products, the required reserve is based on historical experience of similar products until such time as sufficient historical data has been collected on the new product. Adjustments are made as new information becomes available.

Inventories Inventories are stated at the lower of cost or market. Cost is determined on a first-in, first-out basis.

Property and Equipment Property and equipment are stated at cost. Depreciation is calculated using the straight-line method over the estimated useful lives of the respective assets, which range from three to ten years for machinery and equipment and office fixtures. Leasehold improvements and assets acquired under capital leases are amortized using the straight-line method over the shorter of the estimated useful lives of the respective assets or the lease term.

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If such review indicates that the carrying amount of an asset exceeds the sum of its expected future cash flows on an undiscounted basis, the asset's carrying amount would be written down to fair value. Additionally, the Company reports long-lived assets to be disposed of at the lower of carrying amount or fair value less cost to sell. As of March 29, 2008 and March 31, 2007, management believes there has been no impairment of the Company's long-lived assets.

Deferred Rent Rent expense is recognized in an amount equal to the minimum guaranteed base rent plus future rental increases amortized on the straight-line basis over the terms of the leases, including free rent periods.

Income Taxes Income taxes are accounted for using the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred income tax assets and liabilities are measured using enacted tax rates that apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Future tax benefits are subject to a valuation allowance when management is unable to conclude that its deferred income tax assets will more likely than not be realized from the results of operations.

Product Development Costs The Company incurs pre-production costs on certain long-term supply arrangements. The costs, which represent non-recurring engineering and tooling costs, are capitalized as other assets and amortized over their useful life when reimbursable by the customer. All other product development costs are charged to operations as incurred. There were no capitalized pre-production costs included in other assets as of March 29, 2008 and March 31, 2007.

Software Development Costs Development costs included in the research and development of new products and enhancements to existing products are expensed as incurred, until technological feasibility in the form of a working model has been established. To date, completion of software development has been concurrent with the establishment of technological feasibility, and accordingly, no costs have been capitalized.

Share-based Compensation The Company established a 2005 Equity Incentive Plan, which provides for the granting of options for up to 700,000 shares of Common Stock. Effective March 26, 2006, the Company adopted Statement of Financial Accounting Standards No. 123(R), *Share Based Payment* (SFAS 123(R)). In the fiscal year ended March 29, 2008 there were 157,000 option grants made, and in the prior year 541,000 grants were made.

Results for prior periods have not been restated. Prior to March 26, 2006, the Company accounted for these plans under the recognition and measurement principles of APB Opinion No. 25, *Accounting for Stock Issued to Employees* (APB 25), and related Interpretations. No stock based compensation cost is reflected in net income prior to March 26, 2006, as all options granted under these plans had an exercise price equal to the market value of the underlying common stock on the date of grant.

SFAS 123(R) requires the cash flows resulting from the tax benefits resulting from tax deductions in excess of the compensation cost recognized for those options (excess tax benefits) to be classified as a cash flow from financing in the statement of cash flows. These excess tax benefits were not significant for the Company for the fiscal year ended March 29, 2008.

In calculating compensation related to stock option grants, the fair value of each stock option is estimated on the date of grant using the Black-Scholes-Merton option-pricing model and the following weighted-average assumptions:

Years Ended	March 29, 2008	March 31, 2007
Dividend yield	Zero	Zero
Expected volatility	80% to 112%	51% to 88%
Risk-free interest rate	2.21% to 3.59%	4.50% to 4.97%
Expected term (years)	3.75	3.75

The computation of expected volatility used in the Black-Scholes-Merton option-pricing model is based on the historical volatility of Giga-tronics' share price. The expected term is estimated based on a review of historical employee exercise behavior with respect to option grants.

Discontinued Operations In the first quarter of 2004, Giga-tronics discontinued the operations at its Dymatix division due to the substantial losses incurred over the previous two years. In the fourth quarter of fiscal 2004, Giga-tronics consummated the sale of its Dymatix division. Expenses are recorded for discontinued operations associated with the partial abandonment of the lease for the Fremont facility. Included in this lease is 7,727 square feet which the Company effectively abandoned upon sale of Dymatix on March 26, 2004. The Company has increased the estimated time to market these facilities to a sub-tenant. As of March 29, 2008 and March 31, 2007, the Company has an accrued loss of \$146,000 and \$142,000, respectively, net of future estimated sub-lease rental income, for future lease expense.

Earnings (Loss) Per Share Basic earnings (loss) per share is computed using the weighted average number of common shares outstanding during the period. Diluted earnings per share incorporate the incremental shares issuable upon the assumed exercise of stock options using the treasury method. Antidilutive options are not included in the computation of diluted earnings per share.

Comprehensive Loss There are no items of other comprehensive loss, other than net loss.

Financial Instruments and Concentration of Credit Risk Financial instruments that potentially subject the Company to credit risk consist principally of cash, cash equivalents and trade accounts receivable. The Company's cash equivalents consist principally of overnight deposits and money market funds. Cash and cash-equivalents are held in recognized depository institutions. At March 29, 2008 and March 31, 2007, the Company had deposits in excess of federally insured limits. The Company has not incurred losses on these deposits to date and does not expect to incur any losses based on the credit ratings of the financial institutions. Concentration of credit risk in trade accounts receivable results primarily from sales to major customers. The Company individually evaluates the creditworthiness of its customers and generally does not require collateral or other security. At March 29, 2008, two customers comprised 24% and 13%, respectively, of consolidated gross accounts receivable. At March 31, 2007, one customer comprised 18% of consolidated gross accounts receivable.

Fair Value of Financial Instruments The carrying amount for the Company's cash-equivalents, trade accounts receivable and accounts payable approximates fair market value because of the short maturity of these financial instruments.

Recently Issued Accounting Pronouncements In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, *Fair Value Measurement* (FAS 157). This Standard defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. FAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. The Company has not determined the effect that the adoption of FAS 157 will have on its consolidated financial position, results of operations or cash flows.

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* - including an Amendment of FASB Statement No. 115 ("FAS 159"). The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. This standard permits entities to choose to measure many financial assets and liabilities and certain other items at fair value at specified election dates. The Company will report unrealized gains and losses on items for which the fair

value option has been elected in earnings at each subsequent reporting date. The fair value option may be applied on an instrument-by-instrument basis with several exceptions, such as those investments accounted for by the equity method, and once elected, the option is irrevocable unless a new election date occurs. The fair value option can be applied only to entire instruments and not to portions thereof. The provisions of FAS 159 are effective as of the beginning of an entity's first fiscal year beginning after November 15, 2007. Management did not elect to early adopt FAS 159 and has not yet completed its evaluation of the impact that FAS 159 may have on the Company's financial position, results of operations or cash flows.

In December 2007, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No 141 (revised 2007), *Business Combinations* ("SFAS No 141R"). SFAS No 141R among other things, establishes principles and requirements for how the acquirer in a business combination (i) recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any non-controlling interest in the acquired business, (ii) recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase and (iii) determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS No 141R is effective for fiscal years beginning on or after December 15, 2008, with early adoption prohibited. This standard will change the Company's accounting treatment for business combinations on a prospective basis.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 160, *Non-controlling Interests in Consolidated Financial Statements, an Amendment of ARB No. 51* ("SFAS No. 160"). SFAS No. 160 establishes accounting and reporting standards for non-controlling interests in a subsidiary and for the deconsolidation of a subsidiary. Minority interests will be recharacterized as non-controlling interests and classified as a component of equity. It also establishes a single method of accounting for changes in a parent's ownership interest in a subsidiary and requires expanded disclosures. This statement is effective for fiscal years beginning on or after December 15, 2008, with early adoption prohibited. The Company does not expect the adoption of this Statement will have a material impact on its financial position or results of operations.

2 Cash and Cash-Equivalents

Cash and cash-equivalents of \$1,845,000 and \$1,804,000 at March 29, 2008 and March 31, 2007, respectively, consist of overnight deposits and money market funds.

3 Inventories

Inventories consist of the following:

(Dollars in thousands)	March 29, 2008	March 31, 2007
Raw materials	\$ 2,767	\$ 3,163
Work-in-progress	1,501	2,128
Finished goods	369	209
Demonstration inventory	371	341
Total	<u>\$ 5,008</u>	<u>\$ 5,841</u>

4 Selling Expenses

Selling expenses consist primarily of commissions paid to various marketing agencies. Commission expense totaled \$1,080,000 and \$881,000 for fiscal 2008 and 2007, respectively. Advertising costs, which are expensed as incurred, totaled \$46,000 and \$50,000 for fiscal 2008 and 2007, respectively.

5 Significant Customers and Industry Segment Information

The Company has four reportable segments: Instrument Division, ASCOR, Microsource, and Corporate. The Instrument Division produces a broad line of test and measurement equipment used in the development, test and maintenance of wireless communications products and systems, flight navigational equipment, electronic defense systems and automatic testing systems. ASCOR designs, manufactures, and markets a line of switching devices that link together many specific

purpose instruments that comprise automatic test systems. Microsource develops and manufactures a broad line of Yttrium, Iron and Garnet (YIG) tuned oscillators, filters and microwave synthesizers, which are used in a wide variety of microwave instruments or devices. Corporate handles the financing needs of each segment and lends funds to each segment as required; the loans are eliminated in consolidation.

