

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

FORM 10-K

(Mark One)

(X) ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934 for the fiscal year ended March 29, 1997, 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 (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 X 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 16, 1997 was \$20,351,772. For purposes of this determination only, directors and officers of the Registrant have been assumed to be affiliates. There were a total of 3,379,449 shares of the Registrant's Common Stock outstanding as of May 16, 1997.

DOCUMENTS INCORPORATED BY REFERENCE

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

<TABLE>

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<S> PART II Registrant's ANNUAL REPORT TO
Items 5, 6, 7 and 8 SHAREHOLDERS for the fiscal year
ended March 29, 1997.

PART III Registrant's PROXY STATEMENT for
Items 10, 11, 12 and 13 its 1997 annual meeting of shareholders to
be filed no later than 120 days after the
close of the fiscal year ended March 29,
1997.

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PART I

The forward-looking statements included in this report, which reflect management's best judgment based on factors currently known, involve risks and uncertainties. Actual results could differ materially from those anticipated in the forward-looking statements included herein as a result of a number of factors, including but not limited to those discussed in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," incorporated by reference to pages 17 through 18 of the Company's 1997 Annual Report to Stockholders.

ITEM 1. BUSINESS

General and Business

The Company 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 commercial telecommunications, radar, and electronic warfare.

In July 1996, Giga-tronics acquired ASCOR, Inc. in a transaction accounted for by the pooling-of-interests method of accounting. ASCOR, located in Fremont, California, designs, manufactures, and markets a line of switching and connecting devices that link together many specific purpose instruments that comprise a portion of automatic test systems. ASCOR offers a family of switching and interface test adapters as standard VXI configured products, as well as complete system integration services to the Automatic Test Equipment (ATE) market.

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

Recent Developments

The Company has entered into an Agreement and Plan of Reorganization, dated as of June 6, 1997 (the "Reorganization Agreement"), by and among the Company, GTV Acquisition Corp., a California corporation and wholly owned subsidiary of Giga-tronics ("Acquisition Corp.") and Viking Semiconductor Equipment, Inc., a California corporation ("Viking") which provides for the acquisition by the Company of Viking through the merger (the "Merger") of Viking and Acquisition Corp. The Merger will be accounted for as a pooling of interests and accordingly, the historical accounts of Viking will be combined with those of the Company as if they had always been merged. Viking is a privately-held company in Fremont, California that designs, manufactures and markets optical inspection equipment used to manufacture and test semiconductor devices. Viking's products include die attachments, automatic die sorters, tape and reel and wafer inspection equipment.

Pursuant to the Reorganization Agreement (i) Acquisition Corp. will be merged with and into Viking and Viking will become a wholly owned subsidiary of Giga-tronics; (ii) each share of Viking no par value Common Stock ("Viking Shares") outstanding immediately prior to the Merger (other than Viking Shares

held by shareholders who have perfected and not withdrawn their right to seek

appraisal of their shares under applicable California law) will be converted into the right to receive a pro rata portion of an aggregate of 420,000 Shares of Giga-tronics Common Stock to be issued in the Merger (the "Merger Consideration"). The shares of Giga-tronics Common Stock to be issued in the Merger will not be registered and thus will be generally restricted from resale until at least the first anniversary of the closing of the Merger pursuant to Rule 144 of the Securities Act of 1933.

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 Merger will be effective in June 1997.

Industry Segments

The Company operates primarily in one industry segment: electronic test and measurement equipment.

Products and Markets

The Company 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 for these products can be divided into three broad segments: commercial telecommunications, radar and electronic warfare. The Company's instruments are used in the design, production, repair and maintenance and calibration of other manufacturers' products, from discrete components to complex systems.

The Company also produces switch modules, and interface adapters that operate with a bandwidth from direct current (DC) to 18 GHz. The end-user markets for these products are primarily related to electronic warfare, though the VXI architecture may become more accepted by the telecommunications market.

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. However, the Company believes that its competitive position depends primarily 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. The Company believes, based on industry practice, that any additional licenses necessary 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

In its early years, the Company had been a leading supplier of test instruments to various U.S. Government defense agencies, as well as to their prime contractors. Management anticipates sales to U.S. Government agencies will remain significant in fiscal 1998, even though the outlook for defense-related orders continues to be soft. Defense related agencies accounted for 37%, 42% and 36% of net sales in fiscal 1997, 1996 and 1995, respectively. Commercial business accounted for 63%, 58%, and 64% of net sales in fiscal 1997, 1996 and 1995, respectively.

Backlog of Orders

On March 29, 1997, Giga-tronics had a backlog of approximately \$5,007,000 compared to \$8,854,000 at March 30, 1996. Orders for the Company's products include program orders, from both the U.S. Government and defense contractors, with extended delivery dates. Accordingly, the backlog of orders may vary substantially from quarter to quarter and the backlog entering any single quarter may not necessarily be indicative of sales for any period.

