

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934 for the fiscal year ended March 30, 1996,
or

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

Commission file number 0-12719

GIGA-TRONICS INCORPORATED

(Exact name of registrant as specified in its charter)

California

94-2656341

State or other jurisdiction of (I.R.S. Employer Identification No.)
incorporation or organization

4650 Norris Canyon Road, San Ramon, CA 94583

(Address of principal executive offices) (Zip Code)

Registrant's telephone number: (510) 328-4650

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

Title of each class	Name of each exchange on which registered
-----	-----
None	None

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

Common Stock, No par value
(Title of class)

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 ☐

The aggregate market value of voting stock held by non-affiliates of the
Registrant calculated on the closing average bid and asked prices as of May 20,
1996 was \$20,717,599. For purposes of this determination only, directors and
officers of the Registrant have been assumed to be affiliates. There were a
total of 2,603,420 shares of the Registrant's Common Stock outstanding as of May
20, 1996.

DOCUMENTS INCORPORATED BY REFERENCE

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

PART OF FORM 10-K	DOCUMENT
-------------------	----------

PART II	Registrant's ANNUAL REPORT TO
Items 5, 6, 7 and 8	SHAREHOLDERS for the fiscal year
	ended March 30, 1996.

PART III Registrant's PROXY STATEMENT for
Items 10, 11, 12 and 13 its 1996 annual meeting of shareholders to
be filed no later than 120
days after the close of the
fiscal year ended March 30,
1996.

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PART I

ITEM 1. BUSINESS

General and Business

Giga-tronics designs, manufactures and markets microwave and radio frequency (RF) signal generation and power measurement instruments. These products are used primarily in the design, production, repair and maintenance of telecommunications, radar, electronic warfare, and transportation systems.

Recent Developments - Acquisition of ASCOR, Inc.

The Company has entered into an Agreement and Plan of Reorganization, dated as of May 2, 1996 (the "Reorganization Agreement"), by and among the Company, ASCOR Acquisition Corp., a California corporation and wholly owned subsidiary of Giga-tronics ("Acquisition Corp.") and ASCOR, Inc., a California corporation ("ASCOR") which provides for the acquisition by the Company of ASCOR through the merger (the "Merger") of ASCOR and Acquisition Corp. The Merger will be accounted for as a pooling of interests. ASCOR is a privately-held company in Fremont, California that 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 sales are primarily U.S. government related orders.

Pursuant to the Reorganization Agreement (i) Acquisition Corp. will be merged with and into ASCOR and ASCOR will become a wholly owned subsidiary of Giga-tronics; (ii) each (a) share of ASCOR no par value Common Stock ("ASCOR Common Stock") and no par value preferred stock ("ASCOR Preferred Stock" and, together with ASCOR Common Stock, the "ASCOR Shares") outstanding immediately prior to the Merger (other than ASCOR Shares held by shareholders who have perfected and not withdrawn their right to seek appraisal of their shares under applicable California law) and (b) outstanding options for the purchase of ASCOR Shares ("ASCOR Option") and warrants exercisable for the purchase of ASCOR Shares ("ASCOR Warrant" and, together with any ASCOR Options, the "ASCOR Convertible Securities") will be converted into the right to receive a pro rata portion of an aggregate of 724,986 Shares of Giga-tronics Common Stock to be issued in the Merger (the "Merger Consideration"). In determining the fraction of a Giga-tronics Stock (the "Exchange Ratio") which holders of ASCOR Shares and ASCOR Convertible Securities (collectively "ASCOR Securities") will be entitled to receive, all ASCOR Convertible Securities will be treated as having been converted or exercised into ASCOR Shares. Any ASCOR Convertible Securities which are considered "out-of-the-money" will be assumed by Giga-tronics and will be exercisable for Giga-tronics Common Stock as adjusted by the Merger. Shares of Giga-tronics Common Stock attributable to ASCOR Convertible Securities which are assumed by Giga-tronics will be retained by Giga-tronics from the Merger Consideration pending their exercise.

In a Letter Agreement between the Company and ASCOR dated May 20, 1996 amending the Reorganization Agreement, the Company has agreed to use its best faith efforts to file with the Securities and Exchange Commission, and cause the effectiveness

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under federal securities law of, a registration statement on Form S-4 (or such other form as may be applicable) covering the shares of Giga-tronics Common Stock to be issued in the Merger. If the Company Common Stock issued in the

Merger is not issued pursuant to such an effective registration statement, the Reorganization Agreement contemplates that the Company Common Stock would be issued pursuant to an exemption from registration and be legended to indicate that it is not freely transferable. The Reorganization Agreement provides that if the Company Common Stock issuable in the Merger is not issued pursuant to an effective registration statement, at the closing of the Merger, the Company will enter into a Registration Rights Agreement with each of the former holders of ASCOR Securities granting them registration rights, including (a) one demand registration and (b) piggyback registration rights.

The Merger will be effective at the time an Agreement of Merger is filed with the Secretary of State of the State of California. Assuming all conditions to the Merger are met or waived prior thereto, it is anticipated that the Effective Time will occur late in the first fiscal quarter or during the second fiscal quarter of 1997.

Industry Segments

Giga-tronics operates in one industry segment: electronic test and measurement equipment.

Products and Markets

Giga-tronics produces signal sources, generators and sweepers, and power measurement instruments for use in the microwave and RF frequency range (10 kHz to 75 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 can be divided into three broad segments: telecommunications, radar and electronic warfare. Giga-tronics' instruments are used in the design, production, repair and maintenance and calibration of other manufacturers' products, from discrete components to complex systems.

Sources and Availability of Raw Materials and Components

Substantially all of the components required by the Company to make its assemblies are available from more than one source. The Company occasionally uses sole source arrangements to obtain leading-edge technology, favorable pricing or supply terms. Although extended delays in delivering components could result in longer product delivery schedules, 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 attempts to obtain patents when appropriate. In addition, the Company has acquired numerous patents in the course of its two recent acquisitions.

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However, the Company believes that its competitive position depends on the creative ability and technical competence of its personnel and the timely introduction of new products rather than on the ownership or development of patents.

The Company licenses certain instrument operating system software from third parties. Other than such software licenses, the Company is not aware that the manufacture and sale of its products requires licenses from others. The Company believes, based on industry practice, that any necessary licenses could be obtained on conditions which would not have a materially adverse financial effect on the Company.

Seasonal Nature of Business

The business of the Company is not seasonal.

Working Capital Practices

The Company does not believe that it has any special practices or special conditions affecting working capital items that are significant for an understanding of its business.

Importance of Limited Number of Customers

Since its inception, the Company has been a leading supplier of test instruments to various U.S. Government defense agencies, as well as to their prime contractors. U.S. Government agencies accounted for 31%, 26%, and 27% of net sales in fiscal 1996, 1995, and 1994, respectively. Management anticipates sales to U.S. Government agencies will remain significant in fiscal 1997, even though the outlook for defense-related orders continues to be soft.

Backlog of Orders

On March 30, 1996, Giga-tronics had a backlog of approximately \$6,112,000 compared to \$10,154,000 at March 25, 1995. Orders for the Company's products include large 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 necessarily be indicative of sales for any period.

Backlog includes only those customer orders for which a delivery schedule has been agreed upon between Giga-tronics and the customer and, in the case of U.S. Government orders, for which funding has been appropriated. Giga-tronics believes that essentially all of the year ending backlog will be shipped within the next twelve months.

A substantial portion of the year-end backlog consisted of U.S. Government contracts. These contracts contain customary provisions permitting termination at the convenience of the Government upon payment of a negotiated cancellation charge. The Company never has experienced a significant contract termination.

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Competition

The principal competitive factors in the marketing of microwave and RF test instruments include product functionality, reliability and price. The Company competes mainly with Hewlett-Packard, Anritsu, Marconi and Rohde & Schwarz. These competitors are larger and have greater financial, engineering and marketing resources than the Company. Nonetheless, the Company believes that within its chosen markets and applications, its products are fully competitive with those of other manufacturers.

Product Development

Microwave and RF test instruments 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 semiconductor and related microwave component technologies into its new products.

Product development expense was approximately \$2,512,000, \$2,700,000 and \$2,569,000 in fiscal 1996, 1995 and 1994, respectively. Activities included the development of new products and the improvement of existing products. It is management's intention to maintain expenditures for 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.

Manufacturing

The assembly and testing of the Company's microwave, RF and power measurement products is done at its relatively new San Ramon facility. The Sunnyvale manufacturing operations (performing assembly and test of power measurement products) relocated to the San Ramon facility in July, 1995.

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 30, 1996, the Company employed 146 persons. 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 is represented by a labor union and the Company considers its employee relations to be excellent.

Information about Foreign Operations

The Company sells to its international customers through a network of foreign technical sales representative organizations. Sales to foreign customers were approximately \$6,791,000, \$4,458,000, and \$4,544,000 in fiscal 1996, 1995 and 1994, respectively.

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The Company has no foreign-based operations or material amount of identifiable assets in foreign countries. Its gross margins on foreign and domestic sales are similar. Management does not believe that foreign sales are subject to materially greater risks than domestic sales.

Outlook

Even though the Company has now achieved more balance between its defense and commercial businesses, defense related orders remain very important to the Company. The outlook for such orders continues to be soft. The Company believes that some growth can be realized by sustaining an effective new product development program, aggressively pursuing new markets, vigorously competing for defense business, and making synergistic acquisitions.

ITEM 2. PROPERTIES

As of March 30, 1996, the Company's executive, marketing, sales and engineering offices and manufacturing facilities are located in approximately 47,000 square feet in San Ramon, California, which the Company occupies under a lease agreement expiring December 31, 2006.

The 30,000 square foot facility in Pleasant Hill, California, which formerly housed all of the signal generator operations, was vacated at the end of April, 1994. The Pleasant Hill lease agreement expired April 30, 1994. The 40,000 square foot facility in Sunnyvale, California, which formerly housed all of the power measurement instrument operations, was vacated in July, 1994. The Sunnyvale lease agreement expired July 31, 1994.

ITEM 3. LEGAL PROCEEDINGS

As of March 30, 1996, the Company has no pending legal proceedings, other than routine litigation incidental to the Company's business, to which the Company is a party or to which any of its property is subject.

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 30, 1996. Executive Officers of Giga-tronics are listed on page 14 of this Form 10-K.

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PART II

30, 1996, is filed as Exhibit 13.0 with this Form 10-K (the "1996 Annual Report"). The information responsive to items 5, 6, 7 and 8, which is contained in the 1996 Annual Report, is specifically incorporated by reference in this Form 10-K. With the exception of such information, the 1996 Annual Report is not deemed filed as part of this report.

ITEM 5. MARKET FOR REGISTRANT'S COMMON STOCK AND RELATED SECURITY HOLDER MATTERS

Incorporated by reference from the 1996 Annual Report, see "Per Share Stock Data" which appears on page 32.

ITEM 6. SELECTED FINANCIAL DATA

Incorporated by reference from the 1996 Annual Report, see "Selected Financial Data" which appears on page 31.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Incorporated by reference from the 1996 Annual Report, see "Management's Discussion and Analysis of Results" which appears on pages 18 and 19.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The following items which appear in the 1996 Annual Report are incorporated by reference:

Balance Sheets.....	page 20
Statements of Operations.....	page 21
Statements of Shareholders' Equity.....	page 22
Statements of Cash Flows.....	page 23
Notes to Financial Statements.....	page 24
Independent Auditors' Report.....	page 30

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

Not applicable.

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PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information regarding directors of the Company is set forth under the heading "Election of Directors" of the Company's Proxy Statement for the 1996 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 30, 1996.

ITEM 11. EXECUTIVE COMPENSATION

Information regarding the Company's compensation of its executive officers is set forth under the heading "Executive Compensation" of the Proxy Statement, 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 30, 1996.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

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 Proxy Statement, 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 30, 1996.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Not applicable

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PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a)(1) Financial Statements

The following financial statements and schedules are filed or incorporated by reference as a part of this report.

INDEX TO FINANCIAL STATEMENTS AND SCHEDULES

Financial Statements	1996 Annual Report to Shareholders (Page No.)
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Statements of Shareholders' Equity - Years Ended March 30, 1996, March 25, 1995 and March 26, 1994	22
Statements of Cash Flows - Years Ended March 30, 1996, March 25, 1995 and March 26, 1994	23
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(a)(2) Schedules	Form 10-K (Page No.)
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Independent Auditor's Report on Schedule and Consent	12
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All other schedules are not submitted because they are not applicable or not required or because the required information is included in the financial statements or notes thereto.

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Except for those portions thereof incorporated by reference in this Form 10-K, the 1996 Annual Report and the Proxy Statement are not to be deemed filed as part of this report.

(a)(3) Exhibits

Reference is made to the Exhibit Index which is found on pages 15 and 16 of this Form 10-K Report.

(b) Reports on Form 8-K

Under date of April 18, 1996, except for Note 10, which is as of May 2, 1996 we reported on the balance sheets of Giga-tronics Incorporated as of March 30, 1996 and we related statements of operations, shareholders' equity and cash flows for the fifty-three week period ended March 30, 1996, and for the fifty

two week periods in the two year period ended March 25, 1995. In connection with our audits of the aforementioned financial statements, we also audited the related financial statement Schedule II, Valuation and Qualifying Accounts. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement schedule based on our audits. In our opinion, such financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We consent to incorporation by reference in the registration statements (Nos. 2-91843 and 33-85278) on Form S-8 of Giga-tronics Incorporated of our reports included herein and incorporated herein by reference.

/s/

KPMG Peat Marwick LLP

San Jose, California
May 29, 1996

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<TABLE>

GIGA-TRONICS INCORPORATED
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

<CAPTION>

Column A	Column B	Column C	Column D	Column E
Description	Balance at beginning of period	Charged to cost and expenses	Charged to other Accounts	Balance at end of period
<S>	<C>	<C>	<C>	<C>
	\$	\$	\$	\$

Year ended March 30, 1996

Allowances deducted from assets:

Accounts receivable:	31,676	209,907	--	19,824	221,759
For doubtful accounts					

Total	31,676	209,907	--	19,824	221,759
-------	--------	---------	----	--------	---------

Year ended March 25, 1995

Allowances deducted from assets:

Accounts receivable:	87,065	13,775	--	69,164	31,676
For doubtful accounts					

Total	87,065	13,775	--	69,164	31,676	
-------	--------	--------	----	--------	--------	--

Year ended March 26, 1994

Allowance deducted from
assets:

Accounts receivable:	43,265	45,000	--	1,200	87,065
For doubtful accounts ¹	-----	-----	-----	-----	-----

Total	43,265	45,000	--	1,200	87,065	
-------	--------	--------	----	-------	--------	--

<FN>

1 Reserve for accounts receivable collection exposure.

</FN>

</TABLE>

14.

<TABLE>

GIGA-TRONICS INCORPORATED CORPORATE EXECUTIVE OFFICERS

<CAPTION>

Name	Age	Position
----	---	-----
<S>	<C>	<C>
George H. Bruns, Jr.	78	Chairman of the Board and Chief Executive Officer
Gregory L. Overholtzer	39	Vice President, Finance & Chief Financial Officer
Bradley C. Stribling	50	Vice President, Engineering
David L. White	41	Vice President, Marketing and Sales

</TABLE>

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GIGA-TRONICS INCORPORATED INDEX TO EXHIBITS

- 2.1* Agreement and Plan of Reorganization, dated as of May 2, 1996 by and among Giga-tronics Incorporated, ASCOR Acquisition Corp. and ASCOR, Inc.
- 2.2* Letter Agreement between Giga-tronics Incorporated and ASCOR, Inc., dated May 20, 1996.
- 3.1 Articles of Incorporation of Registrant, as amended, previously filed on May 6, 1983, as Exhibit 3.1 to Form S-1 registration, File No. 2-83581 (hereinafter "Form S-1"), and subsequently filed on July 3, 1991, as Exhibit 3.1 to Form 10-K for the fiscal year ended March 30, 1991, and incorporated herein by reference.
- 3.2 By-laws of Registrant, as amended, previously filed on May 6, 1983, as

Exhibit 3.2 to Form S-1, and subsequently filed on July 3, 1991, as Exhibit 3.2 to Form 10-K for the fiscal year ended March 30, 1991, and incorporated herein by reference.

- 10.2 Lease between Giga-tronics Incorporated and Lowenberg Realty Company for 2477, 2479, 2481, 2487, 2489, 2491 and 2495 Estand Way, Pleasant Hill, CA, previously filed on June 28, 1985, as Exhibit 10.2 to Form 10-K for the fiscal year ended March 31, 1985, and subsequently filed on July 3, 1991, as Exhibit 10.2 to Form 10-K for the fiscal year ended March 30, 1991, and incorporated herein by reference.
- 10.3 1981 Incentive Stock Option Plan and form of Incentive Stock Option Agreement, as amended, previously filed on June 26, 1987, as Exhibit 10.3 to form 10-K for the fiscal year ended March 31, 1987, and incorporated herein by reference.
- 10.4 1990 Restated Stock Option Plan and form of Incentive Stock Option Agreement, previously filed on July 3, 1991, as Exhibit 10.4 to Form 10-K for the fiscal year ended March 30, 1991, and incorporated herein by reference.
- 10.5 Standard form Indemnification Agreement for Directors and Officers, previously filed on July 3, 1991, as Exhibit 10.5 to Form 10-K for the fiscal year ended March 30, 1991, and incorporated herein by reference.
- 10.6 Proposal for Retired Officers' Health Insurance, previously filed on July 3, 1991, as Exhibit 10.6 to Form 10-K for the fiscal year ended March 30, 1991, and incorporated herein by reference.
- 10.7 Form Stock Option Agreement for Automatic Director Grants, previously filed on July 3, 1991, as Exhibit 10.7 to Form 10-K for the fiscal year ended March 30, 1991, and incorporated herein by reference.
- 10.8 Special One Time Option Grant to Robert Wilson, previously filed on July 3, 1991, as Exhibit 10.8 to Form 10-K for the fiscal year ended March 30, 1991, and incorporated herein by reference.