The accounting policies for the segments are the same as those described in the "Summary of Significant Accounting Policies". The Company evaluates the performance of its segments and allocates resources to them based on earnings before income taxes. Segment net sales include sales to external customers. Segment pre-tax income (loss) includes an allocation for corporate expenses and interest expense on borrowings from Corporate. Corporate expenses are allocated to the reportable segments based principally on full time equivalent headcount. In fiscal 2008, interest earned was on each segments respective cash balance. In fiscal 2007, interest expense on borrowings from Corporate was charged at approximately prime, which was 8.25%. Inter-segment activities are eliminated in consolidation. Assets include accounts receivable, inventories, equipment, cash, deferred income taxes, prepaid expenses and other long-term assets. The Company accounts for inter-segment sales and transfers at terms that allow a reasonable profit to the seller. During the periods reported there were no significant inter-segment sales or transfers.

The Company's reportable operating segments are strategic business units that offer different products and services. They are managed separately because each business utilizes different technology and requires different marketing strategies. All of the businesses except for Giga-tronics Instrument Division and Corporate were acquired. The Company's chief operating decision maker is considered to be the Company's Chief Executive Officer ("CEO"). The CEO reviews financial information presented on a consolidated basis accompanied by disaggregated information about revenues and pre-tax income by operating segment. The tables below present information for the fiscal years ended in 2008 and 2007.

March 29, 2008 (Dollars in thousands)	Instrument Division	ASCOR	Microsource	Corporate	Total
Revenue	\$ 8,526	\$ 6,020	\$ 3,785	\$ -	\$ 18,331
Interest income, net	2	7	25	2	36
Depreciation and amortization	80	23	25	-	128
(Loss) income from continuing operations					
before income taxes	(1,773)	1,692	64	(184)	(201)
Assets	4,228	2,680	3,168	285	10,361

March 31, 2007 (Dollars in thousands)	Instrument Division	ASCOR	Microsource	Corporate	Total
Revenue	\$ 8,966	\$ 3,572	\$ 5,510	\$ -	\$ 18,048
Interest income, net	(343)	(54)	(870)	1,375	108
Depreciation and amortization	153	30	32	-	215
(Loss) income from continuing operations					
before income taxes	(1,975)	(734)	(345)	1,160	(1,894)
Assets	4,948	1,968	3,922	323	11,161

The Company's Instrument Division, ASCOR, and Microsource segments sell to agencies of the U.S. government and U.S. defense-related customers. In fiscal 2008 and 2007, U.S. government and U.S. defense-related customers accounted for 44% and 57% of sales, respectively. During fiscal 2008, no customer other than U.S. government agencies and their defense contractors accounted for 10% of the Company's consolidated revenues at March 29, 2008. During fiscal 2007, no customer other than U.S. government agencies and their defense contractors accounted for 10% of the Company's consolidated revenues at March 31, 2007.

Export sales accounted for 38% and 21% of the Company's sales in fiscal 2008 and 2007, respectively. Export sales by geographical area are shown below:

(Dollars in thousands)	March 29, 2008	March 31, 2007
Americas	\$ 1,250	\$ 360
Europe	2,778	2,233
Asia	1,087	748
Other	1,868	489
Total	<u>\$ 6,983</u>	<u>\$ 3,830</u>

6 Loss per Share

Net loss and shares used in per share computations for the years ended March 29, 2008 and March 31, 2007 are as follows:

(In thousands except per share data)	March 29, 2008	March 31, 2007
Net loss	<u>\$ (234)</u>	<u>\$ (1,867)</u>
Weighted average:		
Common shares outstanding	4,813	4,809
Potential common shares	-	-
Common shares assuming dilution	<u>4,813</u>	<u>4,809</u>
Net loss per share of common stock	\$ (0.05)	\$ (0.39)
Net loss per share of common stock assuming dilution	\$ (0.05)	\$ (0.39)
Stock options not included in computation	856	841

The number of stock options not included in the computation of diluted earnings per share (EPS) for the periods ended March 29, 2008 and March 31, 2007 are a result of the Company's loss from continuing operations and, therefore, the options are antidilutive.

7 Income Taxes

Following are the components of the provision for income taxes:

Years Ended (In thousands)	March 29, 2008	March 31, 2007
Current		
Federal	\$ -	\$ -
State	2	1
Total current	<u>2</u>	<u>1</u>
Deferred		
Federal	-	-
State	-	-
Total deferred	<u>-</u>	<u>-</u>
Charge in lieu of taxes attributable to employer stock option plans	-	-
Provision for income taxes	<u>\$ 2</u>	<u>\$ 1</u>

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities are as follows:

Year Ended (In thousands)	March 29, 2008	March 31, 2007
Net operating loss carryforwards	\$ 13,667	\$ 13,625
Income tax credits	2,196	2,196
Inventory reserves and additional costs capitalized	2,333	2,486
Fixed assets depreciation	153	163
Accrued vacation	120	122
Accrued warranty	82	88
Deferred rent	50	98
Other accrued liabilities	201	235
Future state tax effect	(203)	(220)
Allowance for doubtful accounts	41	27
Total deferred tax assets	18,640	18,820
Liability for uncertain tax positions	(297)	(424)
Valuation allowances	(18,343)	(18,396)
	<u>\$ 0</u>	<u>\$ 0</u>

Years Ended (In thousands except percentages)	March 29, 2008		March 31, 2007	
Statutory federal income tax (benefit)	\$ (79)	(34.0)%	\$ (635)	(34.0)%
Valuation allowance	(53)	(22.9)	(206)	(11.0)
Expiration of net operating losses	178	76.8	805	43.1
State income tax, net of federal benefit	(14)	(6.0)	(109)	(5.8)
Non-tax deductible expenses	99	42.7	11	0.6
Tax credits	-	-	95	5.1
Liability for uncertain tax positions	(127)	(54.9)	-	-
Other	(2)	(0.7)	40	2.1
Effective income tax	<u>\$ 2</u>	<u>1.0%</u>	<u>\$ 1</u>	<u>.1%</u>

The decrease in valuation allowance from March 31, 2007 to March 29, 2008 was \$53,000. The increase in valuation allowance from March 25, 2006 to March 31, 2007 was \$206,000.

As of March 29, 2008 and March 31, 2007, the Company had pre-tax federal net operating loss carryforwards of \$36,778,000 and \$36,753,000 and state net operating loss carryforwards of \$19,910,000 and \$19,347,000 respectively, available to reduce future taxable income. The federal and state net operating loss carryforwards begin to expire from fiscal 2009 through 2028 and from 2013 through 2018, respectively. \$10,810,000 of federal net operating loss carryforwards are subject to an annual IRC Section 382 limitation of approximately \$100,000. At March 29, 2008, the accumulated IRC Section 382 losses available for use are approximately \$799,000. Utilization of net operating loss carryforwards may be subject to annual limitations due to certain ownership change limitations as required by Internal Revenue Code Section 382. The federal and state income tax credits begin to expire from 2020 through 2025 and from 2009 through 2010, respectively.

The Company has recorded a valuation allowance to reflect the estimated amount of deferred tax assets, which may not be realized. The ultimate realization of deferred tax assets is dependent upon generation of future taxable income during the periods in which those temporary differences become deductible. Management considers projected future taxable income and tax planning strategies in making this assessment. Based on the historical taxable income and projections for future taxable, management decided to record a full valuation allowance against the net deferred tax assets.

On April 1, 2007 the Company adopted FASB Interpretation No. 48 (FIN 48) which clarifies the accounting for uncertainty in income taxes recognized in the Company's financial statements in accordance with FASB Statement No. 109, *Accounting for Income Taxes*, and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken on a tax return. FIN 48 also provided guidance

on derecognition, classification, interest and penalties, accounting in interim periods, disclosures and transitions. Upon adoption of FIN 48, the Company recognized an increase of \$424,000 in the liability for uncertain tax positions. This allowed a decrease of \$424,000 to the valuation allowance resulting in no change to retained earnings.

The Company previously recognized income tax positions based on management's estimate of whether it is reasonably possible that a liability has been incurred for unrecognized income tax benefits by applying FASB Statement No. 5, *Accounting for Contingencies*.

The Company files U.S. federal and California state tax returns. The Company is generally no longer subject to tax examinations for years prior to the fiscal year 2004 for federal purposes and fiscal year 2003 for California purposes, except in certain limited circumstances. The Company does not have any tax audits or other issues pending.

A reconciliation of the beginning and ending amount of the liability for uncertain tax positions, excluding potential interest and penalties, is as follows:

	Fiscal Year
(In thousands)	2008
Balance as of March 31, 2007	\$ 424,000
Additions based on current year tax positions	70,000
Reductions for prior year tax positions	
lapses of applicable statute	(197,000)
Balance as of March 29, 2008	<u>\$ 297,000</u>

8 Stock Options and Employee Benefit Plans

Stock Option Plans...The Company established the 2000 Stock Option Plan and the 2005 Employee Incentive Plan, each of which provide for the granting of options for up to 700,000 shares of common stock at 100% of fair market value at the date of grant, with each grant requiring approval by the Board of Directors of the Company. Options granted vest in one or more installments, ranging from 2004 to 2012 and must be exercised while the grantee is employed by the Company or within a certain period after termination of employment. Options granted to employees shall not have terms in excess of 10 years from the grant date. Holders of options may be granted stock appreciation rights (SAR), which entitle them to surrender outstanding options for a cash distribution under certain changes in ownership of the Company, as defined in the stock option plan. As of March 29, 2008, no SAR's have been granted under the option plan. As of March 29, 2008, the total number of shares of common stock available for issuance is 445,225 under the 2000 and 2005 stock option plans. All outstanding options have a term of five years.

