

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

FORM 10-Q

(Mark One)

(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES
EXCHANGE ACT OF 1934 for the period ended September 30, 2000, or

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

Commission File No. 0-12719

GIGA-TRONICS INCORPORATED

(Exact name of Registrant as specified in its charter)

California 94-2656341
(State or other jurisdiction of (IRS 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: (925) 328-4650

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

Yes [X] No []

Common stock outstanding as of October 10, 2000: 4,475,462

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GIGA-TRONICS INCORPORATED

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Not applicable

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GIGA-TRONICS INCORPORATED CONDENSED CONSOLIDATED BALANCE SHEETS (unaudited) (In thousands, except share data)

<TABLE>

<CAPTION>

	September 30, 2000	March 25, 2000
	-----	-----
<S>	<C>	<C>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 5,718	\$ 3,455
Trade accounts receivable, net of allowance of \$204 and \$253, respectively	6,273	9,194
Inventories, net	14,960	14,692
Prepaid expenses	660	444
Deferred income taxes	3,597	3,570
	-----	-----
Total current assets	31,208	31,355
Property and Equipment:		
Building and leasehold improvements	700	382
Machinery and equipment	14,806	14,673
Office furniture and fixtures	1,078	1,023
	-----	-----
Property and equipment, gross cost	16,584	16,078
Less accumulated depreciation and amortization	11,530	10,678
	-----	-----
Property and equipment, net cost	5,054	5,400
Patents and licenses	60	112
Goodwill, net	485	564
Other assets	92	95

Total assets	\$36,899	\$37,526	
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Accounts payable	2,608	4,065	
Accrued commissions	569	625	
Accrued payroll and benefits	1,806	1,638	
Accrued warranty	640	553	
Customer advances	1,278	1,536	
Current portion of capital lease and other long term obligations		124	118
Other current liabilities	917	1,175	
Total current liabilities	7,942	9,710	
Capital lease and other long term obligations, net		1,583	1,667
Total liabilities	9,525	11,377	
Shareholders' Equity			
Common stock of no par value;	12,081	11,921	
Authorized 40,000,000 shares; 4,475,462 shares outstanding at September 30, 2000 and 4,431,008 shares at March 25, 2000			
Retained earnings	15,293	14,228	
Total shareholders' equity	27,374	26,149	
Total liabilities and shareholders' equity	\$36,899	\$37,526	

</TABLE>

See accompanying notes to unaudited condensed consolidated financial statements.

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GIGA-TRONICS INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(In thousands, except per share data)

<TABLE>

<CAPTION>

	Three Months Ended		Six Months Ended	
	Sept. 30, 2000	Sept. 25, 1999	Sept. 30, 2000	Sept. 25, 1999
<S>	<C>	<C>	<C>	<C>
Net sales	\$14,058	\$11,834	\$26,219	\$23,339
Cost of sales	9,112	7,886	16,837	15,940
Gross profit	4,946	3,948	9,382	7,399
Product development	1,390	1,038	2,556	1,908
Selling, general and administrative	2,840	2,450	5,386	4,745
Amortization of intangibles	68	150	131	300
Operating expenses	4,298	3,638	8,073	6,953
Operating income	648	310	1,309	446
Other income	114	11	146	38
Interest income, net	36	3	69	2
Earnings before income taxes	798	324	1,524	486
Provision for income taxes	241	97	459	147
Net earnings	\$ 557	\$ 227	\$ 1,065	\$ 339

Earnings per common share - basic	0.12	0.05	0.24	0.08
Earnings per common share - diluted	0.12	0.05	0.22	0.08
Weighted average basic common shares outstanding	4,460	4,368	4,449	4,365
Weighted average diluted common shares outstanding	4,796	4,483	4,806	4,436

See accompanying notes to unaudited condensed consolidated financial statements.