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

A 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.

Competition

The principal competitive factors in the marketing of microwave and RF test instruments include product functionality, reliability and price. These products compete mainly with Hewlett-Packard, Anritsu, Marconi and Rohde & Schwarz. The principal competitive factors in the marketing of VXI switching interface adapters include product modularity, density factor, quality and price. These products compete mainly with Racal Dana, Hewlett Packard and Tektronix. The

Company's 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

Products of the type manufactured by the Company 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 \$2,722,000, \$2,726,000 and \$2,928,000 in fiscal 1997, 1996 and 1995, 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 San Ramon facility. The assembly and testing of the Company's switching and connecting devices is done at its Fremont facility.

Environment

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

Employees

As of March 29, 1997, the Company employed 167 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 satisfactory.

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 \$8,237,000, \$6,791,000 and \$4,458,000 in fiscal 1997, 1996 and 1995, respectively.

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

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Outlook

Although the Company has achieved more balance between its defense and commercial businesses, defense related orders remain important to the Company. The outlook for such orders continues to be soft. If this trend were to continue, shipments in the current year could fall short of plan with a concurrent decline in earnings. However, the Company believes that growth can be realized by maintaining an effective new product development program, aggressively pursuing new markets, and vigorously competing for defense business. In addition, the Company intends to broaden its product lines and expand its markets through the acquisition of other business entities. Nevertheless, there is no assurance that increased research and development spending and future acquisitions, if any, will lead to increased sales in the near term.

ITEM 2. PROPERTIES

As of March 29, 1997, the Company's executive, marketing, sales and engineering offices and manufacturing facilities for its microwave and RF signal generator and power measurement products 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 Company's executive, marketing, sales and engineering offices and manufacturing facilities for its switching and connecting devices are located in approximately 12,160 square feet in Fremont, California, under a lease expiring on January 31, 1998.

ITEM 3. LEGAL PROCEEDINGS

As of March 29, 1997, the Company has no pending legal proceedings.

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

No matters were submitted to a vote of security holders during the fourth quarter of the fiscal year ended March 29, 1997. Executive Officers of the Company are listed on page 15 of this Form 10-K.

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The Registrant's Annual Report to Shareholders for the year ended March 29, 1997, is filed as Exhibit 13.0 with the Form 10-K (the "1997 Annual Report"). The information responsive to Items 5, 6, 7 and 8, which is contained in the 1997 Annual Report, is specifically incorporated by reference in this Form 10-K. With the exception of such information, the 1997 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 1997 Annual Report, see "Common Stock Market Prices" which appears on page 32.

ITEM 6. SELECTED FINANCIAL DATA

Incorporated by reference from the 1997 Annual Report, see "Selected Financial Data" which appears beginning on page 31.

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

Incorporated by reference from the 1997 Annual Report, see "Management's Discussion and Analysis" which appears on pages 17 and 18.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The following items which appear in the 1997 Annual Report are incorporated by reference:

Consolidated Balance Sheets.....	page 19
Consolidated Statements of Operations.....	page 20
Consolidated Statements of Shareholders' Equity.....	page 21
Consolidated Statements of Cash Flows.....	page 22
Notes to Consolidated Financial Statements.....	page 23
Independent Auditor's Report.....	page 30

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

Not applicable.

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 1997 Annual Meeting of Shareholders, incorporated herein by reference. This Proxy Statement is to be filed no later than 120 days after the close of the fiscal year ended March 29, 1997.

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 29, 1997.

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 29, 1997.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Not applicable.

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

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(a)(2) Schedules	Form 10-K (Page No.) -----
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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.

Except for those portions thereof incorporated by reference in this Form 10-K, the 1997 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 16 and 17 of this Form 10-K Report.

(b) Reports on Form 8-K

No reports on Form 8-K were filed during the quarter ended March 29, 1997.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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

By _____ /s/ _____
George H. Bruns, Jr.
Chairman of the Board and
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

<TABLE>

 /s/ Chairman of the Board 6/9/97
 ----- and Chief Executive Officer -----
 George H. Bruns, Jr. (Principal Executive Officer) (Date)

/s/ Acting Vice President, Finance 6/9/97
----- and Chief Financial Officer -----
George H. Bruns, Jr. (Date)

----- /s/ Controller 6/9/97 -----
 ----- (Principal Accounting Officer) -----
 Nyla R. Kientzler (Date)

_____/s/_____
James A. Cole

Director

6/9/97

(Date)

/s/ Director 6/9/97

Edward D. Sherman (Date)

_____/s/_____
Robert C. Wilson

(Date)