A summary of the changes in stock options outstanding for the years ended March 29, 2008 and March 31, 2007 is presented below:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Terms (Years)	Average Intrinsic Value
Outstanding at March 25, 2006	438,975	\$ 2.57	2.7	\$ 122,173
Granted	541,400	1.85		
Exercised	-	-		
Forfeited / Expired	(139,475)	2.84		
Outstanding at March 31, 2007	840,900	\$ 2.06	3.6	\$ 149,624
Granted	157,000	1.84		
Exercised	15,000	1.47		
Forfeited / Expired	(127,250)	1.96		
Outstanding at March 29, 2008	855,650	\$ 2.04	3.1	\$ -
Exercisable at March 29, 2008	342,726	\$ 2.22	2.0	\$ -

As of March 29, 2008, there was \$441,000 of total unrecognized compensation cost related to nonvested options granted under the plans. That cost is expected to be recognized over a weighted average period of 1.69 years. There were 168,000 options vested during the year ended March 29, 2008. The total fair value of options vested during the year ended March 29, 2008 was \$243,000. Cash received from stock option exercises for the year ended March 29, 2008 was \$22,000.

Following is a summary of stock option activity:

	Options Exercisable	Options Outstanding	Weighted Average Fair Value
Outstanding at March 25, 2006	203,475	438,975	\$ 2.57
Exercised		-	-
Forfeited		(139,475)	2.84
Granted		541,400	1.85
Outstanding at March 31, 2007	214,750	840,900	\$ 2.06
Exercised		(15,000)	1.47
Forfeited		(127,250)	1.96
Granted		157,000	1.84
Outstanding at March 29, 2008	342,726	855,650	\$ 2.04

Employee Stock Purchase Plan Under the Company's employee Stock Purchase Plan (the "Purchase Plan"), employees meeting specific employment qualifications are eligible to participate and can purchase shares semi-annually through payroll deductions at the lower of 85% of the fair market value of the stock at the commencement or end of the offering period. The Purchase Plan permits eligible employees to purchase common stock through payroll deductions for up to 10% of qualified compensation. As of March 29, 2008, there were 56,631 shares available for issuance under the Purchase Plan. There were no purchase rights granted in fiscal 2008 and 2007.

401(k) Plans The Company has established 401(k) plans which cover substantially all employees. Participants may make voluntary contributions to the plans for up to 20% of their defined compensation. The Company matches a percentage of the participant's contributions in accordance with the plan. Participants vest ratably in Company contributions over a four-year period. Company contributions to the plans for fiscal 2008 and 2007 were approximately \$5,000 and \$20,000, respectively.

9 **Commitments**

The Company leases a 47,300 square foot facility located in San Ramon, California, under a twelve-year lease that commenced in April 1994, which was amended in July 2005 and now expires December 31, 2011. The Company leases a 33,400 square foot facility located in Santa Rosa, California, under a twenty-year lease that commenced in July 1993 and was amended in April 2003, to now expire May 31, 2013. The amendment resulted in a reduction of lease space and monthly lease costs.

ASCOR's switching and connecting devices, were previously located in approximately 18,700 square feet in Fremont, California, under a lease that expires on June 30, 2009. The Company effectively abandoned this property as part of its restructuring plan as of March 31, 2007. The Company has an accrued loss of approximately \$355,000 for future lease expense, net of estimated future sub-lease rental income. All of the above activities are conducted in the San Ramon facility effective April 1, 2007. As of March 29, 2008, the Company has not sub-leased the available space.

These facilities accommodate all of the Company's present operations. The Company also leases other equipment under operating leases.

Total future minimum lease payments under these leases amount to approximately \$4,125,000.

Fiscal Year (Dollars in thousands)		
2009	\$	971
2010		971
2011		971
2012		814
2013		341
Thereafter		57
	\$	<u>4,125</u>

The aggregate rental expense was \$1,031,000 and \$1,324,000 in fiscal 2008 and 2007, respectively.

The Company is committed to purchase certain inventory under non-cancelable purchase orders. As of March 29, 2008, total non-cancelable purchase orders were \$500,000 through fiscal 2009.

10 **Warranty Obligations**

The Company records a liability for estimated warranty obligations at the date products are sold. Adjustments are made as new information becomes available. The following provides a reconciliation of changes in the Company's warranty reserve. The Company provides no other guarantees.

(Dollars in thousands)	March 29, 2008	March 31, 2007
Balance at beginning of period	\$ 207	\$ 250
Provision, net	160	130
Warranty costs incurred	(177)	(173)
Balance at end of period	<u>\$ 190</u>	<u>\$ 207</u>

11 **Restructuring**

In an effort to improve results and make optimal use of its resources, Giga-tronics decided to integrate all ASCOR and Instrument Division engineering and manufacturing activities at the San Ramon, California facility. The Microsource subsidiary, located in Santa Rosa, California, remains strictly a manufacturing operation, with all product development work being performed in San Ramon. Included in the operating expenses for fiscal 2008 was a one-time restructuring charge of \$73,000 to reserve the remaining lease obligation on the Fremont facility and \$80,000 in severance costs, for a total of \$153,000. The impact on operations in the fourth quarter of fiscal 2007 was \$361,000, which was comprised of one-time restructuring charges of \$204,000 for the sublease accrual, \$139,000 in severance costs and \$18,000 for moving expenses.

12 **Line of Credit**

On June 20, 2005, the Company executed a commitment letter with a financial institution for a secured revolving line of credit for \$2,500,000. The maximum amount that can be borrowed is limited to 80% of trade receivables, plus 25% of raw material and finished goods inventory up to \$500,000. Interest is payable at prime plus 1%. The Company is required to comply with certain financial covenants under the arrangement. As of March 29, 2008, this credit line has not been utilized by the Company. The Company has re-negotiated a new line of credit effective June 18, 2007, which expires on June 17, 2008. The Company is in compliance with the covenants relating to the line of credit.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders
Giga-tronics Incorporated

We have audited the accompanying consolidated balance sheets of Giga-tronics Incorporated and subsidiaries (the “Company”) as of March 29, 2008 and March 31, 2007 and the related consolidated statements of operations, shareholders’ equity and cash flows then ended. These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Giga-tronics Incorporated and subsidiaries as of March 29, 2008 and March 31, 2007, and the results of their operations and their cash flows for each of the fiscal years in the period ended March 29, 2008 in conformity with accounting principles generally accepted in the United States of America.

Perry-Smith LLP

San Francisco, California
June 10, 2008

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure controls and procedures

The Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness, as of March 29, 2008, of the design and operation of the Company's disclosure controls and procedures as defined in Rule 13a-15(e) and 15d-15(e) promulgated under the Exchange Act. Based upon that evaluation, the Company's principal executive and financial officers concluded that the Company's disclosure controls and procedures were effective, as of March 29, 2008, in timely providing them with material information relating to the Company, as required to be disclosed by the Company in the reports that it files or submits under the Exchange Act, within the time periods specified in the Securities and Exchange Commission's rules and forms.

Report of Management on Internal Control over Financial Reporting

Management of Giga-tronics is responsible for establishing and maintaining adequate internal control over financial reporting for the Company, as such term is defined in Rule 13a-15(f) under the Securities Exchange Act of 1934. The Company's management, including the Chief Executive Officer and Chief Financial Officer, has assessed the effectiveness of the Company's internal control over financial reporting as of March 29, 2008, presented in conformity with accounting principles generally accepted in the United States of America. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control-Integrated Framework. Based on this assessment, management concluded that, as of March 29, 2008, the Company's internal control over financial reporting was effective based on those criteria.

This annual report does not include an attestation report of the Company's independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's independent registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this annual report.

Changes in internal controls

There was no change in the Company's internal control over financial reporting identified in connection with the evaluation required by Rule 15d-15 that occurred during the year ended March 29, 2008 that has materially affected or is reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

The Company is not aware of any information required to be reported on Form 8-K that has not been previously reported.

PART IIIITEM 10. DIRECTOR, EXECUTIVE OFFICERS, PROMOTERS, CONTROL PERSONS AND CORPORATE GOVERNANCE; COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT

Information regarding Directors of the Company is set forth under the heading “Election of Directors” of the Company’s Proxy Statement for its 2008 Annual Meeting of Shareholders, incorporated herein by reference. This Proxy Statement is to be filed no later than 120 days after the close of the fiscal year ended March 29, 2008.