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- 10.9 Purchase Agreement between Wavetek Corporation, Wavetek U.S. Inc. and Giga-tronics Incorporated dated May 22, 1992, previously filed on June 25, 1992, as Exhibit 10.9 to Form 10-K for the fiscal year ended March 28, 1992 and incorporated herein by reference.
- 10.10 Assignment of Lease from Wavetek U.S., Inc. to Giga-tronics, Incorporated dated May 22, 1992, previously filed on June 25, 1992, as Exhibit 10.10 to Form 10-K for the fiscal year ended March 28, 1992 and incorporated herein by reference.
- 10.11 Asset Purchase and Licensing Agreement between John Fluke Mfg. Co., Inc. and Giga-tronics Incorporated dated June 3, 1993, previously filed on June 23, 1993, as Exhibit 10.11 to Form 10-K for the fiscal year ended March 27, 1993 and incorporated herein as reference.
- 10.12 Lease between Giga-tronics Incorporated and Calfront Associates for 4650 Norris Canyon Road, San Ramon, CA, dated December 6, 1993, previously filed as an exhibit to Form 10K for the fiscal year ended March 26, 1994.
- 11.0* Statement regarding Computation of Per Share Earnings. (See page 17 of this Annual Report on Form 10-K.)
- 13.0* 1996 Annual Report to Shareholders.
- 23.0* Independent Auditor's Report on Schedule and Consent. (see page 12 of this Annual Report on Form 10-K).
- 27.0* Financial Data Schedule.

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EXHIBIT 11.0

Loss per share is computed using the weighted average number of shares outstanding. Earnings per share are computed using the weighted average number of shares outstanding plus any incremental shares issuable upon exercise of outstanding options under the treasury stock method.

YEAR ENDED

</TABLE>

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AGREEMENT AND PLAN OF REORGANIZATION

dated as of

May 2, 1996

by and among

GIGA-TRONICS INCORPORATED

ASCOR ACQUISITION CORP.

and

ASCOR, INC.

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SCHEDULES

ASCOR Disclosure Schedule
Giga-tronics Disclosure Schedule

EXHIBITS

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Exhibit 5.09	Form of ASCOR Affiliates Agreement
Exhibit 6.08	Form of Giga-tronics Affiliates Agreement
Exhibit 10.01	Form of Registration Rights Agreement

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</TABLE>

AGREEMENT AND PLAN OF REORGANIZATION

THIS AGREEMENT AND PLAN OF REORGANIZATION (this "Agreement") is entered into as of the 2nd day of May, 1996, by and among Giga-tronics Incorporated, a California corporation ("Giga-tronics"), ASCOR Acquisition Corp., a California corporation and a wholly owned subsidiary of Giga-tronics ("Merger Sub"), and ASCOR, Inc., a California corporation ("ASCOR").

RECITALS

A. The Boards of Directors of Giga-tronics, Merger Sub and ASCOR have each determined to engage in the transactions contemplated hereby, pursuant to which (i) Merger Sub will merge (the "Merger") with and into ASCOR, (ii) each share of common stock, no par value, of ASCOR ("ASCOR Common Stock") and any other shares of ASCOR stock which shall have previously been converted into Ascior Common Stock (except for shares of ASCOR stock as to which dissenters' rights, if available, shall have been perfected) shall be converted into the right to receive a fraction of a share of common stock, no par value, of Giga-tronics ("Giga-tronics Common Stock"), in the manner and amount herein described, and (iii) the capital stock of Merger Sub shall be converted into shares of ASCOR Common Stock, all upon the terms and subject to the conditions set forth herein.

B. The Board of Directors of ASCOR has approved, and has resolved to recommend that the shareholders of ASCOR approve, the Merger and this Agreement.

C. The respective Boards of Directors of Giga-tronics and Merger Sub have approved the Merger and this Agreement. The Board of Directors of Giga-tronics has resolved to recommend that the shareholders of Giga-tronics approve the Merger and this Agreement. Giga-tronics, as the sole shareholder of Merger Sub, has approved the Merger and this Agreement.

D. The parties intend for the transactions contemplated by this Agreement to qualify as a tax-free reorganization in accordance with the provisions of Section 368(a) of the Internal Revenue Code of 1986, as amended (the "Code"), and to be accounted for as a pooling of interests transaction.

NOW, THEREFORE, in consideration of the foregoing and the mutual representations, warranties, covenants and agreements set forth herein, the parties agree as follows:

1.

ARTICLE I

THE MERGER

SECTION 1.01 THE MERGER.

(a) Subject to the terms and conditions hereof, and in accordance with the General Corporation Law of California, Merger Sub will be merged with and into ASCOR (the "Merger"), as soon as practicable following the satisfaction or waiver of the conditions set forth in Article VI hereof. Following the Merger, ASCOR shall continue as the surviving corporation (the "Surviving Corporation"), and the separate corporate existence of Merger Sub shall cease.

(b) Concurrent with the Closing (as defined in subsection (d) below), Giga-tronics, and ASCOR and Merger Sub shall file an agreement of merger in the form attached hereto as Exhibit 1.01 (the "Agreement of Merger") in the Office of the Secretary of State of the State of California in accordance with California Law. The Merger shall become effective at such time as the Agreement of Merger is duly filed in the Office of the Secretary of State of the State of California (the date of such filing being hereinafter referred to as the "Effective Date" and the time of such filing being hereinafter referred to as the "Effective Time").

(c) From and after the Effective Time, the Surviving Corporation shall possess all the rights, privileges, powers and franchises and be subject to all of the restrictions, disabilities and duties of ASCOR and Merger Sub, all as provided under California Law.

(d) The closing of the transactions contemplated by this Agreement (the "Closing") shall take place on June 27, 1996 at the offices of Brobeck Phleger & Harrison LLP, One Market Plaza, San Francisco, CA 94105, or at

such other date and place as Giga-tronics and ASCOR may agree. The date of the Closing determined pursuant to this Section 1.01(d) is referred to as the "Closing Date."

SECTION 1.02 CONVERSION OF SHARES.

(a) At the Effective Time:

(i) Subject to Section 1.05 hereof, at the Effective Time each issued and outstanding share of ASCOR Common Stock, Series A Preferred Stock of ASCOR (the "ASCOR Series A Shares"), Series B Preferred Stock of ASCOR (the "ASCOR Series B Shares") and Series C Preferred Stock of ASCOR (the "ASCOR Series C Shares" and collectively with the ASCOR Series A Shares and the ASCOR Series B Shares, the "ASCOR Preferred Shares") issued and outstanding immediately prior to the Effective Time (other than Dissenting ASCOR Shares (as defined in Section 1.04 hereof)) shall automatically, by virtue of the Merger and without any action on the part of the holder thereof, be converted into a right to

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receive the number of shares of Giga-tronics Common Stock as is determined pursuant to this Section 1.02. The ASCOR Common Stock and ASCOR Preferred Shares are collectively referred to herein as the "ASCOR Shares." A maximum total of 724,986 shares of Giga-tronics Common Stock (the "Merger Consideration") will be issued in the Merger, including (1) shares issuable in respect of any warrants for the purchase of ASCOR Common Shares ("ASCOR Common Warrants") and warrants for the purchase of any series of ASCOR preferred stock ("ASCOR Preferred Warrants") (the ASCOR Common Warrants and the ASCOR Preferred Warrants are referred to collectively as the "ASCOR Warrants") which remain outstanding at the Effective Time, (2) shares deemed surrendered on exercise of any ASCOR Warrant for which a deemed net exercise pursuant to Section 1.06 below has been made; (3) shares that would have been issued to holders of Dissenting ASCOR Shares; and (4) fractional shares that would have been issuable but for Section 1.05 below.

(ii) The Agreement of Merger to be filed shall contain the final exchange ratio (the "Exchange Ratio") for ASCOR Shares into Giga-tronics Common Stock and shall be equal to 724,986 divided by the fully diluted number of ASCOR Shares outstanding at the Effective Time (the "ASCOR Outstanding Equivalent Number"). The ASCOR Outstanding Equivalent Number shall be equal to the sum of (1) the number of ASCOR Shares outstanding at the Effective time; plus (2) the total number of ASCOR Shares which would be issuable on the exercise of any ASCOR Warrants or ASCOR Options (as such terms are defined below). All ASCOR Shares shall be exchangeable into Giga-tronics Common Stock at the same Exchange Ratio.

(b) If between the date of this Agreement and the Effective Time, the number of outstanding ASCOR Shares or shares of Giga-tronics Common Stock shall have been changed into a different number of shares or a different class, by reason of any stock dividend, subdivision, reclassification, recapitalization, split-up, combination, exchange of shares or the like, the Exchange Ratio shall be correspondingly adjusted.

SECTION 1.03 EXCHANGE OF CERTIFICATES.

(a) Giga-tronics (or such third party as Giga-tronics shall appoint) shall act as Exchange Agent (the "Exchange Agent") for delivery of the Merger Consideration to the ASCOR shareholders and, if applicable, the cash to which holders of ASCOR shares shall be entitled pursuant to Section 1.05 hereof.

(b) As soon as practicable after the Effective Time, the Exchange Agent shall mail to each holder of record (other than Giga-tronics or

Merger Sub or any other subsidiary of Giga-tronics) of a certificate or certificates which immediately prior to the Effective Time represented issued and outstanding ASCOR Shares (individually a "Certificate" and collectively the "Certificates"), a letter of transmittal for return to the Exchange Agent which shall specify that delivery shall be effected, and risk of loss and the

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title to the Certificates shall pass, only upon receipt of the Certificates in exchange for the Merger Consideration. Upon surrender of a Certificate for cancellation to the Exchange Agent, together with and in accordance with such letter of transmittal, the holder of such Certificate shall be entitled to receive in exchange therefor the Merger Consideration that such holder is entitled to receive pursuant to Section 1.02(a) hereof. Upon such surrender the Exchange Agent shall promptly deliver such Merger Consideration.

(c) Until surrendered, each Certificate shall be deemed for all purposes to evidence only the right to receive the Merger Consideration into which ASCOR Shares formerly represented thereby shall have been converted pursuant to Section 1.02(a) hereof. No dividends or other distribution declared after the Effective Time with respect to Giga-tronics Common Stock shall be paid to the holders of any unsurrendered Certificate until the holder thereof surrenders such Certificate.

(d) After the Effective Time there shall be no transfers on the stock transfer books of either ASCOR (the stock transfer books of which shall be closed) or the Surviving Corporation of ASCOR Shares which were outstanding immediately prior to the Effective Time. If after the Effective Time Certificates are presented for transfer to the Exchange Agent, together and in accordance with the letter of transmittal from the Exchange Agent, they shall be cancelled and exchanged for the Merger Consideration.

SECTION 1.04 DISSENTING SHARES. ASCOR Shares that have not been voted for approval of this Agreement and with respect to which a demand for payment and appraisal shall have been properly made in accordance with Chapter 13 of the General Corporation Law of California ("Dissenting ASCOR Shares") shall not be converted into the right to receive the Merger Consideration at or after the Effective Time but shall be converted into the right to receive such consideration as may be determined to be due with respect to such Dissenting ASCOR Shares pursuant to the law of the State of California. If a holder of Dissenting ASCOR Shares ("Dissenting Shareholder"), shall withdraw his or her demand for such payment and appraisal or shall become ineligible for such payment and appraisal, then, as of the Effective Time of the occurrence of such event of withdrawal or ineligibility, whichever last occurs, such holder's Dissenting ASCOR Shares shall cease to be Dissenting ASCOR Shares and shall be converted into the right to receive, and shall be exchangeable for, the Merger Consideration into which such Dissenting ASCOR Shares would have been converted pursuant to Section 1.02(a) hereof. ASCOR shall give Giga-tronics prompt notice of any demand received by ASCOR from a holder of Dissenting ASCOR Shares for appraisal of ASCOR Shares, and Giga-tronics shall have the right to participate in all negotiations and proceedings with respect to such demand. ASCOR agrees that, except with the prior written consent of Giga-tronics, or as required under the General Corporation Law of California, it will not voluntarily make any payment with respect to, or settle or offer to settle, any such demand for appraisal. Each Dissenting Shareholder who, pursuant to the provisions of Chapter 13 of the General Corporation Law of California, becomes entitled to payment of the value of shares of ASCOR stock shall receive payment therefor (but only after the value therefor shall have been agreed upon or finally determined pursuant to such provisions). Any Merger Consideration which would have been issuable with respect to Dissenting ASCOR Shares shall be retained by Giga-tronics.

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SECTION 1.05 FRACTIONAL SHARES. Notwithstanding any other provision of this Agreement to the contrary, no fractional shares of Giga-tronics Common Stock shall be issued in connection with the Merger. All shares of Giga-tronics Common Stock to which a holder of ASCOR Shares is entitled immediately prior to the Effective Time shall be aggregated. If a fractional share results from such aggregation, in lieu of any such fractional share, each holder of ASCOR Shares who would otherwise have been entitled to receive a fraction of a share of Giga-tronics Common Stock upon surrender of Certificates for exchange pursuant to Section 1.03 shall be entitled to receive from the Exchange Agent a cash payment equal to such fraction multiplied by the closing sale price per share of Giga-tronics Common Stock on the last business day on which Giga-tronics Common Stock is traded on the NASD, prior to the Effective Time.

SECTION 1.06 ASCOR STOCK OPTIONS AND WARRANTS.

(a) Except as described below in Section 1.06(b), Giga-tronics will not assume any options for the purchase of ASCOR Shares (an "ASCOR Option") or ASCOR Warrants. At the Effective Time, outstanding ASCOR Options and ASCOR Warrants shall be deemed exercised for such number of shares of Giga-tronics Common Stock as would be exchanged in the Merger for the ASCOR Shares which would have been issued had such ASCOR Options or ASCOR Warrants been exercised in full and such ASCOR Shares been outstanding immediately prior to the Effective Time, subject to the following provisions of this Section 1.06. Such deemed exercise of ASCOR Options and ASCOR Warrants shall be on a "net exercise" basis. The full number of shares issuable on exercise of such ASCOR Warrant or ASCOR Option (including such number of shares as are deemed surrendered in the net exercise) shall be added to the ASCOR Outstanding Equivalent Number as described in Section 1.02 above. The value of the ASCOR Shares issuable on the exercise of any ASCOR Warrant or ASCOR Option for purposes of determining the number of ASCOR Shares to be surrendered in the deemed net exercise shall be equal to the number of ASCOR Shares issuable on exercise of such ASCOR Warrant or ASCOR Option, multiplied by the Exchange Ratio, multiplied by the average closing price of a share of Giga-tronics Stock on such stock exchange as Giga-tronics Stock is then traded for the five (5) business days immediately preceding the Closing Date. Shares of Giga-tronics Common Stock which would otherwise be issuable in respect of the ASCOR Shares deemed surrendered upon such net exercise shall be retained by Giga-tronics.

(b) Notwithstanding the foregoing, any ASCOR Warrant which, based upon the foregoing determination of the value of ASCOR Shares issuable on its exercise, would be "out-of-the-money" shall be assumed by Giga-tronics. An ASCOR Warrant shall be deemed out-of-the-money if its exercise price per share is greater than the value of such share as determined in Section 1.06(a) above. Any assumed ASCOR Warrant shall remain outstanding and exercisable in accordance with its terms except that (1) it shall be exercisable for such number of shares of Giga-tronics Common Stock as equals the number of ASCOR Shares for which it was exercisable multiplied by the Exchange Ratio and (2) the exercise price per share of such warrant shall be the exercise price as stated on such warrant divided by the Exchange Ratio. The number of shares of Giga-tronics Common Stock as would be issuable on exercise in full of any ASCOR Warrants assumed shall be

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reserved out of the Merger Consideration. If any ASCOR Warrant assumed by Giga-tronics pursuant to this Section 1.06 shall expire unexercised in full or in part, the Giga-tronics Common Stock which would have been issuable on exercise shall be retained by Giga-tronics and not otherwise issued.

SECTION 1.07 NO REGISTRATION OF GIGA-TRONICS COMMON STOCK. The parties acknowledge and agree that the Giga-tronics Common Stock to be issued pursuant to the Merger will be issued pursuant to a transaction not involving a public offering and therefore will be characterized as "restricted securities" under federal securities laws. The parties further acknowledge and agree that pursuant to the Securities Act of 1933, as amended (the "Securities Act") the Giga-tronics Common Stock so issued may be resold without registration under the Securities Act only in certain limited circumstances. It is understood that the Certificates issued pursuant to the Merger will bear the following legend:

"These securities have not been registered under the Securities Act of 1993, as amended. They may not be sold, offered for sale, pledged or hypothecated in the absence of a registration statement in effect with respect to the securities under such Act or an opinion of counsel satisfactory to the Company that such registration is not required or unless sold pursuant to Rule 144 of such Act."

Giga-tronics shall be under no obligation to effect a registration statement with respect to Giga-tronics Common Stock received in the Merger other than as required pursuant to the Registration Rights Agreement (as such term is defined in Section 10.01 below).

ARTICLE II

THE SURVIVING CORPORATION

SECTION 2.01 CERTIFICATE OF INCORPORATION. The Certificate of Incorporation of the Surviving Corporation shall be amended at the Effective Time to conform to the Certificate of Incorporation of Merger Sub, as in effect immediately prior to the Effective Time.

SECTION 2.02 BYLAWS. The Bylaws of Merger Sub, as in effect immediately prior to the Effective Time, shall be the Bylaws of the Surviving Corporation, until thereafter amended in accordance with applicable law.