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GIGA-TRONICS INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

<TABLE>
<CAPTION>

	Six Months Ended	
	Sept. 30, 2000	Sept. 25, 1999
	-----	-----
	<C>	<C>
Cash flows provided from operations:		
Net earnings	\$ 1,065	\$ 339
Adjustments to reconcile net earnings to net cash provided by operations:		
Depreciation and amortization	1,058	1,157
(Gain) / Loss on sale of fixed assets	(21)	20
Deferred income taxes, net	(19)	(48)
Changes in operating assets and liabilities	663	(515)
	-----	-----
Net cash provided by operations	2,746	953
Cash flows from investing activities:		
Additions to property and equipment	(586)	(492)
Proceeds from sale of equipment	26	---
Other assets	3	10
	-----	-----
Net cash used in investing activities	(557)	(482)
Cash flows from financing activities:		
Issuance of common stock	160	50
Proceeds on long term debt	---	3
Payments on capital lease and other long term obligations	(86)	(40)
	-----	-----
Net cash provided by financing activities	74	13
Increase in cash and cash equivalents	2,263	484
	-----	-----
Beginning cash and cash equivalents	3,455	2,686
Ending cash and cash equivalents	\$ 5,718	\$ 3,170
	=====	=====

</TABLE>

Supplementary disclosure of cash flow information:

- (1) No cash was paid for interest in the six month periods ended September 30, 2000 and September 25, 1999.
- (2) Cash paid for income taxes in the six month period ended September 30, 2000 was \$10,600. Cash paid for taxes in the six month period

ended September 25, 1999 was \$5,500.

See accompanying notes to unaudited condensed consolidated financial statements.

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GIGA-TRONICS INCORPORATED
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(1) Basis of Presentation

The financial statements included herein have been prepared by the Company, pursuant to the rules and regulations of the Securities and Exchange Commission. The results of operations for the interim periods shown in this report are not necessarily indicative of results to be expected for the fiscal year. In the opinion of management, the information contained herein reflects all adjustments necessary to make the results of operations for the interim periods a fair statement of such operations. For further information, refer to the financial statements and footnotes thereto, included in the Annual Report on Form 10-K, filed with the Securities and Exchange Commission for the year ended March 25, 2000.

(2) Inventories

Inventories consist of the following (in thousands):

<TABLE>

<CAPTION>

	Sept. 30, 2000	March 25, 2000
	-----	-----
<S>	<C>	<C>
Raw materials	\$ 8,006	\$ 8,095
Work-in-process	5,667	5,746
Finished goods	543	294
Loaned Inventory	744	557
	-----	-----
Total inventory	\$14,960	\$14,692
	=====	=====

</TABLE>

During September 2000, the Company received a \$1.6 million settlement in connection with a contract cancellation by SpectraPoint Wireless, LLC (SpectraPoint). The Company also wrote off certain SpectraPoint inventory. The settlement and inventory write off have been included in net sales and cost of sales, respectively, in the accompanying September 30, 2000 condensed consolidated statement of operation.

(3) Earnings Per Share

Basic earnings per share is calculated by dividing net income or loss by weighted average common shares outstanding during the period. Diluted earnings per share reflects the net incremental shares that would be issued if dilutive outstanding stock options were exercised, using the treasury stock method. In the case of a net loss, it is assumed that no incremental shares would be issued because they would be antidilutive. In addition, certain options are considered antidilutive because the options' exercise price was above the average market price during the period. Antidilutive shares are not included in the computation of diluted earnings per share, in accordance with SFAS No. 128 Earnings per Share. The shares used in per share computations for the three and six month periods ended September 30, 2000 and September 25, 1999 are as follows (in thousands, except per share data):

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<TABLE>

<CAPTION>

	Three Months Ended		Six Months Ended	
	Sept. 30, 2000	Sept. 25, 1999	Sept. 30, 2000	Sept. 25, 1999
<S>	<C>	<C>	<C>	<C>
Net earnings	\$ 557	\$ 227	\$1,065	\$ 339
Weighted average:				
Common shares outstanding		4,460	4,368	4,449
Dilutive potential common shares		336	115	357
Common shares assuming dilution		4,796	4,483	4,806
Net earnings per share of common stock		\$ 0.12	\$ 0.05	\$ 0.24
Net earnings per share of common stock assuming dilution		\$ 0.12	\$ 0.05	\$ 0.08
Number of stock options not included in the computation	48	49	31	78

</TABLE>

The number of stock options not included in the computation of diluted EPS for the three and six month periods ended September 30, 2000 and September 25, 1999 reflects stock options where the exercise prices were greater than the average market price of the common shares and were therefore antidilutive.

(4) Comprehensive Income

The Company has no components of other comprehensive income. As such, net income equals comprehensive income for September 30, 2000 and September 25, 1999, respectively.