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100
1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100	

REPORT ON FINANCIAL STATEMENT SCHEDULE AND CONSENT OF
INDEPENDENT AUDITORS

The Board of Directors and Shareholders
Giga-tronics Incorporated

The audits referred to in our report dated April 18, 1997, except as to Note 11, which is as of June 6, 1997, included the related financial statement schedule as of March 29, 1997 and March 30, 1996, and for the years ended March 29, 1997, March 30, 1996 and March 25, 1995, included in the registration statement. 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 consolidated 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
June 9, 1997

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GIGA-TRONICS INCORPORATED
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

<TABLE>

<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 Deductions (Recoveries) at End of Period

	\$	\$	\$	\$
<S>	<C>	<C>	<C>	<C>

Year ended March 29, 1997

Allowances deducted from assets:

Accounts receivable:

For doubtful accounts(1) 234,882 --- --- (740) 235,622

Total	234,882	---	---	(740)	235,622
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Year ended March 30, 1996

Accounts receivable:

For doubtful accounts(1)	31,676	223,030	---	19,824	234,882
--------------------------	--------	---------	-----	--------	---------

Total	31,676	223,030	---	19,824	234,882
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Year ended March 25, 1995

Accounts receivable:

For doubtful accounts(1)	87,065	13,775	---	69,164	31,676
--------------------------	--------	--------	-----	--------	--------

Total	87,065	13,775	---	69,164	31,676
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</TABLE>

(1) Reserve for accounts receivable collection exposure.

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GIGA-TRONICS INCORPORATED CORPORATE EXECUTIVE OFFICERS

<TABLE>

<CAPTION>

Name	Age	Position
----	---	-----

<S>	<C>	<C>
George H. Bruns, Jr.	78	Chairman of the Board and Chief Executive Officer
George H. Bruns, Jr.	78	Acting Vice President, Finance/Chief Financial Officer
Robert D. Geddes	54	Vice President, Marketing and Sales
Byron G. Flanders	61	Vice President, Manufacturing
Jeffrey T. Lum	50	President, ASCOR, Inc.

</TABLE>

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GIGA-TRONICS INCORPORATED INDEX TO EXHIBITS

2.1 Agreement and Plan of Reorganization, dated as of May 20, 1996 by and among Giga-tronics Incorporated, ASCOR Acquisition Corp. and ASCOR, Inc., previously filed on May 30, 1996, as Exhibit 2.1 to Form 10-K for the fiscal year ended March 30, 1996.

- 2.2 Letter of Agreement between Giga-tronics Incorporated and ASCOR, Inc., dated May 20, 1996, as previously filed on May 30, 1996, as Exhibit 2.2 to Form 10-K for the fiscal year ended March 30, 1996.
- 2.3* Agreement and Plan of Reorganization, dated as of June 6, 1997, by and among Giga-tronics Incorporated, GTV Acquisition Corp. and Viking Semiconductor Equipment, Inc.
- 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.
- 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.
- 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 10-K for the fiscal year ended March 26, 1994.

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- 11.0* Statement regarding Computation of Per Share Earnings. (See page 18 of this Annual Report on Form 10-K.)
- 13.0* 1997 Annual Report to Shareholders.
- 23.0* Report of Financial Statement Schedule and Consent of Independent Auditors. (See page 13 of this Annual Report on Form 10-K).
- 27.0* Financial Data Schedule

* Attached as exhibits to this Form 10-K.

GIGA-TRONICS INCORPORATED
COMPUTATION OF NET EARNINGS (LOSS) PER SHARE AND
COMMON SHARE EQUIVALENT

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.

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	YEAR ENDED		
	3/29/97	3/30/96	3/25/95
<S>	<C>	<C>	<C>
Weighted average number of common shares outstanding:			
Common Stock outstanding	3,360,941	3,295,316	3,259,447
Incremental Shares from Outstanding Options (Treasury Stock Method)	50,339	64,876	---
	3,411,280	3,360,192	3,259,447
Net earnings (loss)	\$1,644,000	\$1,740,000	(\$867,000)
Earnings (loss) per share of Common Stock	\$ 0.48	\$ 0.52	(\$ 0.27)

</TABLE>

EXHIBIT 2.3

AGREEMENT AND PLAN OF REORGANIZATION

dated as of

June 6, 1997

by and among

GIGA-TRONICS INCORPORATED,

GTV ACQUISITION CORP.

and

VIKING SEMICONDUCTOR EQUIPMENT, INC.

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Viking Disclosure Schedule
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iv.