SECTION 2.03 DIRECTORS AND OFFICERS. From and after the Effective Time, until successors are duly elected or appointed and qualified in accordance with applicable law, the directors of Merger Sub at the Effective Time shall become the initial directors of the Surviving Corporation, and the officers of ASCOR at the Effective Time shall become the initial officers of the Surviving Corporation.

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ARTICLE III

REPRESENTATIONS AND WARRANTIES OF ASCOR

Except as disclosed in a document referring specifically to this Agreement (the "ASCOR Disclosure Schedule") which is delivered by ASCOR to Giga-tronics no less than five days prior to the execution of this Agreement (which shall contain appropriate and reasonably detailed references to each representation and warranty to which any item there disclosed pertains), ASCOR represents and warrants to Giga-tronics as set forth below:

SECTION 3.01 CORPORATE EXISTENCE AND POWER. ASCOR is a corporation duly incorporated, validly existing and in good standing under the laws of the State of California, and has all corporate powers and all material governmental licenses, authorizations, consents and approvals (collectively, "Governmental Authorizations") required to carry on its business as now conducted. ASCOR is duly qualified to do business as a foreign corporation and is in good standing in each jurisdiction where the character of the property owned or leased by it or the nature of its activities makes such qualification necessary. ASCOR has delivered to Giga-tronics true and complete copies of ASCOR's Articles of Incorporation and Bylaws as currently in effect.

SECTION 3.02 CORPORATE AUTHORIZATION. The execution, delivery and performance by ASCOR of this Agreement, the ASCOR and Giga-tronics Affiliates Agreements (as defined in Sections 5.09 and 6.08 respectively, hereof) and the consummation by ASCOR of the transactions contemplated hereby and thereby are within ASCOR's corporate powers and have been duly authorized by all necessary corporate action, except for the approval by ASCOR's shareholders in connection with the consummation of the Merger. The ASCOR and Giga-tronics Affiliates Agreement are collectively referred to herein as the "ASCOR Ancillary Agreements." This Agreement and the ASCOR Ancillary Agreements constitute, or

upon execution will constitute, valid and binding agreements of ASCOR, enforceable against ASCOR in accordance with their respective terms.

SECTION 3.03 GOVERNMENTAL AUTHORIZATION. The execution, delivery and performance by ASCOR of this Agreement, the ASCOR Ancillary Agreements and the Agreement of Merger and the consummation of the Merger by ASCOR require no action by or in respect of, or filing with, any governmental body, agency, official or authority other than:

(a) the filing of the Agreement of Merger in accordance with California Law;

(b) compliance with any applicable requirements of the Hart-Scott- Rodino Antitrust Improvements Act of 1976 (the "HSR Act");

(c) compliance with any applicable requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules and regulations promulgated thereunder;

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(d) compliance with any applicable foreign or state securities or "blue sky" laws; and

(e) such other filings or registrations with, or authorizations, consents or approvals of, governmental bodies, agencies, officials or authorities, the failure of which to make or obtain would not materially adversely affect the ability of ASCOR, Giga-tronics or Merger Sub to consummate the transactions contemplated hereby and operate their businesses as heretofore operated.

SECTION 3.04 NON-CONTRAVENTION. The execution, delivery and performance by ASCOR of this Agreement, the ASCOR Ancillary Agreements and the Certificate of Merger and the consummation by ASCOR of the transactions contemplated hereby and thereby do not and will not:

(a) contravene or conflict with the Articles of Incorporation or Bylaws of ASCOR;

(b) assuming compliance with the matters referred to in Section 3.03 and assuming the requisite approval of ASCOR's shareholders of the Merger, contravene or conflict with or constitute a violation of any provision of any law, regulation, judgment, injunction, order or decree binding upon or applicable to ASCOR;

(c) conflict with or result in a breach or violation of, or constitute a default under, or result in the termination or cancellation of, or right to accelerate, any agreement, contract or other instrument binding upon ASCOR or any license, franchise, permit or other similar authorization held by ASCOR; or

(d) result in the creation or imposition of any Lien (as defined below) on any asset of ASCOR.

For purposes of this Agreement, the term "Lien" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset.

SECTION 3.05 CAPITALIZATION. The authorized capital stock of ASCOR consists of 30,000,000 shares of ASCOR Common Stock and 5,712,283 shares of ASCOR Preferred Stock. As of the date hereof, there are outstanding:

(a) 3,947,375 shares of ASCOR Common Stock;

(b) 2,340,425 ASCOR Series A Shares, 2,000,000 ASCOR Series B Shares and 909,091 ASCOR Series C Shares;

(c) ASCOR Preferred Warrants for the purchase of 68,409

ASCOR Preferred Shares and ASCOR Common Warrants for the purchase of 5,119,395 shares of

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ASCOR Common Stock. The exercise prices of said warrants is \$0.55 per warrant for the ASCOR Preferred Warrants and \$0.07 per warrant for the ASCOR Common Warrants;

(d) No ASCOR Options for the purchase of any ASCOR Shares;

and

5,119,395 shares of ASCOR Common Stock reserved for issuance upon exercise of outstanding ASCOR Warrants and ASCOR Options. All outstanding ASCOR Common Shares have been duly authorized and validly issued and are fully paid and nonassessable and free from any preemptive rights. Except as set forth in this Section and as otherwise contemplated by this Agreement, there are outstanding (i) no shares of capital stock or other voting securities of ASCOR, (ii) no securities of ASCOR convertible into or exchangeable for shares of capital stock or voting securities of ASCOR and (iii) no options or other rights to acquire from ASCOR, and no obligation of ASCOR to issue, any capital stock, voting securities or securities convertible into or exchangeable for capital stock or other voting securities of ASCOR (the items in clauses (i), (ii) and (iii) being referred to collectively as the "ASCOR Securities"). There are no outstanding obligations of ASCOR to repurchase, redeem or otherwise acquire any ASCOR Securities. No holder of ASCOR Securities has, as of the date hereof, any contractual right to include any such securities in any registration statement proposed to be filed by Giga-tronics under the Securities Act.

SECTION 3.06 SUBSIDIARIES AND INVESTMENTS. ASCOR does not own, directly or indirectly, any outstanding capital stock or equity interest in any corporation, partnership, joint venture or other entity.

SECTION 3.07 FINANCIAL STATEMENTS. ASCOR has delivered to Purchaser copies (initialled by ASCOR's Secretary and identified with a reference to this Section of this Agreement) of financial statements (hereinafter collectively called the "Financial Statements"), all of which are complete and correct, have been prepared in accordance with generally accepted accounting principles consistently applied and maintained throughout the periods indicated and fairly present the financial condition of ASCOR as at their respective dates and the results of its operations for the periods covered thereby, as follows: balance sheets of ASCOR as at March 30, 1996 and March 25, 1995 and March 26, 1994 and the related audited statements of earnings and cash flows for the years then ended, audited by KPMG Peat Marwick LLP, independent certified public accountants. The audited balance sheet of ASCOR as at March 30, 1996 (the "ASCOR Balance Sheet Date") is referred to herein as the "ASCOR Balance Sheet."

Such statements of earnings do not contain any items of special or nonrecurring income or any other income not earned in the ordinary course of business except as expressly specified therein, and such interim financial statements include all adjustments, which consist only of normal recurring accruals, necessary for such fair presentation.

SECTION 3.08 ABSENCE OF CHANGES OR EVENTS. Since the ASCOR Balance Sheet Date ASCOR has conducted its business only in the ordinary course consistent with its prior practices and has not:

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(a) incurred any obligation or liability, absolute, accrued, contingent or otherwise, whether due or to become due, except current liabilities for trade or business obligations incurred in connection with the purchase of goods or services in the ordinary course of business and consistent with its prior practice, none of which liabilities, in any case or in the

aggregate, materially and adversely affects the business, liabilities or financial condition of ASCOR;

(b) discharged or satisfied any lien, charge or encumbrance other than those then required to be discharged or satisfied, or paid any obligation or liability, absolute, accrued, contingent or otherwise, whether due or to become due, other than current liabilities shown on the Balance Sheet and current liabilities incurred since the Balance Sheet Date in the ordinary course of business and consistent with its prior practice;

(c) declared or made any payment of dividends or other distribution to its shareholders or upon or in respect of any shares of its capital stock, or purchased, retired or redeemed, or obligated itself to purchase, retire or redeem, any of its shares of capital stock or other securities;

(d) mortgaged, pledged or subjected to lien, charge, security interest or any other encumbrance or restriction any of its property, business or assets, tangible or intangible;

(e) sold, transferred, leased to others or otherwise disposed of any of its assets, except for inventory sold in the ordinary course of business, or cancelled or compromised any debt or claim, or waived or released any right of substantial value;

(f) received any notice of termination of any contract, lease or other agreement or suffered any damage, destruction or loss (whether or not covered by insurance) which in any case or in the aggregate, has had a materially adverse effect on the assets, operations or prospects of ASCOR;

(g) encountered any labor union organizing activity, had any actual or threatened employee strikes, work stoppages, slow-downs or lock-outs, or had any material change in its relations with its employees, agents, customers or suppliers or with any governmental authorities or self-regulatory organizations;

(h) transferred or granted any rights under, or entered into any settlement regarding the breach or infringement of, any United States or foreign license, patent, copyright, trademark, trade name, invention or similar rights, or modified any existing rights with respect thereto;

(i) made any change in the rate of compensation, commission, bonus or other direct or indirect remuneration payable, or paid or agreed or orally promised to pay, conditionally or otherwise, any bonus, extra compensation, pension or severance or vacation pay, to any shareholder, director, officer, employee, salesman, distributor or agent of ASCOR;

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(j) issued or sold any shares of its capital stock or other securities, or issued, granted or sold any options, rights or warrants with respect thereto, or acquired any capital stock or other securities of any corporation or any interest in any business enterprise, or otherwise made any loan or advance to or investment in any person, firm or corporation;

(k) made any capital expenditures or capital additions or betterments in excess of an aggregate of \$50,000;

(l) changed its banking or safe deposit arrangements;

(m) instituted, settled or agreed to settle any litigation, action or proceeding before any court or governmental body relating to ASCOR or its property;

(n) failed to replenish its inventories and supplies in a normal and customary manner consistent with its prior practice and prudent business practices prevailing in the industry, or made any purchase commitment in excess of the normal, ordinary and usual requirements of its business or at

any price in excess of the then current market price or upon terms and conditions more onerous than those usual and customary in the industry, or made any change in its selling, pricing, advertising or personnel practices inconsistent with its prior practice and prudent business practices prevailing in the industry;

(o) suffered any change, event or condition which, in any case or in the aggregate, has had or may have a materially adverse effect on ASCOR's condition (financial or otherwise), properties, assets, liabilities, operations or prospects, including, without limitation, any change in ASCOR's revenues, costs, backlog or relations with its employees, agents, customers, or suppliers;

(p) entered into any transaction, contract or commitment other than in the ordinary course of business or paid or agreed to pay any legal, accounting, brokerage, finder's fee, taxes or other expenses in connection with, or incurred any severance pay obligations by reason of, this Agreement or the transactions contemplated hereby; or

(q) entered into any agreement or made any commitment to take any of the types of action described in subparagraphs (a) through (p) above.

SECTION 3.09 NO UNDISCLOSED LIABILITIES. There are no liabilities of ASCOR or any of its Subsidiaries, including contingent liabilities, of the type required to be reflected in financial statements (including the notes thereto) under generally accepted accounting principles that are material to ASCOR, other than:

(a) liabilities disclosed or provided for in the ASCOR Balance Sheet (including the notes thereto);

(b) liabilities incurred in the ordinary course of business consistent with past practice since the ASCOR Balance Sheet Date and which do not exceed \$100,000 in the aggregate;

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(c) liabilities incurred other than in the ordinary course of business and which do not exceed \$25,000 in the aggregate; and

(d) liabilities under this Agreement.

SECTION 3.10 LITIGATION. There is no action, suit, proceeding, claim or investigation pending or, to the best of ASCOR's knowledge, overtly threatened, against ASCOR or any of its assets or against or involving any of its officers, directors or employees in connection with the business or affairs of ASCOR, including, without limitation, any claims for indemnification arising under any agreement to which ASCOR is a party, which could, individually or in the aggregate, have a Material Adverse Effect on ASCOR or which in any manner challenges or seeks to prevent, enjoin, alter or materially delay any of the transactions contemplated hereby. ASCOR is not subject to or in default with respect to any writ, order, judgment, injunction or decree, which would have a Material Adverse Effect on ASCOR.

SECTION 3.11 TAXES.

(a) For purposes of this Agreement, "Tax" or "Taxes" means any and all taxes, fees, levies, duties, tariffs, imposts, and other charges of any kind (together with any and all interest, penalties, additions to tax and additional amounts imposed with respect thereto) imposed by any governmental or taxing authority including, without limitation: taxes or other charges on or with respect to income, franchises, windfall or other profits, gross receipts, property, sales, use, capital stock, payroll, employment, social security, workers' compensation, unemployment compensation, or net worth; taxes or other charges in the nature of excise, withholding, ad valorem, stamp, transfer, value added, or gains taxes; license, registration and documentation fees; and customs' duties, tariffs, and similar charges.

(b) Except as described in Schedule 3.11 of the ASCOR Disclosure Schedule, (i) ASCOR has filed all federal, state, local and foreign tax returns and reports required to be filed by it and has paid and discharged all Taxes shown as due thereon and has paid all of such other Taxes as are due, other than (a) such filings, payments or other occurrences that would not have a Material Adverse Effect; (ii) neither the IRS nor any other taxing authority or agency, domestic or foreign, is now asserting or, to the best knowledge of ASCOR after due inquiry, threatening to assert against ASCOR any deficiency or claim for additional Taxes or interest thereon or penalties in connection therewith; (iii) ASCOR has not granted any waiver of any statute of limitations with respect to, or any extension of a period for the assessment of, any federal, state, county, municipal or foreign income Tax; (iv) the accruals and reserves for Taxes reflected in the ASCOR Balance Sheet and the most recent quarterly financial statements are adequate to cover all Taxes accruable through the date thereof (including interest and penalties, if any, thereon) in accordance with generally accepted accounting principals; (v) ASCOR has not made an election under Section 341(f) of the Code; (vi) ASCOR has withheld or collected and paid over to the appropriate governmental authorities or is properly holding for such payment all Taxes required by law to be withheld or collected, except for such failures to have so withheld or collected and paid over or to be so holding for payment which would not have a Material

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Adverse Effect and (vii) there are no material liens for Taxes upon the assets of ASCOR, other than liens for Taxes that are being contested in good faith by appropriate proceedings.

(c) ASCOR is not party to or bound by, nor has any obligation under any Tax sharing, Tax indemnity or Tax allocation or similar agreement.

SECTION 3.12 INSURANCE. ASCOR maintains the policies of fire, liability, use and occupancy and other forms of insurance covering its properties and businesses set forth in the ASCOR Disclosure Schedule. Such policies are in full force and effect.

SECTION 3.13 EMPLOYEE BENEFIT PLANS; ERISA. Schedule 3.13 of the ASCOR Disclosure Schedule lists (i) all the employee benefit plans, programs and arrangements maintained for the benefit of any current or former employee, officer or director of ASCOR (the "Plans") and (ii) all contracts and agreements relating to employment that provide for annual compensation in excess of \$75,000 and all severance agreements, with any of the directors, officers or employees of ASCOR (other than, in each case, any such contract or agreement that is terminable by ASCOR at will without penalty or other adverse consequence) (the "Employment Contracts"). Giga-tronics has been furnished with a copy of each Plan, any summary plan descriptions, annual reports, actuarial reports, registration statements or other securities law filings and determination letters produced or filed with respect thereto, and each Employment Contract. Except as set forth in Section 3.13 of the ASCOR Disclosure Schedule: (i) none of the Plans is a multiemployer plan within the meaning of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"); (ii) none of the Plans promises or provides retiree medical or life insurance benefits to any person; (iii) each Plan intended to be qualified under Section 401(a) of the Code has received a favorable determination letter from the Internal Revenue Service (the "IRS") that it is so qualified and nothing has occurred since the date of such letter to affect the qualified status of such Plan; (iv) none of the Plans promises or provides severance benefits or benefits contingent upon a change in ownership or control, within the meaning of Section 280G of the Code; (v) each Plan has been operated in all material respects in accordance with its terms and the requirements of applicable law; (vi) no Plan is or has been covered by Title IV of ERISA or Section 412 of the Code; (vii) ASCOR has not incurred any direct or indirect liability under, arising out of or by operation of Title IV of ERISA in connection with the termination of, or withdrawal from, any Plan or other retirement plan or arrangement, and no fact or event exists that could give rise to any such liability; and (viii) ASCOR has not incurred any liability under, and has complied in all respects with, the Worker Adjustment Retraining Notification Act, and no fact or event exists that could

give rise to liability under such act.

SECTION 3.14 MATERIAL AGREEMENTS.

(a) The ASCOR Disclosure Schedule includes a complete and accurate list of all contracts, agreements, leases and instruments to which ASCOR is a party or by which it or its properties or assets are bound which individually involve payments or receipts in excess of \$25,000, inclusive of contracts entered into with customers and suppliers in the ordinary course of business, or that pertain to employment or severance benefits for any

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officer, director or employee of ASCOR, whether written or oral (each a "Material ASCOR Agreement").

(b) Neither ASCOR nor, to the knowledge of ASCOR, any other party is in default under any Material ASCOR Agreement and no event has occurred which (after notice or lapse of time or both) would become a breach or default under, or would permit modification, cancellation, acceleration or termination of any Material ASCOR Agreement or result in the creation of any security interest upon, or any person obtaining any right to acquire, any properties, assets or rights of ASCOR.