(5) Significant Customers and Industry Segment Information

The Company has five reportable segments: Giga-tronics Instruments Division, ASCOR, Microsource, DYMATIX, and Corporate. Giga-tronics Instruments division produces a broad line of test and measurement equipment used in the development, test and maintenance of wireless communications' products and systems, flight navigational equipment, electronic defense systems and automatic testing systems. ASCOR designs, manufactures, and markets a line of switching devices that link together many specific purpose instruments that comprise automatic test systems. Microsource develops and manufactures a broad line of YIG (Yttrium, Iron, Garnet) tuned oscillators, filters and microwave synthesizers, which are used in a wide variety of microwave instruments or devices. DYMATIX, which includes Viking Semiconductor Equipment, Inc. and Ultracision, Inc., manufactures and markets optical inspection equipment used to test semiconductor devices and automation equipment for the test and inspection of silicon wafers. The Corporate segment handles the financing needs of each segment and lends funds to each segment as required.

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Information on reportable segments is as follows (in thousands):

<TABLE>

<CAPTION>

Three Months Ended	
Sept. 30, 2000	Sept. 25, 1999
Pre-tax	Pre-tax

	Revenue	Income (loss)	Revenue	Income (loss)
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Giga-tronics Instruments	\$ 6,069	\$ 240	\$ 4,471	\$ 134
ASCOR	1,931	376	1,586	(128)
Microsource	4,071	(172)	3,929	59
DYMATIX	1,987	15	1,848	16
Corporate	---	339	---	243
	-----	-----	-----	-----
Total	\$14,058	\$ 798	\$11,834	\$ 324
	=====	=====	=====	=====

</TABLE>

<TABLE>

<CAPTION>

	Six Months Ended			
	Sept. 30, 2000		Sept. 25, 1999	
	-----		-----	
	Pre-tax		Pre-tax	
	Revenue	Income (loss)	Revenue	Income (loss)
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Giga-tronics Instruments	\$11,293	\$ 447	\$ 8,886	\$ 222
ASCOR	3,828	863	3,468	(38)
Microsource	8,104	(158)	7,197	(179)
DYMATIX	2,994	(219)	3,788	(11)
Corporate	---	591	---	492
	-----	-----	-----	-----
Total	\$26,219	\$ 1,524	\$23,339	\$ 486
	=====	=====	=====	=====

</TABLE>

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATIONS AND FINANCIAL CONDITION

The forward-looking statements included in this report including, without limitation, statements containing the words "believes," "anticipates," "estimates," "expects," "intends" and words of similar import, which reflect management's best judgment based on factors currently known, involve risks and uncertainties. Actual results could differ materially from those anticipated in these forward-looking statements as a result of a number of factors, including but not limited to those listed in the Giga-tronics' annual report on Form 10-K for the fiscal year ended March 25, 2000 Part I, under the heading "Certain factors which may adversely affect future operations or an investment in Giga-tronics", as well as the discussion of "Management's Discussion and Analysis of Financial Conditions and Results of Operations".

GENERAL

Giga-tronics designs, manufactures, and markets microwave and radio frequency signal generation and power measurement instruments, switching devices, and YIG tuned oscillators. These products are used in the development, test, and maintenance of wireless communications' products and systems, electronic defense systems, and automatic testing systems (ATE). Giga-tronics also manufactures a line of inspection and handling devices used in the production of semiconductor devices.

THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2000 AND SEPTEMBER 25, 1999

Total orders for the three month period were \$15,119,000 or 11% lower (\$1,805,000) than the comparable period last year. Orders for the Instruments division were 55% (\$2,512,000) higher in the second quarter versus the prior year. Orders for ASCOR were 81% (\$4,606,000) lower for the second quarter versus last year. Orders for Microsource were equivalent to the orders for the comparable quarter last year. The Semiconductor group orders were 20% higher (\$290,000) in the three months ended September 30, 2000 versus the same period a

year ago. For all of the segments in aggregate, orders for the six months were 15% higher (\$4,288,000) than the comparable period last year. Backlog at September 30, 2000 was \$40,204,000 (about \$26.1 million is expected to be shipped within one year) compared to \$22,360,000 at September 25, 1999.