EXECUTIVE OFFICERS

Name	Age	Position
John R. Regazzi	53	Chief Executive Officer and a Director of the Company since April 2006. Mr. Regazzi had been President and General Manager of Instrument Division since September 2005, and prior to that, was Vice President of Operations for Instrument Division from October 2004 through September 2005. Prior to that, he was Vice President of Engineering for Instrument Division from June 2001 through October 2004. Previous experience includes 22 years at Hewlett Packard and Agilent Technologies in various design and management positions associated with their microwave sweeper and synthesizer product lines. His final position at Agilent Technologies was as a senior engineering manager.
Patrick J. Lawlor	57	Vice President, Finance, Chief Financial Officer and Secretary of Giga-tronics, Inc. since February 2007. Mr. Lawlor was previously a Consultant to PDL BioPharma, Inc, and before that was the Vice President, Chief Financial Officer at SaRonix, LLC, a \$90 million private company with international facilities. Prior to that he was the Chief Financial Officer with Aerojet Fine Chemicals, LLC, a \$65 million subsidiary of GenCorp, and Vice President of Finance with Systems Chemistry, Inc. Mr. Lawlor spent 23 years with Westinghouse Electric Corporation, where he rose through numerous positions among various divisions, with his final position as Vice President of Finance and Controller.
Jeffrey T. Lum	62	President and a Director of the Board of ASCOR (now a division of the Company) since November 1987. Mr. Lum founded ASCOR in 1987 and has been President since inception. He was a founder and Vice President of Autek Systems Corporation, a manufacturer of precision waveform analyzers. Mr. Lum serves as Treasurer and a member of the Board of Directors for the Santa Clara Aquamaids, a non-profit organization dedicated to advancing athletes in synchronized swimming to the Olympics games.
Rodrick G. Cross	51	Vice President, Sales & Marketing since October 2007. Mr. Cross has over 25 years of experience in building, leading and operating global marketing, sales, business development, customer service and technical application engineering organizations. He has worked for Agilent/Hewlett-Packard and Sony America as well as 5 startup companies generating hundreds of millions of dollars in market share expansion and new sales revenue. His strategic and tactical business programs have been involved with many technologies - RF& microwave, electronics, internet, solar energy, software, semiconductor and optical coatings - spanning several industries including test and measurement, electrical power, telecommunications, aerospace and defense and internet security. Mr. Cross has a Bachelor of Science Degree from Brigham Young University and Certificates of Study from M.I.T. Mr. Cross has broad international business experience in North America, Europe and Asia and speaks fluent Japanese.

ITEM 11. EXECUTIVE COMPENSATION

Information regarding the Company's compensation of its executive officers is set forth under the heading "Executive Compensation" of the Company's Proxy Statement for its 2008 Annual Meeting of Shareholders, incorporated herein by reference. This Proxy Statement is to be filed no later than 120 days after the close of the fiscal year ended March 29, 2008.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED SHAREHOLDER MATTERS

Information regarding security ownership of certain beneficial owners and management is set forth under the heading "Stock Ownership of Certain Beneficial Owners and Management" of the Company's Proxy Statement for its 2008 Annual Meeting of Shareholders, incorporated herein by reference. Information about securities authorized for issuance under equity compensation plans is set forth under the heading "Equity Compensation Plan Information" of its Proxy Statement for the 2008 Annual Meeting of Shareholders, incorporated herein by reference. This Proxy Statement is to be filed no later than 120 days after the close of the fiscal year ended March 29, 2008.

ITEM 13. CERTAIN RELATONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information set forth in the Proxy Statement under the section captioned "Transactions with Management and Others" is incorporated herein by reference. This Proxy Statement is to be filed no later than 120 days after the close of the fiscal year ended March 29, 2008.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Perry-Smith LLP served as Giga-tronics' independent registered public accounting firm for the fiscal year ended March 29, 2008.

Audit Fees

Perry-Smith LLP's fee for audit services for fiscal 2008 were \$160,000 and for fiscal 2007 were \$153,000.

Audit-Related Fees

There were no Perry-Smith LLP fees for audit-related services in fiscal 2008 or 2007.

Tax Fees

There were no Perry-Smith LLP fees for tax services for fiscal 2008 or 2007.

All Other Fees

We did not incur any fees payable to Perry-Smith LLP for other professional services in fiscal 2008 or 2007.

Audit Committee Pre-Approval Policy

Our Audit Committee has not pre-approved any type or amount of non-audit services by the independent accountants.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The following consolidated financial statements of Giga-tronics Incorporated and subsidiaries and the related independent registered public accounting firm are filed herewith:

INDEX TO FINANCIAL STATEMENTS AND SCHEDULES

<u>Consolidated Financial Statements:</u>	<u>Page</u>
Consolidated Balance Sheets as of March 29, 2008 and March 31, 2007	23
Consolidated Statements of Operations for the years ended March 29, 2008 and March 31, 2007	24
Consolidated Statements of Stockholders Equity for the years ended March 29, 2008 and March 31, 2007	25
Consolidated Statements of Cash Flows for the years ended March 29, 2008 and March 31, 2007	26
Notes to Consolidated Financial Statements	27 - 36
Report of Independent Registered Public Accounting Firm	37

The following exhibits are filed by reference or herewith as a part of this report:

INDEX TO EXHIBITS

- 3.1 Articles of Incorporation of the Registrant, as amended, previously filed as Exhibit 3.1 to Form 10-KSB for the fiscal year ended March 27, 1999 and incorporated herein by reference.
- 3.2 Amended and Restated Bylaws of Giga-tronics Incorporated, as amended on March 7, 2008.
- 10.1 1990 Restated Stock Option Plan and form of Incentive Stock Option Agreement, previously filed on November 3, 1997 as Exhibit 99.1 to Form S-8 (33-39403) and incorporated herein by reference. *
- 10.2 Standard form Indemnification Agreement for Directors and Officers, previously filed on June 21, 1999, as Exhibit 10.2 to Form 10-KSB for the fiscal year ended March 27, 1999 and incorporated herein by reference. *
- 10.3 Lease between Giga-tronics Incorporated and Calfront Associates for 4650 Norris Canyon Road, San Ramon, CA, dated December 6, 1993, previously filed as Exhibit 10.12 to Form 10-KSB for the fiscal year ended March 26, 1994 and incorporated herein by reference.
- 10.4 Employee Stock Purchase Plan, previously filed on August 29, 1997, as Exhibit 99.1 to Form S-8 (33-34719), and incorporated herein by reference. *
- 10.5 2000 Stock Option Plan and form of Incentive Stock Option Agreement, previously filed on September 8, 2000 as Exhibit 99.1 to Form S-8 (33-45476) and incorporated herein by reference. *
- 10.6 Amendment No. 1 to Employee Stock Purchase Plan, previously filed on September 24, 2001, as Exhibit 99.1 to Form S-8 (33-69688), and incorporated herein by reference. *
- 10.7 2005 Equity Incentive Plan incorporated herein by reference to Attachment A of the Registrant's Proxy Statement filed July 21, 2005. *
- 21 Significant Subsidiaries. (See page 57 of this Annual Report of Form 10-K.)
- 23.1 Consent of Independent Registered Public accounting Firm Perry-Smith LLP. (See page 58 of this Annual Report of Form 10-K.)
- 31.1 Certification of Chief Executive Officer pursuant to Section 302 of Sarbanes-Oxley Act. (See page 59 of this Annual Report of Form 10-K.)
- 31.2 Certification of Chief Financial Officer pursuant to Section 302 of Sarbanes-Oxley Act. (See page 60 of this Annual Report of Form 10-K.)
- 32.1 Certification of Chief Executive Officer pursuant to Section 906 of Sarbanes-Oxley Act. (See page 61 of this Annual Report of Form 10-K.)
- 32.2 Certification of Chief Financial Officer pursuant to Section 906 of Sarbanes-Oxley Act. (See page 62 of this Annual Report of Form 10-K.)

* Management contract or compensatory plan or arrangement.

SIGNATURES

In accordance with the requirements of Section 13 or 15(d) of the Securities Exchange Act, the Registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

GIGA-TRONICS INCORPORATED

/s/ JOHN R. REGAZZI

Chief Executive Officer

In accordance with the requirements of the Securities Exchange Act, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

/s/ GARRETT A. GARRETTSON

Garrett A. Garrettson

Chairman of the Board
of Directors

6/11/2008

Date

/s/ JOHN R. REGAZZI

John R. Regazzi

Chief Executive Officer
(Principal Executive Officer)
and Director

6/11/2008

Date

/s/ PATRICK J. LAWLOR

Patrick J. Lawlor

Vice President, Finance/
Chief Financial Officer & Secretary
(Principal Financial Officer)

6/11/2008

Date

/s/ GEORGE H. BRUNS, JR.

George H. Bruns, Jr.

Director

6/11/2008

Date

/s/ JAMES A. COLE

James A. Cole

Director

6/11/2008

Date

/s/ KENNETH A. HARVEY

Kenneth A. Harvey

Director

6/11/2008

Date

/s/ ROBERT C. WILSON

Robert C. Wilson

Director

6/11/2008

Date

AMENDED AND RESTATED
BYLAWS OF
GIGA-TRONICS INCORPORATED

March 2008

AMENDED AND RESTATED
BYLAWS FOR THE REGULATION, EXCEPT AS
OTHERWISE PROVIDED BY STATUTE OR ITS
ARTICLES OF INCORPORATION, OF
GIGA-TRONICS INCORPORATED
a California corporation
(the "Corporation")

ARTICLE I
Offices

Section 1.01 Principal Executive Office. The principal executive office of the Corporation is located at: 4650 Norris Canyon Road, San Ramon, California, 94583. The Board of Directors shall have full power and authority to, and to authorize appropriate officers of the Corporation to, change the location of said principal executive office and to establish other offices of the Corporation.

ARTICLE II
Shareholders

Section 2.01 Annual Meetings. An annual meeting of Shareholders shall be held for the election of Directors on the second Tuesday of July in each year (or, should such day fall upon a legal holiday, then at the same time on the first day thereafter which is not a legal holiday) at 10:00 o'clock A.M. of such day, or at such other time and/or date as the Board of Directors shall determine; provided, however, that such meeting shall be held not more than fifteen (15) months after the last preceding annual meeting (or, in the case of the first annual meeting, after the organization of the Corporation). Any other proper business may be transacted at the annual meeting.