(c) Each Material ASCOR Agreement is in full force and effect and is valid and legally binding, there are, to the knowledge of ASCOR, no unresolved disputes involving or with respect to any Material ASCOR Agreement, and no party to a Material ASCOR Agreement has advised ASCOR that it intends either to terminate a Material ASCOR Agreement or to refuse to renew a Material ASCOR Agreement upon the expiration of the term thereof.

(d) ASCOR is not in violation of, or in default with respect to, any term of its Certificate of Incorporation or any material term of its Bylaws.

SECTION 3.15 REAL PROPERTY; LEASES.

(a) The ASCOR Disclosure Schedule includes a correct and complete list of all items of real property, including leased property, and any material buildings, structures and improvements located thereon or therein, which are owned or leased by ASCOR.

(b) To ASCOR's knowledge, with respect to any real property of ASCOR, including any leased property, and any material buildings, structures and improvements located thereon or therein, such buildings, fixtures and improvements, and the present use thereof, are not the subject of any official complaint or notice of violation of any applicable zoning ordinance, building code or environmental laws, and such premises are not affected or threatened by any condemnation or eminent domain proceeding.

(c) All leases of real property and all material leases of personal property by ASCOR are in full force and effect and, to ASCOR's knowledge, there exists no default on the part of ASCOR which would interfere with the use made and proposed to be made of such real and personal property, and, except for leases of personal property terminated in the ordinary course of business, upon consummation of the Merger, will continue to entitle ASCOR to the use and possession of the real or personal property purported to be covered thereby for the terms specified in such leases and for the purposes for which such real or personal property is now used.

SECTION 3.16 TITLE TO ASSETS. ASCOR has good, marketable and insurable title to all the properties and assets it owns or uses in its business or purports to own, including, without limitation, those reflected in its books and records and in the Balance Sheet (except

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inventory sold after the Balance Sheet Date in the ordinary course of business). None of such properties and assets are subject to any mortgage, pledge, lien, charge, security interest, encumbrance, restriction, lease, license, easement, liability or adverse claim of any nature whatsoever, except (i) mortgages or security interests shown on the Balance Sheet as securing specific liabilities or obligations or (ii) those imperfections of title and encumbrances, if any, which, individually or in the aggregate, (A) are not substantial in character, amount or extent and do not materially detract from the value of the properties subject thereto, (B) do not interfere with either the present and continued use of such property or the conduct of ASCOR's normal operations and (C) have arisen only in the ordinary course of business. All of the properties and assets owned, leased or used by ASCOR are in good operating condition and repair, are suitable for the purposes used, are adequate and sufficient for all current operations of ASCOR and are directly related to the business of ASCOR.

SECTION 3.17 ENVIRONMENTAL MATTERS.

(a) For purposes of this Agreement, the following terms shall have the following meanings: (i) "Hazardous Substances" means (A) those substances defined in or regulated under the following United States federal statutes and their state or foreign counterparts, as each may be amended from time to time, and all regulations thereunder: the Hazardous Materials Transportation Act, the Resource Conservation and Recovery Act, the Comprehensive Environmental Response, Compensation and Liability Act, the Clean Water Act, the Safe Drinking Water Act, the Atomic Energy Act, the Federal Insecticide, Fungicide, and Rodenticide Act and the Clean Air Act; (B) petroleum and petroleum products including crude oil and any fractions thereof; (C) natural gas, synthetic gas, and any mixtures thereof; (D) radon; (E) asbestos; (F) any other pollutant or contaminant; and (G) any substance with respect to which a federal, state or local agency requires environmental investigation, monitoring, reporting or remediation; and (ii) "Environmental Laws" means any United States or foreign, federal, state or local law relating to (A) releases or threatened releases of Hazardous Substances or materials containing Hazardous Substances; (B) the manufacture, handling, transport, use, treatment, storage or disposal of Hazardous Substances or materials containing Hazardous Substances; or (C) otherwise relating to pollution of the environment or the protection of human health.

(b) Except as would not have a Material Adverse Effect:

(i) ASCOR has not violated and is not in violation of any Environmental law; (ii) there has been no contamination, disposal, spilling, dumping, incineration, discharge, storage, treatment or handling of any Hazardous Substance, on or from any of the properties owned or leased by ASCOR (including, without limitation, soils and surface and ground waters); (iii) ASCOR is not liable for any off-site contamination; (iv) ASCOR is not liable under any Environmental Law; (v) ASCOR has all permits, licenses and other authorizations required under any Environmental Law ("Environmental Permits"); (vi) ASCOR has been and is in compliance with its Environmental Permits; and (vii) there are no pending, or, to the best knowledge of ASCOR after due inquiry, threatened claims against ASCOR relating to any Environmental Law or Hazardous Substance.

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SECTION 3.18 INTELLECTUAL PROPERTY. No claim is pending or, to the knowledge of ASCOR, threatened to the effect that the present or past operations of ASCOR infringes upon or conflicts with the rights of others with respect to any intellectual property (including, without limitation, licenses, patents, patent rights, patent applications, trademarks, trademark applications, trade names, copyrights, drawings, trade secrets, know-how and computer software) necessary to permit ASCOR to conduct its business as now operated (the "ASCOR Intellectual Property"), except as disclosed in the ASCOR Disclosure Schedule, no claim is pending or, to the best knowledge of ASCOR, threatened to the effect that any of the ASCOR Intellectual Property is invalid or unenforceable. ASCOR has provided Giga-tronics with a list of all licenses, patents, patent rights, patent applications, trademarks, trademark applications, trade names, copyrights and service marks of ASCOR and each of its subsidiaries. Except as set forth in

the ASCOR Disclosure Schedule, no contract, agreement or understanding between ASCOR or any of its subsidiaries and any other party exists which would impede or prevent the continued use by ASCOR and its subsidiaries of the entire right, title and interest of ASCOR and its subsidiaries in and to the ASCOR Intellectual Property.

SECTION 3.19 NO GUARANTIES. None of the obligations or liabilities of ASCOR is guaranteed by, or subject to a similar contingent liability of, any other person, firm or corporation, nor has ASCOR guaranteed, or otherwise become contingently liable for, the obligations or liabilities of any other person, firm or corporation.

SECTION 3.20 ABSENCE OF CERTAIN BUSINESS PRACTICES. Neither ASCOR nor any officer, employee or agent of ASCOR, nor any other person acting on its behalf, has, directly or indirectly, within the past five years given or agreed to give any gift or similar benefit to any customer, supplier, governmental employee or other person who is or may be in a position to help or hinder the business of ASCOR (or assist ASCOR in connection with any actual or proposed transaction) which (a) might subject ASCOR to any damage or penalty in any civil, criminal or governmental litigation or proceeding, (b) if not given in the past, might have had an adverse effect on the assets, business or operations of ASCOR as reflected in the Financial Statements or (c) if not continued in the future, might adversely affect ASCOR's assets, business, operations or prospects or which might subject ASCOR to suit or penalty in any private or governmental litigation or proceeding.

SECTION 3.21 COMPLIANCE WITH LAWS AND OTHER INSTRUMENTS. ASCOR had complied with all existing laws, rules, regulations, ordinances, orders, judgments and decrees now applicable to its business, properties or operations as presently conducted. Neither the ownership nor use of ASCOR's properties nor the conduct of its business conflicts with the rights of any other person, firm or corporation or violates, or with or without the giving of notice or the passage of time, or both, will violate, conflict with or result in a default, right to accelerate or loss of rights under, any terms or provisions of its certificate of incorporation or by-laws as presently in effect, or any lien, encumbrance, mortgage, deed of trust, lease, license, agreement, understanding, law, ordinance, rule or regulation, or any order, judgment or decree to which ASCOR is a party or by which it may be bound or affected. Neither ASCOR nor any Shareholder is aware of any proposed laws, rules, regulations, ordinances, orders, judgments, decrees, governmental takings, condemnations

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or other proceedings which would be applicable to its business, operations or properties and which might adversely affect its properties, assets, liabilities, operations or prospects, either before or after the Closing.

SECTION 3.22 DISCLOSURE DOCUMENTS. None of the information supplied or to be supplied by ASCOR for inclusion in the proxy statement relating to the meeting of Giga-tronics's shareholders to be held in connection with the Merger (the "Proxy Statement") at the time of mailing of the Proxy Statement to shareholders of Giga-tronics, and at the time of the meeting of Giga-tronics shareholders to be held in connection with the Merger, contain any untrue statement of a material fact or omits or will omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading. The Proxy Statement will comply as to form in all material respects with the provisions of the Exchange Act and the rules and regulations thereunder, except that no representation is made by ASCOR with respect to information supplied by Giga-tronics or Merger Sub for inclusion therein.

SECTION 3.23 TAX MATTERS. Neither ASCOR nor any of its affiliates has taken or agreed to take any action that would prevent the Merger from being effected as a pooling of interests or would prevent the Merger from constituting a transaction qualifying under Section 368(a) of the Code. Neither ASCOR nor any of its affiliates or agents is aware of any agreement, plan or other circumstances that would prevent the Merger from qualifying under Section 368(a) of the Code and to their best knowledge after due inquiry, the Merger will so qualify.

SECTION 3.24 ACCOUNTING MATTERS. Schedule 3.24 of the ASCOR Disclosure Schedule sets forth all persons who, as of the date of this Agreement, may be deemed to be affiliates of ASCOR under Rule 145 of the Securities Act or otherwise under applicable SEC accounting releases with respect to pooling-of-interests accounting treatment. Prior to the date hereof, ASCOR has advised such persons of the resale restrictions imposed by applicable securities Laws and required to cause the Merger to qualify for pooling-of-interests accounting treatment.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF GIGA-TRONICS

Except as disclosed in a document referring specifically to this Agreement (the "Giga- tronics Disclosure Schedule) which is delivered by Giga-tronics to ASCOR concurrently with the execution of this Agreement or as disclosed in public filings made by Giga-tronics with the SEC prior to the date hereof, Giga-tronics represents and warrants to ASCOR as set forth below:

SECTION 4.01 CORPORATE EXISTENCE AND POWER. Giga-tronics and Merger Sub are corporations duly incorporated, validly existing and in good standing under the laws of the State of California. Each of Giga-tronics and Merger Sub has all corporate powers and all

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material Governmental Authorizations required to carry on its business as now conducted. Giga-tronics is duly qualified to do business as a foreign corporation and is in good standing in each jurisdiction where the character of the property owned or leased by it or the nature of its activities makes such qualification necessary. Giga-tronics has delivered to ASCOR true and complete copies of Giga-tronics's Articles of Incorporation and Bylaws and Merger Sub's Articles of Incorporation and Bylaws, each as currently in effect.

SECTION 4.02 CORPORATE AUTHORIZATION. The execution, delivery and performance by Giga-tronics and Merger Sub of this Agreement, the ASCOR and the Giga-tronics Affiliates Agreements and the consummation by Giga-tronics and Merger Sub of the transactions contemplated hereby and thereby are within the corporate powers of Giga-tronics and Merger Sub and have been duly authorized by all necessary corporate action. The ASCOR and Giga-tronics Affiliates Agreements are collectively referred to herein as the "Giga-tronics Ancillary Agreements." This Agreement and the Giga-tronics Ancillary Agreements constitute, or upon execution will constitute, valid and binding agreements of Giga-tronics and Merger Sub, enforceable in each case against each in accordance with their respective terms.

SECTION 4.03 GOVERNMENTAL AUTHORIZATION. The execution, delivery and performance by Giga-tronics and Merger Sub of this Agreement and the Giga-tronics Ancillary Agreements and the consummation of the Merger by Giga-tronics and Merger Sub, require no action by or in respect of, or filing with, any governmental body, agency, official or authority other than:

(a) the filing of an agreement of merger in accordance with California Law;

(b) compliance with any applicable requirements of the HSR Act;

(c) compliance with any applicable requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules and regulations promulgated thereunder;

(d) compliance with any applicable requirements of the Securities Act and the rules and regulations promulgated thereunder;

(e) compliance with any applicable foreign or state securities or "blue sky" laws; and

(f) such other filings or registrations with, or authorizations, consents or approvals of, governmental bodies, agencies, officials or authorities, the failure of which to make or obtain would not materially adversely affect the ability of ASCOR, Giga-tronics or Merger Sub to consummate the transactions contemplated hereby and operate their businesses as heretofore operated.

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SECTION 4.04 NON-CONTRAVENTION. The execution, delivery and performance by Giga-tronics and Merger Sub of this Agreement and the Giga-tronics Ancillary Agreements and the consummation by Giga-tronics and Merger Sub of the transactions contemplated hereby and thereby do not and will not:

(a) contravene or conflict with the respective Articles of Incorporation or Bylaws of Giga-tronics or Merger Sub;

(b) assuming compliance with the matters referred to in Section 4.03, contravene or conflict with or constitute a violation of any provision of any law, regulation, judgment, injunction, order or decree binding upon or applicable to Giga-tronics, Merger Sub or any Subsidiary of Giga-tronics;

(c) conflict with or result in a breach or violation of, or constitute a default under, or result in the termination or cancellation of, or right to accelerate, any agreement, contract or other instrument binding upon Giga-tronics or Merger Sub or any such Subsidiary or any material license, franchise, permit or other similar authorization held by Giga-tronics, Merger Sub or any such Subsidiary; or

(d) result in the creation or imposition of any Lien on any asset of Giga-tronics, Merger Sub or any Subsidiary of Giga-tronics.

SECTION 4.05 CAPITALIZATION OF GIGA-TRONICS.

(a) The authorized capital stock of Giga-tronics consists of 40,000,000 shares of Giga-tronics Common Stock and 1,000,000 shares of preferred stock. As of the date hereof, there were outstanding:

(i) 2,603,420 shares of Giga-tronics Common Stock;
and

(ii) employee and director stock options to purchase an aggregate of 156,150 shares of Giga-tronics Common Stock.

Giga-tronics has authorized the issuance of employee rights to purchase 400,000 shares of Giga-tronics Common Stock under Giga-tronics's 1990 Restated Stock Option Plan (the "Giga-tronics Stock Option Plan"). All outstanding shares of Giga-tronics Common Stock have been duly authorized and validly issued and are fully paid and nonassessable and free from any preemptive rights. Except as set forth in this Section and as otherwise contemplated by this Agreement, there are outstanding (i) no shares of capital stock or other voting securities of Giga-tronics, (ii) no securities of Giga-tronics convertible into or exchangeable for shares of capital stock or voting securities of Giga-tronics and (iii) no options or other rights to acquire from Giga-tronics, and no obligation of Giga-tronics to issue, any capital stock, voting securities or securities convertible into or exchangeable for capital stock or other voting securities of Giga-tronics (the items in clauses (i), (ii) and (iii) being referred to collectively as the "Giga-tronics Securities"). There are no outstanding obligations of Giga-tronics or any of its Subsidiaries to repurchase, redeem or otherwise

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acquire any Giga-tronics Securities. No holder of Giga-tronics Securities has, as of the date hereof, any contractual right to include any such securities in any registration statement proposed to be filed by Giga-tronics under the Securities Act.

(b) All shares of Giga-tronics Common Stock issued in the Merger shall, upon issuance, be fully paid, validly issued and nonassessable. Giga-tronics has reserved sufficient shares of Giga-tronics Common Stock for issuance in the Merger based on the number of ASCOR Shares outstanding on the date hereof.

SECTION 4.06 CAPITALIZATION OF MERGER SUB; SUBSIDIARIES. The authorized capital stock of Merger Sub consists of 1,000 shares of common stock, no par value, all of which are outstanding. All the issued and outstanding capital stock of Merger Sub is owned by Giga-tronics. Merger Sub has not conducted any business prior to the date hereof and has no assets, liabilities or obligations of any nature other than those incident to its formation and pursuant to this Agreement. Giga-tronics does not own, directly or indirectly, any outstanding capital stock or equity interest in any corporation, partnership, joint venture or other entity other than Merger Sub.

SECTION 4.07 SEC FILINGS.

(a) Giga-tronics has since March 27, 1993 filed all proxy statements, schedules and reports required to be filed by it with the SEC pursuant to the Exchange Act.

(b) Giga-tronics has delivered to ASCOR:

(i) its annual reports on Form 10-K for its fiscal years ended March 26, 1994 and March 25, 1995;

(ii) its quarterly report on Form 10-Q for its fiscal quarter ending June 24, September 30 and December 30, 1995;

(iii) its proxy or information statements relating to meetings of, or actions taken without a meeting by, the shareholders of Giga-tronics held since March 31, 1994; and

(iv) all of its other reports, statements, schedules and registration statements filed with the SEC since March 31, 1994.

(c) As of its filing date, no such report or statement filed pursuant to the Exchange Act contained any untrue statement of a material fact or omitted to state any material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

(d) No such registration statement, as amended or supplemented, if applicable, filed pursuant to the Securities Act, as of the date such statement or amendment became effective, contained any untrue statement of a material fact or omitted to state any

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material fact required to be stated therein or necessary to make the statements therein not misleading.

SECTION 4.08 FINANCIAL STATEMENTS. The audited financial statements Giga-tronics included in its annual reports on Form 10-K and the unaudited financial statements of Giga-tronics included in its quarterly reports on Form 10-Q referred to in Section 4.07 present fairly, in conformity with generally accepted accounting principles applied on a consistent basis (except as may be indicated in the notes thereto), the consolidated financial position of Giga-tronics as of the dates thereof and its results of operations, shareholders' equity and cash flows for the periods then ended (subject to normal year-end adjustments in the case of any interim financial statements). For purposes of this Agreement, "Giga-tronics Balance Sheet" means the balance

sheet of Giga-tronics as of December 30, 1995, and the notes thereto, contained in Giga-tronics's quarterly report on Form 10-Q filed for its fiscal quarter then ended, and "Giga-tronics Balance Sheet Date" means December 30, 1995.