Net sales for the three and six month period ended September 30, 2000 increased 19% (\$2,224,000) and 12% (\$2,880,000), respectively, compared with the same periods last year. Giga-tronics Instruments sales increased 36% (\$1,598,000) for the quarter and increased 27% (\$2,407,000) for the six months ended September 30, 2000 in comparison to prior year, these increases are a result of strong orders and backlog for the Instruments division. ASCOR increased sales during the quarter 22% (\$345,000) and for the six months increased 10% (\$360,000) from the respective periods of a year ago. Sales for Microsource increased 4% (\$142,000) in the quarter and 13% (\$907,000) for the six months ended September 30, 2000, these sales include the contract cancellation settlement from SpectraPoint (\$1,624,000). Sales for DYMATIX increased 8% (\$139,000) in the quarter and declined 21% (\$794,000) for the six months.

Cost of Sales increased 16% (\$1,226,000) in the quarter ended September 30, 2000 from the similar period a year ago. For the six months ended September 30, 2000, cost of sales increased 6% (\$897,000). These increases are attributable to higher sales coupled with higher manufacturing material costs and manufacturing labor for the products shipped, and the write off of certain inventory related to the SpectraPoint contract cancellation.

Operating expenses for the three and six month periods increased 18% (\$660,000) and 16% (\$1,120,000), respectively, compared with the prior year. Product development expenses for the three and six month periods increased 34% (\$352,000) and (\$648,000), respectively, compared with the prior year primarily due to the increased product development at Microsource (\$305,000) in the quarter and (\$444,000) for the six month period. Selling, general and administrative expenses increased 16% (\$391,000) for the three months ended September 30, 2000 compared to the prior year. For the six months ended September 30, 2000 selling, general and administrative expenses increased 14% (\$641,000). These increases are primarily due to higher commission expenses related to

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higher sales levels coupled with increased promotional expenses at the Instruments division. Amortization of intangibles decreased 55% (\$82,000) for the three months and 56% (\$169,000) for the six months as compared to the prior year. The decrease in the amortization of intangibles is a result of lower amortization of patents and licenses.

Interest income for the three and six month periods improved over the prior year due to higher levels of cash available for investment. The higher cash available is primarily due to operating income during the period.

Earnings before income taxes for the three month and six month periods improved \$474,000 and \$1,038,000 compared to the same period last year. The change was primarily due to the improvement in gross profit offset by increased expenses as described above.

FINANCIAL CONDITION

The Company maintains a strong financial position, with working capital of \$23,266,000 and a ratio of current assets to current liabilities of 3.9 to 1.0 at September 30, 2000. The Company continues to fund all of its working capital needs from cash provided by operations. Cash provided from operations, for the six months ended September 30, 2000, was \$2,746,000.

Cash and cash equivalents increased \$2,263,000 for the six months ended September 30, 2000. The Company spent \$586,000 on new manufacturing and test equipment and other capital items. The Company will continue to invest in capital items that support growth and new product development, raise productivity and improve quality. Historically the Company has satisfied its cash needs internally for both operating and capital expenditures, and management expects to continue to do so for the foreseeable future.

Management believes that cash reserves and investments remain adequate to meet

anticipated operating needs. In addition, the Company has an unsecured revolving line of credit loan for 7 million dollars, none of which has been utilized. It is also the Company's intention to increase research and development expenditures for the purpose of broadening its product base. From time to time, the Company considers a variety of acquisition opportunities to also broaden its product lines and expand its market. Such acquisition activity could also increase the Company's operating expenses and require the additional use of capital resources.

OUTLOOK

Giga-tronics outlook for 2001 is optimistic. Giga-tronics expects sales of products in its Giga-tronics Instruments segment to improve along with the growing broadband wireless market especially with the initial shipments of the new Microwave Synthesizer (Model 12000). While its Microsource segment is expected to improve in the upcoming year as the broadband wireless market continues to grow, its short term growth will be less than anticipated as there are timing delays associated with setup and start up of recently booked orders in this segment.

FORWARD-LOOKING STATEMENTS

Certain of the statements contained in this section of the report, including statements regarding sales under "OUTLOOK" and statements under "FINANCIAL CONDITION", are forward-looking. While Giga-tronics believes that these statements are accurate, Giga-tronics' business is dependent upon general economic conditions and various conditions specific to the test and measurement, wireless and semiconductor industries. Future trends and these factors could cause actual results to differ materially from the forward looking statements that we have made. In particular:

Giga-tronics has a significant number of defense-related orders. If the defense market should decline, shipments in the current year could be less than anticipated and cause a decrease in earnings. The Company's commercial product backlog has a number of risks and uncertainties such as the cancellation or deferral of orders, dispute over performance and our ability to collect amounts due. If this occurs, then shipments in the current year could fall short of plan resulting in a decline in earnings. In addition, other risks that Giga-tronics faces in running its

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operations include: shortages of critical parts; timely ability to ramp manufacturing capacity to meet order demand and the ability to quickly adapt cost structures to changing conditions.