Section 2.02 Special Meetings. Special meetings of the Shareholders, for the purpose of taking any action permitted by the Shareholders under the General Corporation Law and the Articles of Incorporation, may be called at any time by the chairman of the Board or the president, or by the Board of Directors, or by one or more Shareholders entitled to cast not less than ten percent (10%) of the votes at the meeting. Upon request in writing directed to the chairman of the Board, president, vice president or secretary by any person (other than the Board) entitled to call a special meeting of Shareholders that a special meeting of Shareholders be called for any proper purpose, the officer forthwith shall cause notice to be given to Shareholders entitled to vote that a meeting will be held at a time requested by the person or persons calling the meeting, but not less than thirty-five (35) days, nor more than sixty (60) days, after receipt of the request.

Section 2.03 Adjourned Meetings. Any Shareholders' meeting, annual or special, whether or not a quorum is present, may be adjourned from time to time by the vote of a majority of the shares, the holders of which are either present in person or represented by proxy thereat, but in the absence of a quorum no other business may be transacted at such meeting, except as provided in Section 2.06.

When a Shareholders' meeting is adjourned to another time or place, except as provided below, notice need not be given of the time and place of or of the business to be conducted at the adjourned meeting if the time and place thereof are announced at the meeting at which such adjournment is taken. When any Shareholders' meeting is adjourned for forty-five (45) days or more, or if after adjournment a new record date is fixed for the adjourned meeting, notice of the adjourned meeting shall be given to each Shareholder of record entitled to vote at the meeting.

At the adjourned meeting, provided that the quorum requirements of Section 2.06 are satisfied, the Corporation may transact any business which might have been transacted at the original meeting.

Section 2.04 Place of Meetings. All annual or other meetings of Shareholders shall be held at any place within or without the State of California which may be designated by the Board of Directors.

Section 2.05 Notice of Shareholder Meetings. Written notice of any meeting of Shareholders shall be given to each Shareholder entitled to vote, either personally or by first-class mail, or, if the outstanding shares of the Corporation are held of record by 500 or more persons (determined as provided by Section 605 of the General Corporation Law) on the record date for the Shareholders' meeting, by third-class mail, or other means of written communication, charges prepaid, addressed to such Shareholder at such Shareholder's address appearing on the books of the Corporation or given by such Shareholder to the Corporation for the purpose of notice. If no such address appears on the books of the Corporation and a Shareholder has given no address for the purpose of notice, then notice shall be deemed to have been given to such Shareholder if it is (i) sent by mail or other means of written communication addressed to the place where the principal executive office of the Corporation is located, or (ii) published at least once in a newspaper of general circulation in the county in which said principal executive office is located.

Any such notice shall be deemed to have been given at the time when delivered personally or deposited in the mail or sent by other means of written communication. An affidavit of mailing of any such notice in accordance with the foregoing provisions, executed by the secretary, assistant secretary or any transfer agent of the Corporation, shall be prima facie evidence of the giving of the notice.

If any notice addressed to the Shareholder at the address of such Shareholder appearing on the books of the Corporation is returned to the Corporation by the United States Postal Service marked to indicate that the United States Postal Service is unable to deliver the notice to the Shareholder at such address, all future notices shall be deemed to have been duly given to such Shareholder without further mailing if the same shall be available for the Shareholder upon written demand of the Shareholder at the principal executive office of the Corporation for a period of one year from the date of the giving of the notice to all other Shareholders.

Such written notice shall be given to each Shareholder entitled to vote at the meeting not less than ten (10) days nor more than sixty (60) days before the date of the meeting. Such written notice shall state:

- (a) the place, the date, and the hour of such meeting; and
- (b) in the case of a special meeting, the general nature of the business to be transacted (and no other business may be transacted at such meeting); and
- (c) in the case of the annual meeting, those matters which the Board, at the time of the mailing of the notice, intends to present for action by the Shareholders, but, subject to the requirements of (d), (e) and (f) below, any proper matter may be presented at the meeting for action by the Shareholders; and
- (d) if Directors are to be elected, the names of nominees intended at the time of the notice to be presented by the Board for election; and
- (e) the general nature of any proposal to take action with respect to approval of (i) a contract or other transaction between the Corporation and one or more of its Directors or other persons described in Section 310 of the General Corporation Law, (ii) amendment of the Articles of Incorporation, (iii) a reorganization of the Corporation as defined in Section 181 of the General Corporation Law, (iv) voluntary dissolution of the Corporation, or (v) a plan of distribution in the course of dissolution of the Corporation other than in accordance with the liquidation rights of outstanding preferred shares, if any, pursuant to Section 2007 of the General Corporation Law; and
- (f) such other matters, if any, as may be expressly required by applicable law.

Section 2.06 Quorum of the Shareholders. Unless otherwise provided in the Articles of Incorporation, a majority of the shares entitled to vote at the meeting, represented by holders in person or by proxy at the meeting, shall constitute a quorum for the transaction of business at the meeting. Whenever under the General Corporation Law any shares are disqualified from voting on any matter, they shall not be considered outstanding for purposes of determining the quorum required at a meeting held to act upon that matter.

The Shareholders present at a duly called or held meeting at which a quorum is present may continue to transact business until adjournment, notwithstanding the withdrawal of enough Shareholders to leave less than a quorum, if any action taken (other than adjournment) is approved by at least a majority of the shares required to constitute a quorum, and by any greater number of shares otherwise required to take such action by applicable law or the Articles of Incorporation.

Section 2.07 Conduct of Meetings. Subject to the requirements of applicable law, and the express provisions of the Articles of Incorporation and these Bylaws, all annual and special meetings of Shareholders shall be conducted in accordance with such rules and procedures as the Board of Directors may determine and, as to matters not governed by such rules and procedures, as the chairman of such meeting shall determine. The chairman of any annual or special meeting of Shareholders shall be designated by the Board of Directors and, in the absence of any such designation, shall be the president of the Corporation.

Section 2.08 Proxies. Every person entitled to vote shares of this Corporation shall have the right to do so in person or by a written proxy executed by such person or his duly authorized agent and filed with the secretary of the Corporation, authorizing another person or persons to vote or execute consents with respect to such shares. Subject to the provisions of this Section and applicable law, any proxy duly executed continues in full force and effect until revoked by the person executing it prior to the vote pursuant thereto.

A proxy (other than a proxy which states that it is irrevocable and otherwise meets the requirements of Section 705(e) of the General Corporation Law) is revoked by:

- (a) a written instrument revoking it, filed with the secretary of the Corporation prior to the vote pursuant thereto, or a duly executed proxy bearing a later date, executed by the person executing the proxy being revoked and presented at the meeting; or
- (b) as to any meeting, by attendance at such meeting and voting of the shares subject thereto by the person executing the proxy; or
- (c) written notice of the death or incapacity of the maker of such proxy received by the Corporation before the vote pursuant thereto is counted (but the death or incapacity of the maker of the proxy does not revoke the proxy prior to the receipt by the Corporation of such written notice); or
- (d) the expiration of eleven (11) months from the date of the execution of the proxy, unless the person executing it specifies therein the length of time for which such proxy is to continue in force.

Section 2.09 Voting. The Board of Directors may fix a record date for the determination of the Shareholders entitled to vote at any meeting of Shareholders, and if a record date for voting purposes is not fixed by the Board, it shall be determined as provided in Section 6.01 below.

Unless the Articles of Incorporation provide for more or less than one vote per share, and subject to the following provisions with respect to voting on election of Directors, each outstanding share, regardless of class, shall be entitled to one vote on each matter on which such share is entitled to be voted. Subject to the requirements of the next sentence, every Shareholder entitled to vote at any election for Directors shall have the right to cumulate such Shareholder's votes and to give one candidate a number of votes equal to the number of Directors to be elected by the class of shares such Shareholder is entitled to vote, multiplied by the number of votes to which such Shareholder's shares are normally entitled, or to distribute such Shareholder's votes on the same principle among as many candidates as the Shareholder thinks fit. No Shareholder shall be entitled to cumulate votes in accordance with the preceding sentence unless the name of the candidate or candidates for whom such votes would be cast has been placed in nomination prior to the voting and any Shareholder has given

notice at the meeting, prior to the voting, of such Shareholder's intention to cumulate such Shareholder's votes. Any holder of shares entitled to vote on any matter may vote part of the shares in favor of the proposal and refrain from voting the remaining shares or (except in voting upon election of Directors) vote them against the proposal, but, if the Shareholder fails to specify the number of shares such Shareholder is voting affirmatively, it will be conclusively presumed that the Shareholder's approving vote is with respect to all shares such Shareholder is entitled to vote. Voting by the Shareholders may be a voice vote or by ballot; provided, however, that all elections for Directors must be by ballot upon demand made by a Shareholder at the meeting and before the voting begins.

Except as provided in the second paragraph of Section 2.06:

(a) the affirmative vote of a majority of the shares represented and voting at a duly held meeting at which a quorum is present (which shares voting affirmatively also constitute at least a majority of the required quorum) shall be the act of the Shareholders, unless the vote of a greater number or voting by classes is required for such act by the General Corporation Law or the Articles of Incorporation, provided that, whenever under the General Corporation Law any shares are disqualified from voting on any matter, such shares shall not be considered outstanding for purposes of determining the required vote to approve such matter; and

(b) in the election of Directors, the candidates receiving the highest number of affirmative votes of shares entitled to be voted for them, up to the number of Directors to be elected by such shares, are elected. Votes against the Director and votes withheld shall have no legal effect.