SECTION 4.09 DISCLOSURE DOCUMENTS. None of the information supplied or to be supplied by Giga-tronics or Merger Sub for inclusion in the Proxy Statement and the Registration Statement, will, in the case of the Proxy Statement, at the time of mailing of the Proxy Statement to shareholders of Giga-tronics and at the time of the meeting of such shareholders to be held in connection with the Merger, contain any untrue statement of a material fact or omits or will omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading or will, in the case of the Registration Statement, at the time the Registration Statement becomes effective under the Securities Act, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading. The Registration Statement and Proxy Statement will comply as to form in all material respects with the provisions of the Securities Act and Exchange Act, respectively, and the rules and regulations thereunder, except that no representation is made by Giga-tronics with respect to information supplied by ASCOR for inclusion therein.

SECTION 4.10 ABSENCE OF CERTAIN CHANGES. Since the Giga-tronics Balance Sheet Date Giga-tronics and its Subsidiaries have in all material respects conducted their business in the ordinary course and there has not been:

(a) any Material Adverse Change with respect to Giga-tronics;

(b) any declaration, setting aside or payment of any dividend or other distribution in respect of any shares of capital stock of Giga-tronics;

(c) any repurchase, redemption or other acquisition by Giga-tronics or any of its Subsidiaries of any outstanding shares of capital stock or other securities of, or other ownership interests in, Giga-tronics or any such Subsidiary;

(d) any amendment of any material term of any outstanding Giga-tronics Securities or any Giga-tronics Subsidiary Securities;

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(e) any damage, destruction or other casualty loss (whether or not covered by insurance) materially and adversely affecting the business, assets, liabilities, earnings or prospects of Giga-tronics or any of its Subsidiaries;

(f) any new (or amendment to or alteration of any existing) bonus, incentive compensation, severance, stock option, stock appreciation right, pension, matching gift, profit-sharing, employee stock ownership, retirement, pension group insurance, death benefit, or other fringe benefit plan, arrangement or trust agreement adopted or implemented by Giga-tronics which would result in a material increase in cost to Giga-tronics;

(g) the entering into of any agreement by Giga-tronics or any person on behalf of Giga-tronics to take any of the foregoing actions.

SECTION 4.11 LITIGATION. There is no action, suit, proceeding, claim or investigation pending or, to the best of Giga-tronics's knowledge, overtly threatened, against Giga-tronics or any of its assets or against or involving any of its officers, directors or employees in connection with the business or affairs of Giga-tronics, including, without limitation, any claims for indemnification arising under any agreement to which Giga-tronics is a party, which could, individually or in the aggregate, have a Material Adverse Effect on Giga-tronics or which in any manner challenges or seeks to prevent, enjoin, alter or materially delay any of the transactions contemplated hereby. Giga-tronics is not subject to or in default with respect to any writ, order,

judgment, injunction or decree, which would have a Material Adverse Effect on Giga-tronics.

SECTION 4.12 ADVISOR'S FEES. Except for an investment banking firm which may be selected by Giga-tronics (the "Giga-tronics Financial Advisor") following the date hereof to render a fairness opinion in connection with the transactions contemplated by the terms of this Agreement, whose fees will be disclosed in writing to ASCOR and whose fees will be paid by Giga-tronics, there is no investment banker, broker, finder or other intermediary which has been retained by or is authorized to act on behalf of Giga-tronics or any of its Subsidiaries who is entitled to any fee or commission from Giga-tronics or any of its affiliates upon consummation of the transactions contemplated by this Agreement.

ARTICLE V

COVENANTS OF ASCOR

ASCOR agrees that:

SECTION 5.01 CONDUCT OF ASCOR. From the date hereof until the Effective Time, ASCOR shall in all material respects conduct its business in the ordinary course. Without limiting the generality of the foregoing, from the date hereof until the Effective Time, except as contemplated hereby or previously disclosed by ASCOR to Giga-tronics in writing, without the prior written consent of Giga-tronics:

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(a) ASCOR will not adopt or propose any change in its Articles of Incorporation or Bylaws;

(b) ASCOR will not enter into or amend any employment agreements, oral or written or increase the compensation payable or to become payable by it to any of its officers, directors, or consultants over the amount payable as of December 31, 1995, or increase the compensation payable to any other employees (other than (A) increases in the ordinary course of business which are not in the aggregate material to ASCOR, or (B) pursuant to plans disclosed in ASCOR Disclosure Schedule), or adopt or amend any employee benefit plan or arrangement (oral or written);

(c) Except pursuant to the exercise of ASCOR Options or ASCOR Warranties already outstanding, ASCOR will not issue any ASCOR Securities;

(d) ASCOR will keep in full force and effect its existing directors' and officers' liability insurance and will not modify or reduce the coverage thereunder;

(e) ASCOR will not pay any dividend or make any other distribution to holders of its capital stock nor will ASCOR redeem or otherwise acquire any ASCOR Securities;

(f) ASCOR will not, directly or indirectly, merge or consolidate with another entity or dispose of or acquire any material properties or assets except in the ordinary course of business;

(g) ASCOR will not incur any additional indebtedness for borrowed money in excess of \$50,000 in the aggregate, except pursuant to existing arrangements which have been disclosed to Giga-tronics prior to the date hereof;

(h) ASCOR will not amend or change the period of exercisability or accelerate the exercisability of any outstanding options or warrants to acquire shares of capital stock, or accelerate, amend or change the vesting period of any outstanding restricted stock;

(i) Except as provided in Section 5.04, ASCOR will not

enter into any transaction that would require the Proxy Statement to be delayed or recirculated under circumstances which would in the reasonable judgment of Giga-tronics delay the occurrence of the Effective Date beyond the date specified in Section 9.01(viii);

(j) ASCOR will not, except in the ordinary course of business consistent with past practices, sell, license or otherwise transfer to any person any ASCOR intellectual property rights; and

(k) ASCOR will not agree or commit to do any of the foregoing.

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SECTION 5.02 SHAREHOLDERS' MEETING; PROXY MATERIAL. ASCOR shall cause a meeting of its shareholders to be duly called and held as soon as reasonably practicable or shall seek the written consent of its shareholders following the approval of the Proxy Statement for the purpose of voting on (or in the case of a written consent, consenting to) the approval and adoption of this Agreement and the Merger. The Board of Directors of ASCOR shall, subject to their fiduciary duties, recommend approval and adoption of this Agreement and the Merger by ASCOR's shareholders. In connection with such meeting or seeking of written consent, ASCOR:

(a) will, together with Giga-tronics and Merger Sub, promptly prepare and file with the SEC, will use all reasonable efforts to have cleared by the SEC and will thereafter deliver to its shareholders as promptly as practicable the Proxy Statement and all other proxy materials for such meeting;

(b) will use all reasonable efforts to obtain the necessary approvals by its shareholders of this Agreement and the transactions contemplated hereby; and

(c) will otherwise comply with all legal requirements applicable to such meeting.

SECTION 5.03 ACCESS TO FINANCIAL AND OPERATION INFORMATION. From the date hereof until the Effective Time, ASCOR will give Giga-tronics, its counsel, financial advisors, auditors and other authorized representatives reasonable access during normal business hours to the offices, properties, books and records of ASCOR, will furnish to Giga-tronics, its counsel, financial advisors, auditors and other authorized representatives such financial and operating data as such persons may reasonably request and will instruct ASCOR's employees, counsel and financial advisors to cooperate with Giga-tronics in its investigation of the business of ASCOR and in the planning for the combination of the businesses of ASCOR and Giga-tronics following the consummation of the Merger; provided that no investigation pursuant to this Section shall affect any representation or warranty given by ASCOR to Giga-tronics hereunder. In addition, ASCOR will cooperate in arranging joint meetings among representatives of ASCOR and Giga-tronics and persons with whom ASCOR maintains business relationships. All requests for information made pursuant to this Section shall be directed to the Controller of ASCOR or such person as may be designated by him. All information obtained pursuant to this Section 5.03 shall be governed by any confidentiality agreements currently in effect between Giga-tronics and ASCOR as well as the terms of Section 5.08 of this Agreement.

SECTION 5.04 OTHER OFFERS. From the date hereof until the earlier of the Effective Date or the termination of this Agreement in accordance with the terms hereof, ASCOR and the officers, directors, employees or other agents of ASCOR will not, directly or indirectly, (i) take any action to solicit, initiate or encourage the making of any Acquisition Proposal (as hereinafter defined); or (ii) engage in negotiations with, or disclose any nonpublic information relating to ASCOR or afford access to the properties, books or records of ASCOR to, any person or entity that informs the Board of Directors that it is considering making, or has made, an Acquisition Proposal. Until this Agreement shall be

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terminated in accordance with the terms hereof, ASCOR will not enter into any agreement to merge or consolidate with, or sell a substantial portion of its assets to, any person or entity. ASCOR will promptly notify Giga-tronics after receipt of any Acquisition Proposal or any request for nonpublic information relating to ASCOR in connection with an Acquisition Proposal or for access to the properties, books or records of ASCOR by any person or entity that informs the Board of Directors that it is considering making, or has made, an Acquisition Proposal. The term "Acquisition Proposal" shall mean (i) any merger, consolidation, tender offer or other similar transaction or related transactions pursuant to which the holders of the voting securities of ASCOR prior to the transaction hold following the consummation of such transaction less than 80% of the voting securities of the surviving entity, (ii) a sale of a material portion of the assets of ASCOR, or (iii) any equity or convertible debt transaction or related transactions in which any person or group of affiliated persons other than current security holders of ASCOR acquire securities of ASCOR representing more than 20% of the aggregate voting power of ASCOR's outstanding securities, other than in each case the transactions contemplated by this Agreement. For purposes of the foregoing definition, one person shall be deemed to be affiliated with a second person if such first person controls, is controlled by or is under common control with the second person, and control, for purposes hereof, shall be deemed to exist only in the event there exists ownership of or the right to vote, in either case directly or indirectly, securities representing more than 50% of the aggregate voting power of an entity's outstanding securities.

SECTION 5.05 MAINTENANCE OF BUSINESS. ASCOR will use its best efforts to carry on its business, keep available the services of its officers and employees and preserve its relationships with those of its customers, suppliers, licensors and others having business relationships with it that are material to its business in substantially the same manner as it has prior to the date hereof. If ASCOR becomes aware of a material deterioration or facts which are likely to result in a material deterioration in the relationship with any material customer, supplier, licensor or others having business relationships with it, it will promptly bring such information to the attention of the Giga-tronics in writing.

SECTION 5.06 COMPLIANCE WITH OBLIGATIONS. Prior to the Effective Date, ASCOR shall comply with (i) all applicable federal, state, local and foreign laws, rules and regulations, (ii) all material agreements and obligations, including its Articles of Incorporation and Bylaws, by which it, its properties or its assets may be bound, and (iii) all decrees, orders, writs, injunctions, judgments, statutes, rules and regulations applicable to ASCOR and its properties or assets.

SECTION 5.07 NOTICES OF CERTAIN EVENTS. ASCOR shall, upon obtaining knowledge of any of the following, promptly notify Giga-tronics of:

(a) any notice or other communication from any person alleging that the consent of such person is or may be required in connection with the Merger;

(b) any notice or other communication from any governmental or regulatory agency or authority in connection with the Merger; and

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(c) any actions, suits, claims, investigations or other judicial proceedings commenced or threatened against ASCOR which, if pending on the date of this Agreement, would have been required to have been disclosed pursuant to Sections 3.10 or 3.20 or which relate to the consummation of the Merger.

SECTION 5.08 CONFIDENTIALITY. ASCOR agrees that for a period of three years following any termination of this Agreement ASCOR shall not (a) disclose to any person, association, firm, corporation or other entity in any manner, directly or indirectly, any confidential information or data relevant to the operations of Giga-tronics whether of a technical or commercial nature, nor (b) use, or permit or assist, by acquiescence or otherwise, any person, association, firm, corporation or other entity to use, directly or indirectly, any such information or data in any manner which reasonably would be deemed to be competitive with the operations of Giga-tronics excepting only use of (i) information in the public domain at the time of disclosure to ASCOR (ii) information subsequently coming into the public domain by means other than disclosure by ASCOR or any of its agents (iii) information ASCOR can establish and document was in its possession or was known to it prior to its disclosure to ASCOR by Giga-tronics; (iv) information disclosed to ASCOR by a third party not in violation of any obligation of confidentiality or nondisclosure known to ASCOR or of which ASCOR should reasonably have known; or (v) information which was independently developed by ASCOR or which is generally known in ASCOR's industry.

SECTION 5.09 COMPLIANCE WITH THE SECURITIES ACT. ASCOR shall prior to 15 days after signing but in any event prior to mailing of the Proxy Statement cause each person who is an "affiliate," as that term is used in paragraphs (c) and (d) of Rule 145 under the Securities Act, of ASCOR to deliver to Giga-tronics an Affiliates Agreement in substantially the form attached hereto as Exhibit 5.09 (an "ASCOR Affiliates Agreement").

ARTICLE VI

COVENANTS OF GIGA-TRONICS AND MERGER SUB

Giga-tronics and Merger Sub agree that:

SECTION 6.01 CONDUCT OF GIGA-TRONICS. From the date hereof until the Effective Time, Giga-tronics and its Subsidiaries shall in all material respects conduct their business in the ordinary course. Without limiting the generality of the foregoing, from the date hereof until the Effective Time, except as contemplated hereby or previously disclosed by Giga-tronics to ASCOR in writing, without the prior written consent of ASCOR:

(a) Giga-tronics will not adopt or propose any changes in its Certificate of Incorporation or Bylaws (other than those contemplated by the Giga-tronics Reincorporation);

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(b) Except pursuant to the exercise of options described in Section 4.05 or stock purchase rights under Giga-tronics's Stock Option Plan and except the granting of stock options in the ordinary course of business consistent with past practice, Giga-tronics will not issue any Giga-tronics Securities;

(c) Giga-tronics will not pay any dividend or make any other distribution to holders of its capital stock nor will Giga-tronics or any of its Subsidiaries redeem or otherwise acquire any Giga-tronics Securities;

(d) Giga-tronics will not, directly or indirectly, merge or consolidate with another entity or dispose of or acquire any material properties or assets except in the ordinary course of business;

(e) Giga-tronics shall take no extraordinary actions affecting its capital structure (e.g., declaration of stock dividends or stock splits);

(f) Giga-tronics will not except, in the ordinary course of business consistent with past practices, sell, license or otherwise transfer to any person any Giga-tronics intellectual property rights or any intellectual property rights of any of its Subsidiaries; and

(g) Giga-tronics will not, and will not permit any of its Subsidiaries to, agree or commit to do any of the foregoing.

SECTION 6.02 SHAREHOLDERS' MEETING; PROXY MATERIAL. Giga-tronics shall promptly prepare and file with the SEC under the Securities Act the Proxy Statement and shall use all reasonable efforts to cause the Proxy Statement to be approved as promptly as practicable. Giga-tronics shall cause a meeting of its shareholders (the "Giga-tronics Shareholders' Meeting") to be duly called and held as soon as reasonably practicable following the approval of the Proxy Statement for the purpose of voting on the approval and adoption of this Agreement and the Merger. Giga-tronics shall take any action required to be taken under foreign or state securities or "blue sky" laws in connection with the issuance of Giga-tronics Common Stock in the Merger.

SECTION 6.03 MAINTENANCE OF BUSINESS. Giga-tronics will use its best efforts to carry on its business, keep available the services of its officers and employees and preserve its relationships with those of its customers, suppliers, licensors and other persons having business relationships with it that are material to its business in substantially the same manner as it has prior to the date hereof. If Giga-tronics becomes aware of a material deterioration or facts which are likely to result in a material deterioration in the relationship with any customer, supplier, licensor or others having business relationships with it, it will promptly bring such information to the attention of ASCOR in writing.

SECTION 6.04 COMPLIANCE WITH OBLIGATIONS. Prior to the Effective Date, Giga-tronics and its Subsidiaries shall each comply with (i) all applicable federal, state, local and foreign laws, rules and regulations, (ii) all material agreements and obligations, including

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its respective certificate or articles of incorporation and bylaws, by which it, its properties or its assets may be bound, and (iii) all decrees, orders, writs, injunctions, judgments, statutes, rules and regulations applicable to Giga-tronics and its Subsidiaries and their respective properties or assets.

SECTION 6.05 NOTICES OF CERTAIN EVENTS. Giga-tronics shall, upon obtaining knowledge of any of the following, promptly notify ASCOR of:

(a) any notice or other communication from any person alleging that the consent of such person is or may be required in connection with the Merger;

(b) any notice or other communication from any governmental or regulatory agency or authority in connection with the Merger; and

(c) any actions, suits, claims, investigations or other judicial proceedings commenced or threatened against Giga-tronics or any of its Subsidiaries which, if pending on the date of this Agreement, would have been required to have been disclosed pursuant to Section 4.11 or which relate to the consummation of the Merger.

SECTION 6.06 CONFIDENTIALITY. Giga-tronics agrees that for a period of three years following any termination of this Agreement Giga-tronics shall not (a) disclose to any person, association, firm, corporation or other entity in any manner, directly or indirectly, any confidential information or data relevant to the operations of ASCOR, whether of a technical or commercial nature, nor (b) use, or permit or assist, by acquiescence or otherwise, any person, association, firm, corporation or other entity to use, directly or indirectly, any such information or data in any manner which reasonably would be deemed to be competitive with the operations of ASCOR excepting only use of (i) information in the public domain at the time of disclosure to Giga-tronics (ii) information subsequently coming into the public domain by means other than disclosure by Giga-tronics or any of its agents (iii) information Giga-tronics can establish and document was in its possession or was known to it prior to its disclosure to Giga-tronics by ASCOR; (iv) information disclosed to Giga-tronics

by a third party not in violation of any obligation of confidentiality or nondisclosure known to Giga-tronics or of which Giga-tronics should reasonably have known; or (v) information which was independently developed by Giga-tronics or which is generally known in ASCOR's industry.