The market for electronics equipment is characterized by rapidly changing technology and evolving industry standards. Giga-tronics believes that its future success will depend in part upon its ability to develop and commercialize its existing products and to develop new products and applications and in part to develop, manufacture and successfully introduce new products and product lines with improved capabilities and to continue to enhance existing products. There can be no assurance that Giga-tronics will successfully complete the development of current or future products or that such products will achieve market acceptance.

As part of its business strategy, the Company intends to broaden its product lines and expand its markets, in part through the acquisition of other business entities. The Company acquired Microsource, Inc. in fiscal 1999 in a transaction accounted for as a purchase. The Company is subject to various risks in connection with these and any future acquisitions. Such risks include, among other things, the difficulty of assimilating the operations and personnel of the acquired companies, the potential disruption of the Company's business, the inability of the Company's management to maximize the financial and strategic position of the Company by the successful incorporation of acquired technology and rights into the Company's product offerings, the maintenance of uniform standards, controls, procedures and policies, and the potential loss of key employees of acquired companies. No assurance can be given that any acquisition by the Company will or will not occur, that if an acquisition does occur, that it will not materially and adversely affect the Company or that any such acquisition will be successful in enhancing the Company's business. The Company currently contemplates that future acquisitions may involve the issuance of

additional shares of the Company's common stock. Any such issuance may result in dilution to all shareholders of the Company, and sales of such shares in significant volume by the shareholders of acquired companies may depress the price of the Company's common stock.

Management's Discussion and Analysis of Financial Condition and Results of Operations and other sections of this 10-Q contain forward-looking statements that involve risks and uncertainties. The actual results may differ significantly from the results discussed in the forward-looking statements. Factors that might cause such differences include, but are not limited to, those discussed herein and in the Company's 2000 Report 10-K under "Item 1. Business" and "Certain Factors Which May Affect Future Operation Or An Investment In Giga-tronics" as filed with the Securities and Exchange Commission.

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Part II, Item 4

SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

(A.) Annual Meeting of stockholders was held on August 30, 2000.

(1) The vote for the nominated Directors was as follows:

<TABLE>

<CAPTION>

Nominee	In Favor	Withheld
-----	-----	-----
<S>	<C>	<C>
George H. Bruns, Jr.	3,923,239	167,149
James A. Cole	3,923,639	166,749
Robert C. Wilson	3,923,489	166,899
William E. Wilson	3,923,539	166,849

</TABLE>

(2) Other matters voted upon at the meeting were as follows:

(a) Adoption of The 2000 Stock Option Plan was approved as follows:

<TABLE>

<CAPTION>

	No. of Votes on Proposal	Percent of Votes Cast
	-----	-----
<S>	<C>	<C>
For	2,064,815	79.56%
Against	525,436	20.24%
Abstain	5,010	.20%
Quorum	2,595,261	100.00%

</TABLE>

Broker non-voted Shares = 1,495,127

(b) Ratification of the selection of KPMG Peat Marwick LLP as independent public accountants for the fiscal year 2000 was approved as follows:

<TABLE>

<CAPTION>

	No. of Votes on Proposal	Percent of Votes Cast
	-----	-----
<S>	<C>	<C>
For	4,082,463	99.81%
Against	970	0.02%
Abstain	6,955	0.17%
Quorum	4,090,388	100.00%

</TABLE>

Broker non-voted Shares = 0

Outstanding shares on Record Date = 4,455,871

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SIGNATURES

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

GIGA-TRONICS INCORPORATED
(Registrant)

Date: 10/19/00 /s/GEORGE H. BRUNS, JR.

George H. Bruns, Jr.
Chairman and Chief Executive Officer
(Principal Executive Officer)

Date: 10/19/00 /s/MARK H. COSMEZ II

Mark H. Cosmez II
Vice President, Finance and
Chief Financial Officer
(Principal Accounting Officer)

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EXHIBIT INDEX

<TABLE>	
<CAPTION>	
EXHIBIT NO.	DESCRIPTION
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<S>	<C>
27	Financial Data Schedule

</TABLE>

<TABLE> <S> <C>

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<MULTIPLIER> 1,000

<CURRENCY> U.S. DOLLARS

<S>

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