Section 2.10 Inspectors of Election. In advance of any meeting of Shareholders, the Board of Directors may appoint inspectors of election to act at such meeting and any adjournment thereof. If inspectors of election are not so appointed, or if any persons so appointed fail to appear or refuse to act, then, unless other persons are appointed by the Board of Directors prior to the meeting, the chairman of any such meeting may, and on the request of any Shareholder or a Shareholder's proxy shall, appoint inspectors of election (or persons to replace those who fail to appear or refuse to act) at the meeting. The number of inspectors shall be either one or three. If inspectors of election are to be appointed at a meeting on the request of one or more Shareholders or proxies, the majority of shares represented in person or by proxy shall determine whether one or three inspectors are to be appointed.

The duties of such inspectors shall be as prescribed by Section 707 of the General Corporation Law and shall include: (a) determining the number of shares outstanding and the voting power of each, the shares represented at the meeting, the existence of a quorum, and the authenticity, validity and effect of proxies; (b) receiving votes, ballots or consents; (c) hearing and determining all challenges and questions in any way arising in connection with the right to vote; (d) counting and tabulating all votes or consents and determining the result; and (e) taking such other action as may be proper to conduct the election or vote with fairness to all Shareholders. In the determination of the validity and effect of proxies the dates contained on the forms of proxy shall presumptively determine the order of execution of the proxies, regardless of the postmark dates on the envelopes in which they are mailed.

The inspectors of election shall perform their duties impartially, in good faith, to the best of their ability and as expeditiously as is practical. If there are three inspectors of election, the decision, act or certificate of a majority is effective in all respects as the decision, act or certificate of all. Any report or certificate made by the inspectors of election is prima facie evidence of the facts stated therein.

Section 2.11 Validation of Defectively Called or Noticed Meetings. The transactions of any meeting of Shareholders, however called and noticed and wherever held, are as valid as though had at a meeting duly held after regular call and notice, if the quorum requirements of Section 2.06 are satisfied, and if, either before or after the meeting, each of the following persons signs a written waiver of notice, or a consent to the holding of such meeting, or an approval of the minutes thereof:

- (a) any person entitled to vote at the meeting not present at the meeting in person or by proxy;
- (b) any person who, though present, has, at the beginning of the meeting, properly objected to the transaction of any business because the meeting was not lawfully called or convened; or
- (c) any person who, though present, during the meeting has properly objected to the consideration of particular matters of business required by the General Corporation Law to be included in the notice of the meeting, but not so included.

All such waivers, consents or approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

Except as otherwise provided in the Articles of Incorporation and subject to the next sentence, neither the business to be transacted at, nor the purpose of, any annual or special meeting of Shareholders need be specified in any written waiver of notice, consent to the holding of the meeting or approval of the minutes thereof. Any such waiver of notice or consent to the holding of a meeting at which a proposal described in Section 2.05(e) was or is to be acted upon shall contain a statement of the general nature of such proposal if no such statement was included in the notice of meeting.

Section 2.12 Action Without Meeting. Unless otherwise provided in the Articles of Incorporation:

Any action which, under any provision of the General Corporation Law, may be taken at a meeting of the Shareholders, may be taken without a meeting, upon notice as hereinafter set forth, if a consent in writing, setting forth the action so taken, is signed by the holders of outstanding shares having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted.

All such written consents shall be filed with the secretary of the Corporation.

The Board of Directors may fix a record date for the determination of Shareholders entitled to give such written consent, and, if the record date for such determination is not fixed by the Board, it shall be determined as provided in Section 6.01 below.

Any Shareholder giving a written consent, or the Shareholder's proxyholders, or a transferee of the shares or a personal representative of the Shareholder, or their respective proxyholders, may revoke the consent by a writing received by the Corporation prior to

the time that written consents of the number of shares required to authorize the proposed action have been filed with the secretary of the Corporation, but may not do so thereafter. Such revocation, if timely, is effective upon its receipt by the secretary of the Corporation.

ARTICLE III Directors

Section 3.01 Powers. Subject to limitations of the General Corporation Law and any limitations in the Articles of Incorporation as to action required to be authorized or approved by the Shareholders, the business and affairs of the Corporation shall be managed and all corporate powers shall be exercised by or under the direction of the Board of Directors. Subject to the foregoing, the Board may delegate the management of the day-to-day operation of the business of the Corporation to officers, agents and employees of the Corporation.

Section 3.02 Number of Directors. The authorized number of Directors shall not be less than five (5) nor more than seven (7) until changed by amendment of the Articles of Incorporation or by a Bylaw amending this Section 3.02 duly adopted by the required percentage of outstanding shares required to vote on such amendment. The exact number of Directors shall be fixed from time to time, within the limits specified, by resolution of the Board of Directors or Shareholders. Subject to the foregoing provisions for changing the exact number of Directors, the number of Directors of the Corporation shall be five (5).

Section 3.03 Election and Term of Office. At each annual meeting of Shareholders the Directors shall be elected to hold office until the next annual meeting. Each Director, including a Director elected to fill a vacancy, shall hold office until expiration of the term for which such Director was elected, and until a successor has been elected and qualified, subject to the General Corporation Law and the provisions of these Bylaws with respect to vacancies on the Board.

Section 3.04 Creation and Filling of Vacancies on the Board. A vacancy or vacancies on the Board of Directors shall be deemed to exist in case of the death, removal or resignation of any Director, if the authorized number of Directors is increased, or if the Shareholders fail, at any annual or special meeting of Shareholders at which any Director or Directors are to be elected, to elect the full authorized number of Directors to be elected at that meeting.

The Board of Directors may remove any Director who has been declared of unsound mind by an order of court or who has been convicted of a felony. In addition, any or all of the Directors may be removed without cause if such removal is approved by the vote or written consent of holders of a majority of the outstanding shares entitled to vote on the election of Directors, subject to the following:

(a) No Director may be removed (unless the entire Board is removed) when the votes cast against removal, or not consenting in writing to such removal, would be sufficient to elect such Director if voted cumulatively at an election at which the same total number of votes were cast (or, if such action is taken by written consent, all shares entitled to vote were voted) and the entire number of Directors authorized at the time of the Director's most recent election were then being elected; and

(b) When by the provisions of the Articles of Incorporation the holders of the shares of any class or series, voting as a class or series, are entitled to elect one or more Directors, any Director so elected may be removed only by the applicable vote of the holders of the shares of that class or series.

Any Director may resign effective upon giving written notice to the chairman of the Board, the president, the secretary or the Board of Directors of the Corporation, or at any later time specified therein; and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective. If the resignation is effective at a future time, a successor may be elected to take office when the resignation becomes effective.

Unless otherwise provided in the Articles of Incorporation, vacancies in the Board of Directors, except for a vacancy created by the removal of a Director, may be filled by a majority of the remaining Directors, though less than a quorum, or by a sole remaining Director, and each Director so elected shall hold office until occurrence of an event specified above creating a vacancy in such Director's office or until such Director's successor is elected and qualified. The Shareholders may elect a Director or Directors at any time to fill any vacancy or vacancies not filled by the Directors; provided, however, that a vacancy in the Board of Directors created by the removal of a Director may only be filled by written consent if all shares entitled to vote on the election of Directors shall so consent in writing.

Section 3.05 Fees and Compensation. By resolution of the Board of Directors, one or more of the Directors may be paid a retainer for their services as Directors, or a fixed fee (with or without expenses of attendance) for attendance at each meeting, or both. Nothing herein contained shall be construed to preclude any Director from serving the Corporation in any other capacity as an officer, agent, employee, or otherwise, and receiving compensation therefor.

Section 3.06 Organization Meeting. Immediately following each annual meeting of Shareholders, the Board of Directors shall hold a regular meeting at the place of said annual meeting or at such other place as shall be fixed by the Board of Directors, for the purpose of organization, election of officers, and the transaction of other business. Call and notice of such meeting are hereby dispensed with.

Section 3.07 Other Regular Meetings. Other regular meetings of the Board of Directors may be held at the time and place of regular meetings of the Board fixed in advance by the Board of Directors. Call and notice of such regular meetings of the Board of Directors are hereby dispensed with.

Section 3.08 Special Meetings. Special meetings of the Board of Directors, for the purpose of taking any action permitted by the Directors under the General Corporation Law and the Articles of Incorporation, may be called at any time by the chairman of the Board, the president, any vice president, the secretary or by any two Directors.

Notice of a meeting need not be given to any Director who signs a waiver of notice or a consent to hold the meeting or an approval of the minutes thereof, whether before or after the meeting, or who attends the meeting without protesting, prior to the meeting or at its commencement, the lack of notice to such Director. All such waivers, consents and approvals shall be filed with the corporate records or

made a part of the minutes of the meeting. Subject to the preceding sentence, notice of the time and place of special meetings shall be given to each Director (a) personally or by telephone or by telegraph, in each case forty-eight (48) hours prior to the holding of the meeting, or (b) by mail, charges prepaid, addressed to him at his address as it is shown upon the records of the Corporation or, if it is not so shown on such records and is not readily ascertainable, at the place at which the meetings of the Directors are regularly held, at least four (4) days prior to the holding of the meeting. Notice by mail shall be deemed to have been given at the time a written notice is deposited in the United States mails, postage prepaid. Any other written notice shall be deemed to have been given at the time it is personally delivered to the recipient or is delivered to a common carrier for transmission, or actually transmitted by the person giving the notice by electronic means, to the recipient. Oral notice shall be deemed to have been given at the time it is communicated, in person or by telephone or wireless, to the recipient or to a person at the office of the recipient who the person giving the notice has reason to believe will promptly communicate it to the recipient.