SECTION 6.07 OBLIGATIONS OF MERGER SUB. Giga-tronics will take all action necessary to cause Merger Sub to perform its obligations under this Agreement and to consummate the Merger on the terms and conditions set forth in this Agreement. Merger Sub will not issue any shares of its capital stock, any securities convertible into or exchangeable for its capital stock, or any option, warrant or other right to acquire its capital stock to any Person other than Giga-tronics or a wholly owned Subsidiary of Giga-tronics. Merger Sub shall not incur any indebtedness or liabilities of any kind except pursuant to this Agreement.

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SECTION 6.08 COMPLIANCE WITH THE SECURITIES ACT. Giga-tronics shall use its best efforts to cause each person who is an "affiliate," as that term is used in paragraphs (c) and (d) of Rule 145 under the Securities Act, of Giga-tronics to enter on or prior to the Effective Date an Affiliates Agreement in substantially the form attached hereto as Exhibit 6.08 (a "Giga-tronics Affiliates Agreement").

ARTICLE VII

OTHER COVENANTS OF THE PARTIES

The Parties agree that:

SECTION 7.01 ADVICE OF CHANGES. Each party will promptly advise each other party in writing (i) of any event known to its executive officers occurring subsequent to the date of this Agreement that would render any representation or warranty of such party contained in this Agreement, if made on or as of the date of such event or the Effective Date, untrue, inaccurate or misleading in any material respect (other than an event so affecting a representation or warranty which is expressly limited to a state of facts existing at a time prior to the occurrence of such event) and (ii) of any Material Adverse Change in the business condition of the party and its Subsidiaries, taken as a whole.

SECTION 7.02 REGULATORY APPROVALS. Prior to the Effective Time, each party shall execute and file, or join in the execution and filing of, any application or other document that may be necessary in order to obtain the authorization, approval or consent of any governmental body, federal, state, local or foreign, which may be reasonably required, or that the other company may reasonably request, in connection with the consummation of the Merger. Each party shall use its reasonable best efforts to obtain all such authorizations, approvals and consents.

SECTION 7.03 ACTIONS CONTRARY TO STATED INTENT. No party hereto shall, from or after the date hereof and either before or after the Effective Time, take any action that would prevent the Merger from qualifying as a reorganization under Section 368 of the Code.

SECTION 7.04 CERTAIN FILINGS. The Parties shall cooperate with one another:

(a) in connection with the preparation of the Proxy Statement;

(b) in connection with the preparation of any filing required by the HSR Act;

(c) in determining whether any action by or in respect of, or filing with, any governmental body, agency or official, or authority is required, or any actions, consents, approvals or waivers are required to be

obtained from parties to any material contracts, in connection with the consummation of the transactions contemplated by this Agreement; and

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(d) in seeking any such actions, consents, approvals or waivers or making any such filings, furnishing information required in connection therewith or with the Proxy Statement and seeking timely to obtain any such actions, consents, approvals or waivers.

SECTION 7.05 COMMUNICATIONS. Between the date hereof and the Effective Time, no party will furnish any written communication to its shareholders or to the public generally if the subject matter thereof relates to the transactions contemplated by this Agreement without the prior approval of ASCOR and Giga-tronics as to the content thereof, which approval shall not be unreasonably withheld; provided that the foregoing shall not be deemed to prohibit any disclosure required by any applicable law or by any competent governmental authority.

SECTION 7.06 SATISFACTION OF CONDITIONS PRECEDENT. The parties will use their reasonable best efforts to satisfy or cause to be satisfied all the conditions precedent that are set forth in Article VIII, as applicable to each of them, and to cause the transactions contemplated by this Agreement to be consummated, and, without limiting the generality of the foregoing, to obtain all consents and authorizations of third parties and to make all filings with, and give all notices to, third parties that may be necessary or reasonably required on its part in order to effect the transactions contemplated hereby.

ARTICLE VIII

CONDITIONS TO THE MERGER

SECTION 8.01 CONDITIONS TO OBLIGATIONS OF GIGA-TRONICS AND MERGER SUB. The obligations of Giga-tronics and Merger Sub hereunder are subject to the fulfillment or satisfaction, on and as of the Effective Date, of each of the following conditions (any one or more of which may be waived by Giga-tronics, but only in a writing signed by Giga-tronics):

(a) Accuracy of Representations and Warranties. The representations and warranties of ASCOR contained in Article III shall be true and accurate in all material respects on and as of the Effective Date with the same force and effect as if they had been made on the Effective Date (except to the extent a representation or warranty speaks only as of an earlier date) and ASCOR shall have provided Giga-tronics with a certificate executed by the President and the Chief Financial Officer of ASCOR, dated as of the Effective Date, to such effect; provided, however, that any inaccuracy of a representation or warranty, on the date hereof or on the Effective Date, shall not result in the non-satisfaction of this Section 8.01(a) unless any such inaccuracy or inaccuracies, either (i) individually or in the aggregate, represent a Material Adverse Effect on ASCOR or (ii) are willful and intentional misrepresentations of a material matter that constitute common law fraud. For purposes of this Agreement, a "Material Adverse Effect," with respect to any person or entity, means a material adverse effect on the financial condition, business, liabilities (including contingent liabilities) or results of operations of such person or entity and its

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subsidiaries, taken as a whole; and "Material Adverse Change" shall mean a change or a development involving a prospective change which would have a Material Adverse Effect.

(b) Covenants. ASCOR shall have performed and complied

with all of its covenants contained in Articles V and VII in all material respects on or before the Effective Date, and Giga-tronics shall receive a certificate to such effect signed by ASCOR's President and Chief Financial Officer.

(c) No Material Adverse Change. There shall have been no Material Adverse Change in ASCOR since the ASCOR Balance Sheet Date.

(d) Affiliates Agreements. Giga-tronics shall have received from each person or entity who may be deemed pursuant to Section 5.09 to be an affiliate of ASCOR a duly executed Affiliates Agreement, and such Affiliates Agreements shall remain in full force and effect.

(e) Satisfactory Completion of Due Diligence Review. Giga-tronics shall have completed its due diligence review of the business, operations and financial condition of ASCOR by May 24, 1996 and such review shall not have revealed any facts or circumstances which in the reasonable judgment of Giga-tronics could have a Material Adverse Effect on ASCOR. If such due diligence review shall reveal facts or circumstances which in the reasonable judgement of Giga-tronics could have a Material Adverse Effect on ASCOR, Giga-tronics shall promptly notify ASCOR of its determination or shall be deemed to have waived compliance with this condition.

(f) Pooling of Interests Matters. In the sole discretion of Giga-tronics, the Merger shall qualify for accounting treatment as a pooling of interests in accordance with Accounting Principles Board Release No. 16. In determining whether the Merger so qualifies Giga-tronics may consider the impact on such qualification of ASCOR Shares which are voted against the Merger or which have abstained from voting with respect to the Merger.

(g) Giga-tronics Dissenters' Rights. Shareholders of Giga-tronics shall not have perfected dissenters' rights with respect to Giga-tronics Common Stock with respect to five percent (5%) or more of the Giga-tronics Common Stock outstanding on the date of the Giga-tronics Shareholder Meeting.

(h) ASCOR Preferred Stock. As of the Closing Date all shares of ASCOR Preferred Stock outstanding as of the date of this Agreement shall (i) have remained outstanding (ii) shall have been tendered at the Closing with instructions that such shares are to be exchanged at the Effective Time for Giga-tronics Common Stock in accordance with the terms of this Agreement, and (iii) not have been transferred by the owners of such shares as of the date of this Agreement to any other person.

SECTION 8.02 CONDITIONS TO OBLIGATIONS OF ASCOR. ASCOR's obligations hereunder are subject to the fulfillment or satisfaction, on and as of the Effective Date, of

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each of the following conditions (any one or more of which may be waived by ASCOR, but only in a writing signed by ASCOR):

(a) Accuracy of Representations and Warranties. The representations and warranties of Giga-tronics set forth in Article IV shall be true and accurate in all material respects on and as of the Effective Date with the same force and effect as if they had been made on the Effective Date (except to the extent a representation or warranty speaks only as of an earlier date and except for changes contemplated by this Agreement) and Giga-tronics shall have provided ASCOR with a certificate executed by the President and the Chief Financial Officer of Giga-tronics, dated as of the Effective Date, to such effect; provided, however, that any inaccuracy of a representation or warranty, on the date hereof or on the Effective Date, shall not result in the non-satisfaction of this Section 8.02(a) unless any such inaccuracy or inaccuracies, either (i) individually or in the aggregate, represent a Material Adverse Effect on Giga-tronics or (ii) are willful and intentional misrepresentations that constitute common law fraud of a material matter.

(b) Covenants. Giga-tronics shall have performed and

complied with all of its covenants contained in Section 2.03 and Articles VI and VII in all material respects on or before the Effective Date, and ASCOR shall receive a certificate to such effect signed by Giga-tronics's President and Chief Financial Officer.

(c) No Material Adverse Change. There shall have been no Material Adverse Change in Giga-tronics since the Giga-tronics Balance Sheet Date.

SECTION 8.03 CONDITIONS TO OBLIGATIONS OF EACH PARTY. The respective obligations of ASCOR and Giga-tronics hereunder are subject to the fulfillment, on and as of the Effective Date, of each of the following conditions (any one or more of which may be waived by such parties, but only in a writing signed by such parties):

(a) Shareholder Approval. Each of ASCOR's shareholders and Giga-tronics' shareholders shall have duly approved this Agreement, the Merger Agreement and the Merger, all in accordance with applicable laws and regulatory requirements.

(b) Tax-Free Reorganization. Each of ASCOR and Giga-tronics shall have received a written opinion from Brobeck, Phleger & Harrison LLP ("Brobeck") to the effect that the Merger will constitute a reorganization within the meaning of Section 368 of the Code, which opinions shall be substantially identical in form and substance. In preparing ASCOR and the Giga-tronics tax opinions, Brobeck may rely on (and to the extent reasonably required, the parties and ASCOR's shareholders shall make) reasonable representations related thereto.

(c) Illegality or Legal Constraint. No statute, rule, regulation, executive order, decree, injunction or restraining order shall have been enacted, promulgated or enforced (and not repealed, superseded or otherwise made inapplicable) by any court or governmental authority which prohibits the consummation of the Merger (each party

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agreeing to use its reasonable best efforts to have any such order, decree or injunction lifted).

(d) Consents. All written consents, assignments, waivers or authorizations ("Consents"), other than Governmental Authorizations, that are required as a result of the Merger for the continuation in full force and effect of any material contracts or leases of ASCOR or Giga-tronics shall have been obtained, other than those Consents the failure of which to obtain would not have a Material Adverse Effect on ASCOR or Giga-tronics.

(e) Governmental Authorizations. There shall have been obtained any and all Governmental Authorizations, permits, approvals and consents of securities or "blue sky" commissions of any jurisdiction and of any other governmental body or agency, that may reasonably be deemed necessary so that the consummation of the Merger will be in compliance with applicable laws, the failure to comply with which would have a Material Adverse Effect on Giga-tronics, ASCOR or the Surviving Corporation or would be reasonably likely to subject any of Giga-tronics, Merger Sub, ASCOR or any of their respective directors or officers to substantial penalties or criminal liability.

(f) HSR Act. The waiting period (and any extension thereof) applicable to the consummation of the Merger under the HSR Act shall have expired or been terminated.

ARTICLE IX

TERMINATION OF AGREEMENT

SECTION 9.01 TERMINATION. This Agreement may be terminated at any time prior to the Effective Time whether before or after the approval by the shareholders of ASCOR or Giga-tronics:

(i) by mutual consent of the Boards of Directors of Giga-tronics, Merger Sub and ASCOR;

(ii) by either Giga-tronics and Merger Sub or ASCOR, if the requisite vote of the shareholders of Giga-tronics shall not have been obtained or the written consent of shareholders of ASCOR shall not be obtained by December 31, 1996;

(iii) by Giga-tronics, if it is not in material breach of its obligations under this Agreement and if the Board of Directors of ASCOR shall have:

(A) withdrawn its recommendation of the Merger, or

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(B) recommended or approved any acceptance by shareholders of any Acquisition Proposal (other than an Acquisition Proposal made by Giga-tronics or an affiliate of Giga-tronics); or

(iv) by ASCOR, if it is not in material breach of its obligations under this Agreement and if the Board of Directors of Giga-tronics shall have:

(A) withdrawn its recommendation of the Merger, or

(B) recommended or approved any acceptance by shareholders of any Acquisition Proposal (other than an Acquisition Proposal made by ASCOR or an affiliate of ASCOR); or

(v) by either Giga-tronics and Merger Sub or ASCOR, respectively, (A) if there has been a breach of any representation and warranty such that Section 8.01(a) or 8.02(a), respectively, cannot be satisfied or (B) if there has been the willful breach on the part of ASCOR or Giga-tronics and Merger Sub, respectively, of any covenant or agreement contained in this Agreement such that Sections 8.01(b) or 8.02(b) cannot be satisfied, and in both case (A) and case (B) such breach has not been promptly cured after notice to the breaching party; or

(vi) by Giga-tronics, if the conditions contained in Section 8.02(f), (g) or (h) are not satisfied; or

(vii) by Giga-tronics, if ASCOR shall have issued any ASCOR Securities between the date of this Agreement and the Closing Date without the prior consent of Giga-tronics; or

(viii) by either Giga-tronics and Merger Sub or ASCOR, respectively, at any time after December 31, 1996, unless the delay is caused by the failure of the terminating party to fulfill its obligations hereunder.

SECTION 9.02 EFFECT OF TERMINATION. In the event of termination of this Agreement as provided above, this Agreement shall forthwith become void, and there shall be no liability on the part of either Giga-tronics, Merger Sub or ASCOR, except that each of the agreements contained or referred to in Sections 5.08, 6.06 and 11.02 shall survive the termination hereof; provided, however, that each party shall be entitled to any remedies at law or in equity in the event of a breach of this Agreement by the other party, except as provided in Sections 11.02(b) and (c).

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ARTICLE X

ADDITIONAL AGREEMENTS OF THE PARTIES

SECTION 10.01 REGISTRATION RIGHTS AGREEMENT. Concurrent with the Effective Time Giga-tronics will execute and deliver to the ASCOR Share holders a Registration Rights Agreement substantially in the form of Exhibit 10.01 hereto.

ARTICLE XI

MISCELLANEOUS

SECTION 11.01 FURTHER ASSURANCES. Each party agrees to cooperate fully with the other parties and to execute such further instruments, documents and agreements and to give such further written assurances as may be reasonably requested by any other party to better evidence and reflect the transactions described herein and contemplated hereby and to carry into effect the intents and purposes of this Agreement.

SECTION 11.02 FEES AND EXPENSES. Whether or not the Merger is consummated, each party shall pay all fees and expenses incurred by such party, including counsel fees and fees of accountants and investment bankers contracted by such party, and any other expenses specifically identifiable to such party in connection with the transactions contemplated hereby. Any other costs and expenses not specifically identified as applicable to either ASCOR or Giga-tronics shall be shared equally.

SECTION 11.03 NONSURVIVAL OF REPRESENTATIONS AND WARRANTIES. All representations and warranties made herein, and in any instrument delivered pursuant hereto, shall be deemed to be conditions to the Merger and shall not survive the Merger.

SECTION 11.04 NOTICES. Any notice or communication required or permitted by this Agreement shall be deemed sufficiently given if in writing and, if delivered personally, when it is delivered or, if delivered in another manner, the earlier of when it is actually received by the party to whom it is directed or when the period set forth below expires (whether or not it is actually received):

(a) if deposited with the U.S. Postal Service, postage prepaid, and addressed to the party to receive it as set forth below, 48 hours after such deposit as registered or certified mail; or

(b) if accepted by Federal Express or a similar delivery service in general usage for delivery to the address of the party to receive it as set forth next below, 24 hours after the delivery time promised by the delivery service.

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Giga-tronics and Merger Sub:

Giga-tronics Incorporated
4650 Norris Canyon Road
San Ramon, CA 94583
Attention: George H. Bruns, Jr.
Chief Executive Officer
Facsimile: (510) 328-4700

With copy to:

Brobeck, Phleger & Harrison LLP

Spear Street Tower
One Market Plaza
San Francisco, CA 94105
Attention: William L. Hudson, Esq.
Facsimile: (415) 442-1010

ASCOR:

ASCOR, Inc.
47790 Westinghouse Drive
Fremont, CA 94539
Attention: Jeffrey Lum
President
Facsimile: (510) 490-8493

With copy to:

Brian Fraser, Esq.
Attorney at Law
6114 La Salle Avenue, Suite 646
Oakland, CA 94611
Facsimile: (510) 839-3461

Such communications shall be effective when they are received by the addressee thereof. Any party may change its address for such communications by giving notice thereof to the other parties in conformity with this Section.

SECTION 11.05 GOVERNING LAWS. The laws of the State of California (irrespective of its choice of law principles) shall govern all issues concerning the Merger and all other issues concerning the validity of this Agreement, the construction of its terms, and the interpretation and enforcement of the rights and duties of the parties.

SECTION 11.06 BINDING UPON SUCCESSORS AND ASSIGNS; ASSIGNMENT. This Agreement and the provisions hereof shall be binding upon each of the parties, their permitted successors and assigns. This Agreement may not be assigned by any party without the prior consent of the other.

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SECTION 11.07 SEVERABILITY. If any provision of this Agreement, or the application thereof, shall for any reason or to any extent be invalid or unenforceable, the remainder of this Agreement and application of such provision to other persons or circumstances shall continue in full force and effect and in no way be affected, impaired or invalidated.

SECTION 11.08 ENTIRE AGREEMENT. This Agreement and the other agreements and instruments referenced herein constitute the entire understanding and agreement of the parties with respect to the subject matter hereof and supersede all prior and contemporaneous agreements or understandings, inducements or conditions, express or implied, written or oral, between the parties with respect hereto other than the Confidentiality Agreement.

SECTION 11.09 OTHER REMEDIES. Except as otherwise provided herein, any and all remedies herein expressly conferred upon a party shall be deemed cumulative with and not exclusive of any other remedy conferred hereby or by law on such party, and the exercise of any one remedy shall not preclude the exercise of any other.

SECTION 11.10 AMENDMENT AND WAIVERS. Any term or provision of this Agreement may be amended, and the observance of any term of this Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively) only by a writing signed by the party to be bound thereby. The waiver by a party of any breach hereof or default in the performance hereof shall not be deemed to constitute a waiver of any other default or any succeeding breach or default. At any time before or after approval of this Agreement and the Merger by the shareholders of ASCOR and prior to the Effective Time, this Agreement may be amended or supplemented by ASCOR or Giga-tronics

with respect to any of the terms contained in this Agreement, except that following approval by the shareholders of ASCOR there shall be no amendment or change to the provisions hereof with respect to the Exchange Ratio without further approval by the shareholders of ASCOR, and no other amendment shall be made which by law requires further approval by such shareholders without such further approval.

SECTION 11.11 NO WAIVER. The failure of any party to enforce any of the provisions hereof shall not be construed to be a waiver of the right of such party thereafter to enforce such provisions.

SECTION 11.12 CONSTRUCTION OF AGREEMENT; KNOWLEDGE. A reference to an Article, Section or an Exhibit shall mean an Article of, a Section in, or Exhibit to, this Agreement unless otherwise explicitly set forth. The titles and headings herein are for reference purposes only and shall not in any manner limit the construction of this Agreement which shall be considered as a whole. The words "include," "includes" and "including" when used herein shall be deemed in each case to be followed by the words "without limitation." For purposes of this Agreement, "knowledge" of any party shall mean the knowledge of the executive officers of such party after such officers shall have made inquiry that is customary and appropriate under the circumstances to which reference is made.

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SECTION 11.13 COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which shall be an original as against any party whose signature appears thereon and all of which together shall constitute one and the same instrument. This Agreement shall become binding when one or more counterparts hereof, individually or taken together, shall bear the signatures of all of the parties reflected hereon as signatories.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

GIGA-TRONICS INCORPORATED

R. HATCH

By: _____
Name: George H. Bruns, Jr.
Title: Chief Executive Officer

ASCOR ACQUISITION CORP.

DOMINION PARTNERS

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Firm: _____

ASCOR, INC.

SBH ASSOCIATES, INC.

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Firm: _____

[CONTINUES ON NEXT PAGE]

38.

CONTINENTAL CAPITAL
CORPORATION

EUCLID PARTNERS III L.P.

By: _____
Name: _____
Firm: _____

By: _____
Name: _____
Title: _____

SPECTRA ENTERPRISES
ASSOCIATES

INTERVEN II, S.A.

By: _____
Name: _____
Firm: _____

By: _____
Name: _____
Title: _____

THE BRUNS COMPANY

By: _____
Name: _____
Title: _____

39.

GLOSSARY

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41.

May 20, 1996

ASCOR, Incorporated.
47790 Westinghouse Drive
Fremont, CA 94539
Attention: Jeffrey Lum, President

ASCOR, Incorporated ("ASCOR") and Giga-tronics, Incorporated ("Giga-tronics") are parties to that certain AGREEMENT AND PLAN OF REORGANIZATION (the "Reorganization Agreement") entered into as of the 2nd day of May, 1996, by and among Giga-tronics, ASCOR Acquisition Corp., a California corporation and a wholly owned subsidiary of Giga-tronics ("Merger Sub"), and ASCOR. All capitalized terms used but not defined herein shall have the meaning ascribed to them in the Reorganization Agreement.

Pursuant to the terms of the Reorganization Agreement Giga-tronics is to issue a maximum of 724,986 shares of Giga-tronics Common Stock in the Merger. Further pursuant to the terms of the Reorganization Agreement, such issuance is to be not pursuant to a registration under federal securities laws, rather pursuant to an exemption therefrom. The Reorganization Agreement also contemplates that at the Closing of the Merger Giga-tronics will enter into a Registration Rights Agreement (in the form of Exhibit 10.01 to the Reorganization Agreement) with the former shareholders of ASCOR. Pursuant to Section 2.14 of the Registration Rights Agreement the registration rights granted thereunder will not be available if the Giga-tronics Common Stock issued in the merger was "issued by Giga-tronics to the Holder pursuant to a registration statement filed with the SEC".

Giga-tronics believes it is in the interests of Giga-tronics and the combined companies to issue the Giga-tronics Common Stock pursuant to such a registration statement. Therefore, Giga-tronics now agrees to use its best faith efforts to file with the Securities and Exchange Commission, and cause the effectiveness under federal securities law of, a registration statement on Form S-4 (or such other form as may be applicable) covering the shares of Giga-tronics Common Stock to be issued in the Merger.

The undersigned hereby agree that upon the issuance of such Giga-tronics Common Stock pursuant to an effective registration statement the Registration Rights Agreement will be of no force and effect and will therefore not be delivered at the Closing.

Please acknowledge your acceptance and agreement to the foregoing by signing and returning a copy of this letter.

Very truly yours,
GIGA-TRONICS, INCORPORATED

By: _____
Name:
Title:

ACCEPTED AND AGREED

ASCOR, INCORPORATED

By: _____
Name:
Title:

Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR FISCAL 1996, 1995, 1994

New orders received in 1996 were \$20,856,000, a decrease of 21% from 1995, which increased 30% over 1994. In 1996, the decrease reflects large order decreases in both the microwave signal generator (SG) and radio frequency signal generator (RF) product line. In 1995, the increase in orders results from additional orders in both the microwave signal generator and RF product line. Overall, the approximate proportion of net sales coming from defense-related customers was 31% in 1996 and less than 30% in 1995 and 1994. Continuing the focus of a business better balanced between commercial and defense markets has been and remains a major strategic priority. At year-end 1996, the Company's backlog of unfilled orders was \$6,112,000, compared to \$10,154,000 at the end of 1995 and \$5,800,000 at the end of 1994. The decrease in backlog from 1995 to 1996 resulted mostly from a decline in SG product line defense-related orders.

Net sales for 1996 were \$24,898,000, a 13% increase from 1995, which follows a 10% increase in 1995 from 1994. Somewhat greater sales for SG products was the major factor. Gross profit as a percentage of sales increased to 37% in 1996, from 32% in 1995, due to better factory efficiencies. Gross profit as a percentage of sales decreased from 40% to 32% from 1994 to 1995 due to factory inefficiencies associated with the acquired RF signal generator product lines, manufacturing scaleup of new microwave products, inventory reserve increases related to the above product lines, and certain costs for upgrading the Company's management information system. The Company continues to implement programs to improve manufacturing efficiencies and reduce costs.

Operating expenses decreased 9% in 1996 over 1995. Costs were tightly controlled in many areas despite higher sales. In 1995, operating expenses increased 17% from 1994 due to personnel severance costs (including those associated with the resignation of Mr. Donald F. Bogue as President and Chief Executive Officer) and additional inventory reserves taken for customer demonstration equipment utilized by sales and marketing.

Amortization expense, relating to the intellectual property and non-compete covenants associated with two prior acquisitions, amounted to \$560,000, the same as 1995 and increasing from \$410,000 in fiscal 1994. The increase from 1994 to 1995 is due to 1995 being the first fiscal year with the full 12 month effect of the two acquisitions (the RF product line in fiscal 1994 and the power measurement product line in fiscal 1993).

Interest income increased by 43% to \$323,000 in 1996, following a decrease of 28% from 1994 to 1995. The increase in 1996 interest income from 1995 was due primarily to an increase in cash, resulting from an earnings increase and much lower inventory levels. The decrease in 1995 was due to the earnings decline in 1995 and higher inventory balances in fiscal 1995 relative to the inventory level in fiscal 1994. The Company continues to invest principally in securities which are exempt from federal taxes.

The provision for income taxes in 1996 was \$301,000. In 1995, income tax expense was a benefit due to a pretax loss of approximately \$2,220,000.

The Company recorded net earnings of \$901,000, or \$0.34 per share, in 1996, an increase in earnings per share from a \$0.61 loss in 1995, and \$0.09 earnings per share in 1994. The improved results in 1996 were due to a sales increase of 13%, an improved gross profit margin, a decrease in operating expenses of 9%, and an increase in interest income. The loss in 1995 was largely a result of delayed product shipments, depressed manufacturing margins in certain microwave and RF signal generator product lines, related inventory

reserve increases, personnel severance costs, and certain costs for upgrading the Company's management information systems.

Financial Condition and Liquidity

At year-end 1996, the Company had \$10,785,000 in cash, cash equivalents and investments, compared to \$5,768,000 at the beginning of the year. Most of the increase resulted from the higher earnings and lower inventories in 1996. Cash provided from operations amounted to \$5,191,000 in 1996, compared to cash provided from operations of \$127,000 in 1995, and cash used by operations of \$1,267,000 in 1994.

The Company continues to maintain a strong financial position, with working capital at year-end of \$15,830,000, compared to \$13,242,000 and \$14,209,000 at the end of 1995 and 1994, respectively. The Company's current ratio of 5.3 increased somewhat from the 1995 and 1994 figures.

Additions to property and equipment were \$356,000 in 1996, compared to \$670,000 and \$673,000 in 1995 and 1994, respectively. This spending reflects continuing investments to support new product development, increase productivity and improve product quality.

Management believes that the Company has adequate resources to meet its operating and capital expenditure needs for the foreseeable future.

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<TABLE>

Balance Sheets

<CAPTION>

YEARS ENDED (IN THOUSANDS, EXCEPT SHARE DATA)	MARCH 30,	MARCH 25,
	1996	1995
<S>	<C>	<C>
Assets		
Current Assets		
Cash and cash equivalents	\$ 5,772	\$ 2,137
Investments	5,013	3,631
Trade accounts receivable, less allowance for doubtful accounts of \$222 and \$32, respectively		2,715 3,524
Inventories	4,660	6,701
Prepaid expenses	188	588
Deferred income taxes	1,185	868
	-----	-----
Total current assets	19,533	17,449
Property and Equipment		
Machinery and equipment	6,518	6,095
Office furniture and fixtures	322	411
Leasehold improvements	103	93
	-----	-----
	6,943	6,599
Accumulated depreciation and amortization		(5,185) (4,212)
	-----	-----
Net property and equipment	1,758	2,387
Patents and licenses	1,590	2,150
Other assets	146	239
	-----	-----

Total assets	\$ 23,027	\$ 22,225
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable	\$ 1,540	\$ 1,477
Accrued commissions	156	318
Accrued payroll and benefits	474	778
Accrued warranty	480	417
Accrued earnout payment	393	472
Accrued expenses	660	745
Total current liabilities	3,703	4,207
Deferred income taxes	223	--
Total liabilities	3,926	4,207
Shareholders' Equity		
Convertible preferred stock of no par value; 1,000,000 shares authorized; no shares outstanding in 1996 and 1995	--	--
Common stock of no par value; 40,000,000 shares authorized; 2,602,420 shares in 1996 and 2,569,920 shares in 1995 issued and outstanding	7,925	7,773
Unrealized loss on securities	(47)	(77)
Retained earnings	11,223	10,322
Total shareholders' equity	19,101	18,018
Total liabilities and shareholders' equity	\$ 23,027	\$ 22,225

<FN>

See accompanying notes to financial statements.

</FN>

</TABLE>

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<TABLE>

Statements of Operations

<CAPTION>

	53 WEEKS ENDED		52 WEEKS ENDED		
	MARCH 30,	MARCH 25,	MARCH 26,		
(IN THOUSANDS, EXCEPT PER SHARE DATA)	1996	1995	1994		
<S>	<C>	<C>	<C>		
Net sales	\$ 24,898	\$ 21,937	\$ 19,890		
Cost of sales	15,616	15,019	11,947		
Gross profit	9,282	6,918	7,943		
Product development expense	2,512	2,700	2,569		
Selling, general and administrative expenses	5,488	6,104	4,984		
Operating expenses	8,000	8,804	7,553		
Net operating income (loss)	1,282	(1,886)	390		
Amortization of intangibles	(560)	(560)	(410)		
Interest income, net	323	226	313		
Other income	157	--	--		
Earnings (loss) before income taxes	1,202	(2,220)	293		
Provision for income taxes (benefit)	301	(644)	62		
Net earnings (loss)	\$ 901	\$ (1,576)	\$ 231		
Net earnings (loss) per share of common stock	\$ 0.34	\$ (0.61)	\$ 0.09		

Weighted average common shares outstanding	2,639	2,570	2,570
--	-------	-------	-------

<FN>

See accompanying notes to financial statements.

</FN>

</TABLE>

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<TABLE>

Statement of Shareholders' Equity

<CAPTION>

(IN THOUSANDS, EXCEPT SHARE DATA)	COMMON STOCK		UNREALIZED		RETAINED	LOSS ON
	SHARES	AMOUNT	EARNINGS	SECURITIES		
Balances as of March 27, 1993	2,569,920	\$ 7,773	\$ 11,667	\$ --	\$ 19,440	
Net earnings	--	--	231	--	231	
Balances as of March 26, 1994	2,569,920	7,773	11,898	--	19,671	
Unrealized loss on securities net of income tax credit of \$41	--	--	--	(77)	(77)	
Net loss	--	--	(1,576)	--	(1,576)	
Balances as of March 25, 1995	2,569,920	7,773	10,322	(77)	18,018	
Repurchase of stock	(12,500)	(94)		(94)		
Exercise of stock options	45,000	246	--	--	246	
Unrealized gain on investments net of income tax expense of \$16	--	--	--	30	30	
Net earnings	--	--	901	--	901	
Balances as of March 30, 1996	2,602,420	\$ 7,925	\$ 11,223	\$ (47)	\$ 19,101	

<FN>

See accompanying notes to financial statements.

</FN>

</TABLE>

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<TABLE>

Statements of Cash Flows

<CAPTION>

(IN THOUSANDS)	53 WEEKS ENDED		52 WEEKS ENDED	
	1996	MARCH 30, 1995	MARCH 25, 1994	MARCH 26, 1993
Cash flows from operations:				
Net earnings (loss)	\$ 901	\$ (1,576)	\$ 231	
Adjustments to reconcile net earnings (loss) to net cash provided by (used in) operations:				
Depreciation and amortization		1,608	1,527	1,263
Deferred income taxes, net		(94)	(296)	(119)
Changes in operating assets and liabilities:				
Trade accounts receivable		809	(126)	410
Inventories	2,041	625	(2,104)	
Prepaid expenses	400	(434)	111	
Patents and licenses, other assets		30	(31)	(335)
Accounts payable		63	(68)	(3)

Accrued commissions	(162)	(45)	97
Accrued payroll and benefits	(304)	237	(181)
Accrued warranty	63	55	38
Accrued earnout and other expenses	(164)	292	(506)
Income taxes payable	--	(33)	(169)
	-----	-----	-----
Net cash provided by (used in) operations	5,191	127	(1,267)
	-----	-----	-----
Cash flows from investing activities:			
Purchases of investments	(1,352)	--	(3,749)
Acquisitions	--	--	(1,123)
Additions to property and equipment	(356)	(670)	(673)
	-----	-----	-----
Net cash used in investing activities	(1,708)	(670)	(5,545)
	-----	-----	-----
Cash flows from financing activities:			
Issuance of common stock	246	--	--
Repurchase of common stock	(94)	--	--
	-----	-----	-----
Net cash provided by financing activities	152	--	--
	-----	-----	-----
Increase (decrease) in cash and cash equivalents	3,635	(543)	(6,812)
Beginning cash and cash equivalents	2,137	2,680	9,492
	-----	-----	-----
Ending cash and cash equivalents	\$ 5,772	\$ 2,137	\$ 2,680
	=====	=====	=====
Supplementary disclosure of cash flow information:			
Cash paid for income taxes	\$ 340	\$ 255	\$ 22
	=====	=====	=====

<FN>

See accompanying notes to financial statements.

</FN>

</TABLE>

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Notes to Financial Statements

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Operations The Company designs, manufactures and markets microwave and radio frequency (RF) signal generation and power measurement instruments. The market for the Company is the test and measurement industry. These products are used primarily in the design, production, repair and maintenance of wireless communications, radar and electronic warfare systems.

Use of Estimates Management of the Company has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with generally accepted accounting principles. Actual results could differ from these estimates.

Revenue Recognition Revenues are recognized when products are shipped. Interest income is recognized when earned.

Cash Equivalents For purposes of the accompanying statements of cash flows, the Company considers all highly liquid debt instruments with maturity dates of 90 days or less from date of purchase to be cash equivalents.

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 3 to 10 years. Leasehold improvements are amortized using the straight-line method over the shorter of the estimated useful lives of the respective improvements or the lease term.

Income Taxes The Company accounts for income taxes in accordance with SFAS No. 109, "Accounting for Income Taxes." SFAS No. 109 prescribes an asset and liability approach that results in the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in the Company's financial statements or tax returns. In estimating future tax consequences, SFAS No. 109 generally considers all expected future events other than enactment of changes in tax laws or rates.

Patents and Licenses Patents and licenses are being amortized using the straight-line method over periods of five to seven years. As of March 30, 1996 and March 25, 1995, accumulated amortization on patents and licenses was \$1,741,000 and \$1,180,000, respectively.