Any notice, waiver of notice or consent to holding a meeting shall state the time and place of the meeting but need not specify the purpose of the meeting.

Section 3.09 Place of Meetings. Regular and special meetings of the Board of Directors may be held at any place within or without the State which has been designated by resolution of the Board. In the absence of such designation meetings shall be held at the principal executive office of the Corporation.

Section 3.10 Action at a Meeting: Quorum and Required Vote. Presence in person of a majority of the authorized number of Directors at a meeting shall constitute a quorum of the Board for the transaction of business, except as hereinafter provided. Members of the Board may participate in a meeting through use of conference telephone or similar communications equipment, so long as all members participating in such meeting can hear one another. Participation in a meeting as permitted in the preceding sentence constitutes presence in person at such meeting.

Except as provided in the next sentence, every act or decision done or made by a majority of the Directors present at a meeting duly held at which a quorum is present is the act of the Board of Directors, unless a greater number is required by applicable law, by the Articles of Incorporation, or by these Bylaws. A meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of Directors, provided that any action taken must be approved by at least a majority of the required quorum for such meeting.

Section 3.11 Adjournment. A majority of the Directors present at any meeting, whether or not a quorum is present, may adjourn any Directors' meeting to another time and place. If any meeting is adjourned for more than twenty-four (24) hours, notice of any adjournment to another time or place shall be given prior to the time of the adjourned meeting to the Directors who were not present at the time of adjournment. Otherwise notice of the time and place of holding an adjourned meeting need not be given to absent Directors if the time and place is fixed at the meeting adjourned.

Section 3.12 Action Without Meeting. Any action required or permitted to be taken by the Board of Directors may be taken without a meeting if all members of the Board shall individually or collectively consent in writing to such action. Such written consent or consents shall be filed with the minutes of the proceedings of the Board and shall have the same force and effect as a unanimous vote of such Directors.

Section 3.13 Committees of the Board. By resolution adopted by a majority of the authorized number of Directors, the Board of Directors may designate an executive committee, an audit committee and such other committees as it shall determine, each consisting of two or more Directors, to serve at the pleasure of the Board, and prescribe the manner in which proceedings of such committees shall be conducted. The appointment of members or alternate members of a committee shall be by a majority vote of the authorized number of Directors. For purposes of these Bylaws, the term "audit committee" shall mean any committee of the Board of Directors to which is delegated the function of periodically reviewing the financial condition, and the results of audit examinations, of the Corporation with the Corporation's independent public accountants. The audit committee, if appointed, shall not include any officer or employee of the Corporation unless the Board of Directors shall specifically designate an officer or employee to serve on such committee.

Unless, to the extent permitted by the General Corporation Law, the Board of Directors shall otherwise prescribe the manner of proceedings of any such committee, the provisions of these Bylaws and Section 307 of the General Corporation Law with respect to notice and conduct of meetings of the Board shall govern committees of the Board and action by such committees.

Any such committee, to the extent provided in a resolution of the Board, shall have all of the authority of the Board, except with respect to:

- (a) the approval of any action for which the General Corporation Law or the Articles of Incorporation also require approval of the Shareholders;
- (b) the filling of vacancies on the Board or on any committee;
- (c) the fixing of compensation of the Directors for serving on the Board or on any committee;
- (d) the adoption, amendment or repeal of Bylaws;
- (e) the amendment or repeal of any resolution of the Board which by its express terms is not so amendable or repealable;
- (f) any distribution to the Shareholders, except at a rate or in a periodic amount or within a price range determined by the Board; and
- (g) the appointment of other committees of the Board or the members thereof.

Officers

Section 4.01 Officers. The officers of the Corporation shall be a president, a corporate secretary and chief financial officer. The Corporation may also have, at the discretion of the Board of Directors, a chairman of the Board and such other officers, with such titles and duties as may be determined by the Board of Directors. One person may hold two or more offices.

Section 4.02 Election and Term of Office. The officers of the Corporation shall be chosen by the Board of Directors, and each shall hold office at the pleasure of the Board or until such officer shall resign, subject, in each case, to the rights, if any, of the Corporation and any such officer under any contract of employment with the Corporation.

Section 4.03 Removal and Resignation. Any officer may be removed, either with or without cause, by a majority of the Directors at the time in office, at any regular or special meeting of the Board of Directors, or, except in case of an officer chosen by the Board of Directors, by any officer upon whom such power of removal may be conferred by the Board of Directors, subject, in each case, to the rights, if any, of any such officer under any contract of employment with the Corporation.

Any officer may resign at any time by giving written notice to the Corporation, without prejudice, however, to the rights, if any, of the Corporation under any contract to which such officer is a party. Any such resignation shall take effect at the date of the receipt of such notice or at any later time specified therein; and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 4.04 Vacancies. A vacancy in any office shall be filled in the manner prescribed in these Bylaws for regular appointments to such office.

Section 4.05 Duties and Compensation. Officers of the Corporation shall have such powers and duties, and shall receive such compensation therefor, as may be specified from time to time by the Board of Directors. In the absence of any contrary determination by the Board of Directors, the president shall be the general manager and chief executive officer of the Corporation and shall, subject to the power and authority of the Board of Directors, have general supervision, direction, and control of the officers, employees, business, and affairs of the Corporation.

ARTICLE V Indemnification and Advancement

5.01 Indemnification of Directors, Officers and Employees.

For the purposes of this Article V, “*agent*” means any person who is or was a director or officer of the Corporation, or is or was serving at the request of the Corporation as a director or officer of another foreign or domestic Corporation, partnership, joint venture, trust or other enterprise, or was a director or officer of a foreign or domestic Corporation which was a predecessor Corporation of the Corporation or of another enterprise at the request of such predecessor Corporation; “*proceeding*” means any threatened, pending or completed action or proceeding, whether civil, criminal, administrative or investigative; and “*expenses*” includes without limitation attorneys’ fees and any expenses of establishing a right to indemnification or advancement under this Article V.

Except as otherwise provided in this Article V, the Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any proceeding (other than an action by or in the right of the Corporation to procure a judgment in its favor) by reason of the fact that the person is or was an agent of the Corporation, against expenses, judgments, fines, settlements and other amounts actually and reasonably incurred in connection with the proceeding if that person acted in good faith and in a manner the person reasonably believed to be in the best interests of the Corporation and, in the case of a criminal proceeding, had no reasonable cause to believe the conduct of the person was unlawful. The termination of any proceeding by judgment, order, settlement, conviction or upon a plea of *nolo contendere* or its equivalent shall not, of itself, create a presumption that the person did not act in good faith and in a manner which the person reasonably believed to be in the best interests of the Corporation or that the person had reasonable cause to believe that the person’s conduct was unlawful.

Except as otherwise provided in this Article V, the Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending, or completed action by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that the person is or was an agent of the Corporation, against expenses actually and reasonably incurred by that person in connection with the defense or settlement of the action if the person acted in good faith, in a manner the person believed to be in the best interests of the Corporation and its shareholders.

No indemnification shall be made under this subsection (c) for any of the following:

- (1) In respect of any claim, issue or matter as to which the person shall have been adjudged to be liable to the Corporation in the performance of that person’s duty to the Corporation and its shareholders, unless and only to the extent that the court in which the proceeding is or was pending shall determine upon application, that, in view of all the circumstances of the case, the person is fairly and reasonably entitled to indemnity for expenses and then only to the extent that the court shall determine.
- (2) Of amounts paid in settling or otherwise disposing of a pending action without court approval.

- (3) Of expenses incurred in defending a pending action which is settled or otherwise disposed of without court approval.

To the extent that an agent of the Corporation has been successful on the merits in defense of any proceeding referred to in Article V or in defense of any claim, issue, or matter therein, the agent shall be indemnified against expenses actually and reasonably incurred by the agent in connection therewith.

Expenses incurred in defending any proceeding shall be advanced by the Corporation prior to the final disposition of the proceeding upon receipt of an undertaking by or on behalf of the agent to repay that amount if it shall be determined ultimately that the agent is not entitled to be indemnified as authorized in this Section.

The rights to indemnity under this Article V shall continue as to a person who has ceased to be a director, officer, employee, or agent and shall inure to the benefit of the heirs, executors, and administrators of the person. Nothing contained in this Article V shall affect any right to indemnification to which persons other than the directors and officers may be entitled by contract or otherwise.

No indemnification or advance shall be made under this Article V, except as provided in Article V, in any circumstance where it appears:

- (1) That it would be inconsistent with a provision of the Articles of Incorporation, these Bylaws, a resolution of the shareholders, or an agreement in effect at the time of the accrual of the alleged cause of action asserted in the proceeding in which the expenses were incurred or other amounts were paid, which prohibits or otherwise limits indemnification.
- (2) That it would be inconsistent with any condition expressly imposed by a court in approving a settlement.

Section 5.02 Insurance. The Corporation may maintain insurance, at its expense, to protect itself and any person who is or was a director, officer, employee, agent or fiduciary of the Corporation or who is or was serving at the request of the Corporation as a director, officer, employee, agent or fiduciary of another Corporation or of a partnership, joint venture, trust or other enterprise against any expenses incurred in a proceeding, whether or not the Corporation would have the power to indemnify such person against such expenses under the California General Corporation Law.