Earnings (Loss) Per Share Earnings (loss) per common and common equivalent share is based on the weighted average number of shares of common stock and dilutive common stock equivalent shares outstanding during the year.

Investments During fiscal 1995, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 115, "Accounting for Certain Investments in Debt and Equity Securities." This statement addresses the accounting and reporting for investments in equity securities that have readily determinable fair values and for all investments in debt securities. The Company's investments have been classified as available-for-sale securities and are reported at fair value. Unrealized gains and losses have been reported as a separate component of shareholders' equity.

Concentration of Credit Risk and Financial Instruments Financial instruments, which potentially subject the Company to credit risk, consist principally of investments and trade accounts receivable. The Company's investments consist principally of variable and fixed rate bonds issued by state and local governmental agencies. The Company individually evaluates the creditworthiness of its customers and generally does not require collateral or other security. Historically, the Company has not incurred any significant credit related losses.

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

Recent Accounting Pronouncements In October, 1995 the Financial Accounting Standards Board issued SFAS No. 123, "Accounting for Stock-Based Compensation." SFAS No. 123 will be effective for fiscal years beginning after December 15, 1995, and will require that the Company either recognize in its financial statements costs related to its employee stock-based compensation plans, such as stock option

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Notes to Financial Statements

and stock purchase plans, or make pro forma disclosures of such costs in a footnote to the financial statements.

The Company expects to continue to use the intrinsic value-based method of Accounting Principles Board Opinion No. 25, as allowed under SFAS No. 123, to account for all of its employee stock-based compensation plans. Therefore, in its financial statements for fiscal 1997, the Company will make the required pro forma disclosures in a footnote to the financial statements. SFAS No. 123 is not expected to have a material effect on the Company's results of operations or financial position.

Cash and cash equivalents consist of bank and money market accounts, variable and fixed rate bonds, and fixed rate municipal notes which are stated at cost. Investments consist of municipal notes and bonds and U.S. Treasury Bills of varying maturities. The cash equivalents and investments mature or are marketable within 30 days, thus being available for current operating cash needs. As of March 30, 1996, the interest rates on cash, cash equivalents and investments ranged from 3.5% to 6.6%.

As of March 30, 1996 and March 25, 1995, the Company had \$3,822,000 and \$4,249,000, respectively, invested in variable and fixed rate bonds and fixed rate notes issued by governmental agencies. The portfolio is diversified, consisting of five and six different governmental agencies located in various geographic regions of the United States as of March 30, 1996 and March 25, 1995, respectively.

<TABLE>

3 ESTIMATED VALUE OF INVESTMENTS

Certain cash equivalents and all investments have been classified as available-for-sale securities, and as of March 30, 1996 consisted of the following.

<CAPTION>

MARCH 30, 1996 (IN THOUSANDS)		AVAILABLE-FOR-SALE SECURITIES			
		GROSS UNREALIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	ESTIMATED FAIR VALUE
<S>	<C>	<C>	<C>	<C>	<C>
U.S. Treasury Bills	\$	429	\$	1	\$ 430
U.S. Treasury Notes		498	--	1	497
Municipal securities		4,158	--	72	4,086
Total debt securities	\$	5,085	\$	1	\$ 5,013

</TABLE>

There were no realized gains (losses) on sales of available-for-sale securities in fiscal 1996. Unrealized losses on available-for-sale securities are included as a separate component of shareholders' equity net of a tax benefit of \$25,000.

<TABLE>

The Company's investments are classified as follows:

<CAPTION>

	MARCH 30, 1996
<S>	<C>
Short-term investments	\$ 5,013

</TABLE>

<TABLE>

The amortized cost and estimated fair value of debt securities as of March 30, 1996 are shown below, by contractual maturity.

<CAPTION>

MARCH 30, 1996 (IN THOUSANDS)		AVAILABLE-FOR-SALE	
		COST	ESTIMATED FAIR VALUE
<S>	<C>	<C>	<C>
Due in 90 days or less		\$ 2,689	\$ 2,693
Due after 90 days through one year			2,396
		\$ 5,085	\$ 5,013

</TABLE>

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Notes to Financial Statements

4 SALES TO SIGNIFICANT CUSTOMERS AND EXPORT SALES

Sales on contracts with offices and agencies of the U.S. government accounted for 31%, 26%, and 27% of the Company's sales in fiscal 1996, 1995 and 1994, respectively. Export sales accounted for 27%, 20%, and 23% of the Company's sales in fiscal 1996, 1995 and 1994, respectively.

<TABLE>

5 INVENTORIES

<CAPTION>

(IN THOUSANDS)	MARCH 30, 1996	MARCH 25, 1995
<S>	<C>	<C>
Raw materials	\$ 1,705	\$ 2,489
Work-in-progress	2,022	3,347
Finished goods	933	865
	-----	-----
	\$ 4,660	\$ 6,701
	=====	=====

</TABLE>

6 SELLING EXPENSES

Selling expenses consist primarily of commissions paid to various marketing agencies. Commission expense totaled \$1,598,000, \$1,564,000, and \$1,420,000 in fiscal 1996, 1995 and 1994, respectively. Advertising costs totaled \$583,000, \$663,000, and \$520,000 for fiscal 1996, 1995 and 1994, respectively.

<TABLE>

7 INCOME TAXES

Following are the components of the provision for income taxes:

<CAPTION>

YEARS ENDED (IN THOUSANDS)	MARCH 30, 1996	MARCH 25, 1995	MARCH 26, 1994
<S>	<C>	<C>	<C>
Current:			
Federal	\$ 319	\$ (307)	\$ 114
State	91	--	67
	-----	-----	-----
	410	(307)	181
Deferred:			
Federal	(104)	(337)	(154)
State	(5)	--	35
	-----	-----	-----
	(109)	(337)	(119)
	-----	-----	-----
Provision for income taxes (benefit)	\$ 301	\$ (644)	\$ 62
	=====	=====	=====

</TABLE>

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Notes to Financial Statements

<TABLE>

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

<CAPTION>

YEARS ENDED (IN THOUSANDS)	MARCH 30, 1996	MARCH 25, 1995
<S>	<C>	<C>
Current tax assets, net	\$ 1,185	\$ 868
Noncurrent tax liabilities, net	(223)	--
	-----	-----
Net deferred taxes	\$ 962	\$ 868
	=====	=====
Future state tax effect	\$ 29	\$ (133)
Allowance for doubtful accounts	96	14
Fixed asset depreciation	(223)	(91)
Inventory reserves and additional costs capitalized		1,059 936
Inventory purchase accounting difference		-- (11)
Deferred revenue	71	58
Alternative minimum federal tax credit carryforward		16 47
Accrued vacation	92	118
Accrued warranty	170	152
Other accrued liabilities	59	130
General business credit carryforward		115 184
State net operating loss carryforward		-- 37
Unrealized loss on equity securities		25 --
Valuation allowances	(547)	(573)
	-----	-----
	\$ 962	\$ 868
	=====	=====

</TABLE>

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Notes to Financial Statements

<TABLE>

Income tax expense differs from the amounts computed by applying the U.S. federal income tax rate to pretax income as a result of the following:

<CAPTION>

YEARS ENDED (IN THOUSANDS, EXCEPT PERCENTAGES)	MARCH 30, 1996	MARCH 25, 1995	MARCH 26, 1994
<S>	<C>	<C>	<C>
Statutory federal income tax	\$ 409 34%	\$ (755) (34.0)%	\$ 99 34.0%
Beginning of year change in deferred tax asset valuation allowance	(26) (2.2)	236 10.6	-- --
State income tax, net of federal benefit	56 4.7	-- --	68 23.1
Nontax deductible expenses	20 1.6	34 1.5	-- --
Interest income exempt from federal tax	(52) (4.3)	(66) (3.0)	(92) (31.4)
Tax credits	(106) (8.8)	(122) (5.5)	(27) (9.3)
Other	-- --	29 1.3	14 6.2
	-----	-----	-----
Effective income tax	\$ 301 25%	\$ (644) (29.1)%	\$ 62 22.6%
	=====	=====	=====

</TABLE>

8 STOCK OPTION AND EMPLOYEE BENEFIT PLANS

Stock Option Plans In March 1990, the Company established a stock option plan which provided for the granting of up to 300,000 shares of common stock at 100% of fair market value at the date of grant, with each grant needing approval by the Board of Directors of the Company. Options granted vest in one or more installments as set forth in the option agreement 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. In May 1994, the Company amended the 1990 Stock Option Plan to allow the total number of shares of common stock

available for issuance to be increased by 100,000 shares to 400,000 shares. During fiscal 1995, the Company offered option holders the opportunity to have outstanding options repriced to current fair value, with the related vesting period starting over. The Company cancelled and reissued (repriced) 77,900 options pursuant to the repricing. Options granted vest in annual installments and must be exercised while the grantee is employed by the Company, or within a certain period after termination of employment. During fiscal 1996, 45,000 options were exercised. As of March 30, 1996, the total number of shares of common stock available for issuance is 355,000. As of March 30, 1996, 157,900 options for shares have been granted, all of which have a term of 5 years.

Holders of options may be granted stock appreciation rights 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.

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Notes to Financial Statements

<TABLE>

Following is a summary of stock option activity:

<CAPTION>

	SHARES	OPTION PRICE
<S>	<C>	<C>
Outstanding as of March 27, 1993	361,000	5.50-8.50
Cancelled	(41,750)	5.88-8.50
Granted	30,000	6.25

Outstanding as of March 26, 1994	349,250	5.50-8.50
Cancelled	(260,900)	5.50-8.50
Granted	124,800	4.00-5.50

Outstanding as of March 25, 1995	213,150	4.00-7.25
Exercised	(45,000)	4.00-5.87
Cancelled	(37,250)	4.00-7.25
Granted	27,000	7.75

Outstanding as of March 30, 1996	157,900	4.00-7.75
	=====	

</TABLE>

As of March 30, 1996, options to purchase 48,350 shares were exercisable at prices ranging from \$4.00 to \$7.00 per share.

401(k) Plan The Company has adopted a 401(k) plan which covers substantially all employees. Participants may make voluntary contributions to the plan up to 15% of their defined compensation. The Company is required to match 50% of the first 5% contributed by plan participants. The Company added a discretionary match of 20% of the first 5% contributed by plan participants for calendar 1995. Participants vest ratably in the Company contribution over a four-year period. Company contributions to the plan for fiscal 1996 and 1995 were approximately \$127,000 and \$101,100, respectively.

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Notes to Financial Statements

<TABLE>

9 COMMITMENTS AND CONTINGENCIES

On December 6, 1993, the Company entered into an agreement to lease a 47,300 square foot facility located in San Ramon, California, for a period of 10 years commencing April 15, 1994, and ending April 14, 2004. On June 22, 1995, the Company renegotiated the lease. The revised expiration date is December 31, 2006. The facility accommodates all of

the Company's present operations. The future minimum lease payments are shown below:

<CAPTION>

FISCAL YEARS	
<S>	<C>
1997	\$ 561,737
1998	568,368
1999	568,368
2000	625,678
2001	630,888
Remaining six years	3,858,742

	\$ 6,813,781
	=====

</TABLE>

The aggregate rental expense was \$637,000, \$568,000 and \$595,000 in fiscal 1996, 1995 and 1994, respectively.

The Company maintains a \$2,000,000 line of credit collateralized by all of the Company's assets. This line of credit bears interest at prime plus 2.25% and expires on July 31, 1996. As of March 30, 1996, none of this line has been utilized.

10 SUBSEQUENT EVENT

On May 2, 1996 the Company entered into an agreement to merge with ASCOR, Inc., a private company that designs, manufactures and markets a line of switching and connecting devices. The merger will be accounted for as a pooling-of-interests. Accordingly the historical accounts of ASCOR will be combined with those of the Company as if they had always been merged. The merger is expected to be effective in June 1996. The merger is subject to final approval of the transaction by Giga-tronics and ASCOR shareholders.

<TABLE>

If the merger had been effective as of March 30, 1996 revenues, net earnings (loss) and earnings (loss) per share would have been as follows:

<CAPTION>

	1996	1995	1994
<S>	<C>	<C>	<C>
Revenues (000's)	\$ 30,811	\$ 25,969	\$ 23,467
Net earnings (loss) (000's)	1,865	(867)	1,305
Earnings (loss) per share	\$ 0.55	\$ (0.26)	\$ 0.40

</TABLE>

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Shareholders
Giga-tronics Incorporated:

We have audited the accompanying balance sheets of Giga-tronics Incorporated as of March 30, 1996, and March 25, 1995, and the related statements of operations, shareholders' equity and cash flows for the fifty-three week period ended March 30, 1996, and for each of the fifty-two week periods in the two-year period ended March 25, 1995. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. 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 financial statements referred to above present fairly, in all material respects, the financial position of Giga-tronics Incorporated as of March 30, 1996, and March 25, 1995, and the results of its operations and its cash flows for the fifty-three week period ended March 30, 1996, and for each of the fifty-two week periods in the two-year period ended March 25, 1995, in conformity with generally accepted accounting principles.

KPMG Peat Marwick LLP

San Jose, California
April 18, 1996
except as to note 10, which is as of May 2, 1996

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<TABLE>

Information for Shareholders

Summary of Operations:

	53 WEEKS ENDED		52 WEEKS ENDED			
(IN THOUSANDS)	MARCH 30, 1996	MARCH 25, 1995	MARCH 26, 1994	MARCH 27, 1993	MARCH 28, 1992	
<S>	<C>	<C>	<C>	<C>	<C>	
Net sales	\$ 24,898	\$ 21,937	\$ 19,890	\$ 23,085	\$ 16,181	
Gross profit	9,282	6,918	7,943	9,287	5,503	
Operating expenses	8,000	8,804	7,553	7,367	4,847	
Interest income, net	323	226	313	244	414	
Earnings (loss) before income taxes	1,202	(2,220)	293	1,954	1,070	
Net earnings (loss)	901	(1,576)	231	1,327	878	
Net earnings (loss) per share	\$ 0.34	\$ (0.61)	\$ 0.09	\$ 0.52	\$ 0.34	

Financial Position:

	53 WEEKS ENDED		52 WEEKS ENDED			
(IN THOUSANDS, EXCEPT RATIO)	MARCH 30, 1996	MARCH 25, 1995	MARCH 26, 1994	MARCH 27, 1993	MARCH 28, 1992	
Current ratio	5.3	4.1	4.8	4.9	11.7	
Working capital	\$ 15,830	\$ 13,242	\$ 14,209	\$ 15,370	\$ 16,588	
Total assets	23,027	22,225	23,580	23,597	19,817	
Shareholders' equity	19,101	18,018	19,671	19,440	18,113	
Shares of common stock	2,602	2,570	2,570	2,570	2,570	

Percentage Data:

	53 WEEKS ENDED	52 WEEKS ENDED

MARCH 30, MARCH 25, MARCH 26, MARCH 27, MARCH 28,
1996 1995 1994 1993 1992

Percent of net sales:

Gross profit	37.3%	31.5%	39.9%	40.2%	34.0%
Operating expenses	32.1	40.1	38.0	31.9	30.0
Interest income, net	1.3	1.0	1.6	1.1	2.6
Earnings (loss) before income taxes	4.8	(10.1)	1.5	8.5	6.6
Net earnings (loss)	3.6	(7.2)	1.2	5.7	5.4

</TABLE>

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<TABLE>

Information for Shareholders

<CAPTION>

Quarterly Financial Information (Unaudited)

(IN THOUSANDS EXCEPT PER SHARE DATA)

1996

	FIRST	SECOND	THIRD	FOURTH	YEAR
<S>	<C>	<C>	<C>	<C>	<C>
Net sales	\$ 6,261	\$ 6,212	\$ 6,171	\$ 6,254	\$ 24,898
Gross profit	2,285	2,314	2,264	2,419	9,282
Operating expenses	2,112	2,036	1,862	1,990	8,000
Interest income, net	52	76	91	104	323
Earnings before income taxes	157	287	360	398	1,202
Net earnings	118	215	270	298	901
Net earnings per share	\$ 0.05	\$ 0.08	\$ 0.10	\$ 0.11	\$ 0.34
Shares of common stock	2,570	2,570	2,570	2,602	2,602

(IN THOUSANDS EXCEPT PER SHARE DATA)

1995

	FIRST	SECOND	THIRD	FOURTH	YEAR
Net sales	\$ 5,547	\$ 5,606	\$ 5,853	\$ 4,931	\$ 21,937
Gross profit	2,205	2,103	2,298	312	6,918
Operating expenses	1,954	1,858	2,033	2,959	8,804
Interest income, net	35	52	48	91	226
Earnings (loss) before income taxes	147	157	173	(2,697)	(2,220)
Net earnings (loss)	93	102	129	(1,900)	(1,576)
Net earnings (loss) per share	\$ 0.04	\$ 0.04	\$ 0.05	\$ (0.74)	\$ (0.61)
Shares of common stock	2,570	2,570	2,570	2,570	2,570

</TABLE>

<TABLE>

Common Stock Market Prices

The Company's common stock is traded over the counter on NASDAQ/NMS National Market System using the symbol "GIGA." The number of record holders of the Company's common stock as of March 30, 1996 exceeded 300. The table below shows the high and low closing bid quotations for the common stock during the indicated fiscal periods.

<CAPTION>

	1996	HIGH	LOW	1995	HIGH	LOW
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First Quarter	(3/26-6/24)	7-7/8	6	(3/27-6/25)	7-1/4	5-7/8

Second Quarter	(6/25-9/30)	10-1/2	6-3/4	(6/26-9/24)	6	4-3/4
Third Quarter	(10/1-12/30)	9	6-7/8	(9/25-12/24)	6-3/8	5
Fourth Quarter	(12/31-3/30)	8	6-5/8	(12/25-3/25)	6-3/16	4

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