ARTICLE VI Miscellaneous

Section 6.01 Record Date. The Board of Directors may fix a time in the future as a record date for the determination of the Shareholders entitled to notice of and to vote at any meeting of Shareholders or to give consent to corporate action in writing without a meeting, to receive any report, to receive payment of any dividend or distribution or allotment of rights, or to exercise rights in respect to any other lawful action. The record date so fixed in advance shall not be more than sixty (60) days nor less than ten (10) days prior to the date of any meeting, nor more than sixty (60) days prior to any other event for the purposes of which it is fixed.

If no record date is fixed by the Board of Directors:

- (a) The record date for determining Shareholders entitled to notice of or to vote at a meeting of Shareholders shall be the business day next preceding the day on which notice is given or, if notice is waived, the business day next preceding the day on which the meeting is held;
- (b) The record date for determining Shareholders entitled to give consent to corporate action in writing without a meeting, when no prior action by the Board has been taken, shall be the day on which the first written consent is given; and
- (c) The record date for determining Shareholders for any other purpose shall be the day on which the Board adopts the resolution relating thereto, or the 60th day prior to the date of such action, whichever is later.

A determination of Shareholders of record entitled to notice of or to vote at a meeting of Shareholders shall apply to any adjournment of the meeting unless the Board fixes a new record date for the adjourned meeting, but the Board shall fix a new record date if the meeting is adjourned for more than 45 days from the date set for the original meeting.

Subject to the provisions of Sections 702 to 704 of the General Corporation Law relating to voting of shares held by a fiduciary, receiver, pledgee, or a minor or in the name of a Corporation or in joint ownership, only Shareholders of record at the close of business on the record date are entitled to notice and to vote at any such meeting, to give consent without a meeting, to receive any report, to receive the dividend, distribution, or allotment of rights, or to exercise the rights, as the case may be, as to which such record date is fixed, notwithstanding any transfer of any shares on the books of the Corporation after the record date, except as otherwise provided in the Articles of Incorporation or by agreement or applicable law.

Section 6.02 Maintenance of Books and Records. The Corporation shall keep adequate and correct books and records of account

and shall keep minutes of the proceedings of its Shareholders, Board of Directors and committees of the Board and shall keep at its principal executive office, or at the office of its transfer agent or registrar, a record of its Shareholders, giving the names and addresses of all Shareholders and the number and class of shares held by each. Such minutes shall be kept in written form. Such other books and records may be kept either in written form or in any other form capable of being converted into written form.

This Corporation shall keep at its principal executive office in California, or if its principal executive office is not in California, then at its principal office in California (or otherwise provide upon written request of any Shareholder) the original or a copy of these Bylaws, as amended to date, certified by the secretary.

Section 6.03 Inspection of Corporate Records. These Bylaws, as amended to date, the accounting books and records, the record of Shareholders, and minutes of proceedings of the Shareholders and the Board and committees of the Board of this Corporation and any subsidiary of this Corporation shall be open to inspection upon the written demand on the Corporation of any Shareholder or holder of a voting trust certificate at any reasonable time during usual business hours, for a purpose reasonably related to such holder's interests as a Shareholder or as the holder of such voting trust certificate. Such inspection by a Shareholder or holder of a voting trust certificate may be made in person or by agent or attorney, and the right of inspection in this paragraph includes the right to copy and make extracts at such holder's expense.

Every Director shall have the absolute right at any reasonable time to inspect and copy all books, records and documents of every kind and to inspect the physical properties of the Corporation and its subsidiaries. Such inspection by a Director may be made in person or by agent or attorney and the right of inspection includes the right to copy and make extracts.

Section 6.04 Certificates for Shares. Every holder of shares in this Corporation shall be entitled to have a certificate signed in the name of this Corporation by the chairman or vice chairman of the Board or the president, a chief executive officer or a vice president and by the chief financial officer or an assistant treasurer or the secretary or any assistant secretary, certifying the number of shares and the class or series of shares owned by the Shareholder. Any or all of the signatures on the certificate may be facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if such person were an officer, transfer agent or registrar at the date of issue.

If the shares of this Corporation are at any time classified, or if any class of shares has two or more series, any such certificate for shares of this Corporation shall contain, on its face or on the reverse thereof with a reference thereto on its face, one of the statements required by Section 417 of the General Corporation Law.

Any such certificate shall also contain such legend or other statement as may be required by Sections 409(d) and 418 of the General Corporation Law, the Corporate Securities Law of 1968, the federal securities laws, and any agreement between the Corporation and the issuer thereof.

This Corporation may issue a new share certificate or a new certificate for any other security in the place of any certificate theretofore issued by it, alleged to have been lost, stolen or destroyed. This Corporation may require the owner of the lost, stolen or destroyed certificate or the owner's legal representative to give the Corporation a bond (or other adequate security) sufficient to indemnify it against any claim that may be made against it (including any expense or liability) on account of the alleged loss, theft or destruction of any such certificate or the issuance of such new certificate.

When the Articles of Incorporation are amended in any way affecting the statements contained in the certificates for outstanding shares, or it becomes desirable for any reason, in the discretion of the Board of Directors, to cancel any outstanding certificate for shares and issue a new certificate therefor conforming to the rights of the holder, the Board may order any holders of outstanding certificates for shares to surrender and exchange them for new certificates within a reasonable time to be fixed by the Board.

The order may provide that a holder of any certificates so ordered to be surrendered is not entitled to vote or to receive dividends or exercise any of the other rights of Shareholders until the holder has complied with the order, but such order operates to suspend such rights only after notice and until compliance. The duty of surrender of any outstanding certificates may also be enforced by civil action.

Section 6.05 Representation of Shares of This and Other Corporations. All rights incident to any and all shares of another corporation or corporations standing in the name of this Corporation may be exercised by such officer, agent or proxyholder as the Board of Directors may designate. In the absence of such designation, such rights may be exercised by the chairman of the Board or the president of this Corporation, or by any other person authorized to do so by the chairman of the Board or the president of this Corporation.

Except as provided below, shares of this Corporation owned by any subsidiary of this Corporation shall not be entitled to vote on any matter.

Shares of this Corporation held by this Corporation in a fiduciary capacity, and shares of this Corporation held in a fiduciary capacity by any subsidiary of this Corporation, shall not be entitled to vote on any matter, except to the extent that the settlor or beneficial owner possesses and exercises a right to vote or to give this Corporation or such subsidiary binding instructions as to how to vote such shares.

Solely for purposes of this Section 6.06, a corporation shall be considered a "subsidiary" of this Corporation if this Corporation owns directly, or indirectly through one or more subsidiaries, shares of the other corporation possessing more than twenty-five percent (25%) of the power to vote for the election of Directors at the time determination of such voting power is made.

Section 6.06 Construction of These Bylaws. Unless the context of a Section of these Bylaws otherwise requires, the terms used in these Bylaws shall have the meanings provided in, and these Bylaws shall be construed in accordance with, Chapter 1 of the General Corporation Law.

ARTICLE VII
Amendments

Section 7.01 Power of Shareholders. New Bylaws may be adopted or these Bylaws may be amended or repealed by the affirmative vote or written consent of a majority of the outstanding shares entitled to vote, except as otherwise expressly provided by applicable law or by the Articles of Incorporation or elsewhere in these Bylaws.

Section 7.02 Power of Directors. Subject to the right of Shareholders, as provided in Section 7.01, to adopt, amend or repeal Bylaws, Bylaws (other than a Bylaw or amendment thereof changing the authorized number of Directors or otherwise restricted by applicable law, the Articles of Incorporation or these Bylaws subject to amendment or repeal by the Shareholders) may be adopted, amended or repealed by the Board of Directors.

EXHIBIT 21

SIGNIFICANT SUBSIDIARIES

<u>Name</u>	<u>Jurisdiction of incorporation</u>
ASCOR, Inc.	California
Microsource, Inc.	California

EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors
Giga-tronics Incorporated
San Ramon, California

We consent to the incorporation by reference in the registration statements (Nos. 333-45476, 333-34719, 333-48889, 333-39403, 333-69688 and 333-135578) on Form S-8 of Giga-tronics Incorporated of our report dated June 10, 2008, relating to the consolidated balance sheet of Giga-tronics Incorporated and subsidiaries as of March 29, 2008 and March 31, 2007, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the fiscal years in the period ended March 29, 2008, then ended, which report appears elsewhere in this Form 10-K.

Perry-Smith LLP

San Francisco, California
June 10, 2008

CERTIFICATIONS UNDER SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, John R. Regazzi, certify that:

1. I have reviewed this Annual Report on Form 10-K of Giga-tronics, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: 6/11/08

/s/ JOHN R. REGAZZI

John R. Regazzi
Chief Executive Officer

CERTIFICATIONS UNDER SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Patrick J. Lawlor, certify that:

1. I have reviewed this Annual Report on Form 10-K of Giga-tronics, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: 6/11/08

/s/ PATRICK J. LAWLOR

Patrick J. Lawlor
Vice President Finance/
Chief Financial Officer & Secretary

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Giga-tronics Incorporated (the "Company") on Form 10-K for the period ending March 29, 2008, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John R. Regazzi, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: 6/11/08

/s/ JOHN R. REGAZZI
John R. Regazzi
Chief Executive Officer

EXHIBIT 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Giga-tronics Incorporated (the "Company") on Form 10-K for the period ending March 29, 2008, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Patrick J. Lawlor, Vice President, Finance, Chief Financial Officer and Secretary of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: 6/11/08

/s/ PATRICK J. LAWLOR
Patrick J. Lawlor
Vice President Finance,
Chief Financial Officer & Secretary