AGREEMENT AND PLAN OF REORGANIZATION

THIS AGREEMENT AND PLAN OF REORGANIZATION (this "Agreement") is entered into as of the 6th day of June, 1997, by and among Giga-tronics Incorporated, a California corporation ("Giga-tronics"), GTV Acquisition Corp., a California corporation and a wholly owned subsidiary of Giga-tronics ("Merger Sub"), and Viking Semiconductor Equipment, Inc., a California corporation ("Viking").

RECITALS

A. The Boards of Directors of Giga-tronics, Merger Sub and Viking have each determined to engage in the transactions contemplated hereby, pursuant to which (i) Merger Sub will merge (the "Merger") with and into Viking, (ii) each share of common stock, no par value, of Viking ("Viking Common Stock") and any other shares of Viking stock which shall have previously been converted into Viking Common Stock (except for shares of Viking 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 Viking Common Stock, all upon the terms and subject to the conditions set forth herein.

B. The Board of Directors of Viking has approved, and has resolved to recommend that the shareholders of Viking 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. 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 Viking (the "Merger"), as soon as practicable following the satisfaction or waiver of the conditions set forth in Article VIII hereof. Following the Merger,

Viking 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 Viking 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 Viking 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, 1997 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 Viking 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 Viking Common Stock issued and outstanding immediately prior to the Effective Time (other than Dissenting Viking Shares (as defined in Section 1.04 hereof))(the "Viking Shares") shall automatically, by virtue of the Merger and without any action on the part of the holder thereof, be converted into a right to receive the number of shares of Giga-tronics Common Stock as is determined pursuant to this Section 1.02. A maximum total of 420,000 shares of Giga-tronics Common Stock (the "Merger Consideration") will be issued in the Merger, including shares that would have been issued to holders of Dissenting Viking Shares and fractional shares that would have been issuable but for Section 1.05 below.

2.

(ii) The Agreement of Merger to be filed shall contain the final exchange ratio (the "Exchange Ratio") for Viking Shares into Giga-tronics Common Stock and shall be equal to 420,000 divided by the fully diluted number of Viking Shares outstanding at the Effective Time (the "Viking Outstanding Equivalent Number"). The Viking Outstanding Equivalent Number shall be equal to the sum of (1) the number of Viking Shares outstanding at the Effective time; plus (2) the total number of Viking Shares which would be issuable on the exercise of any Viking warrants or options or other securities convertible into, or exercisable for, Viking Shares (collectively "Viking Options"). All Viking 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 Viking 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 Viking shareholders and, if applicable, the cash to which holders of Viking 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 Viking 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 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 Viking 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.

3.

(d) After the Effective Time there shall be no transfers on the stock transfer books of either Viking (the stock transfer books of which shall be closed) or the Surviving Corporation of Viking 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. Viking 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 Viking 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 Viking Shares pursuant to the law of the State of California. If a holder of Dissenting Viking 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 Viking Shares shall cease to be Dissenting Viking Shares and shall be converted into the right to receive, and shall be exchangeable for, the Merger Consideration into which such Dissenting Viking Shares would have been converted

pursuant to Section 1.02(a) hereof. Viking shall give Giga-tronics prompt notice of any demand received by Viking from a holder of Dissenting Viking Shares for appraisal of Viking Shares, and Giga-tronics shall have the right to participate in all negotiations and proceedings with respect to such demand. Viking 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 Viking 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 Viking Shares shall be retained by Giga-tronics.

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 Viking 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 Viking 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.

4.

SECTION 1.06 VIKING OPTIONS. Giga-tronics will not assume any Viking Options. At the Effective Time, any outstanding Viking Options shall be deemed exercised for such number of shares of Giga-tronics Common Stock as would be exchanged in the Merger for the Viking Shares which would have been issued had such Viking Options been exercised in full and such Viking Shares been outstanding immediately prior to the Effective Time, subject to the following provisions of this Section 1.06. Such deemed exercise of Viking Options shall be on a "net exercise" basis. The full number of shares issuable on exercise of such Viking Option (including such number of shares as are deemed surrendered in the net exercise) shall be added to the Viking Outstanding Equivalent Number as described in Section 1.02 above. The value of the Viking Shares issuable on the exercise of any Viking Option for purposes of determining the number of Viking Shares to be surrendered in the deemed net exercise shall be equal to the number of Viking Shares issuable on exercise of such Viking 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 Viking Shares deemed surrendered upon such net exercise shall be retained by Giga-tronics.

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 1933, 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.

5.

ARTICLE II

THE SURVIVING CORPORATION

SECTION 2.01 ARTICLES OF INCORPORATION. The Articles of Incorporation of the Surviving Corporation shall be amended at the Effective Time to conform to the Articles 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 Viking at the Effective Time shall become the initial officers of the Surviving Corporation.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF VIKING

Except as disclosed in a document referring specifically to this Agreement (the "Viking Disclosure Schedule") which is delivered by Viking 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), Viking represents and warrants to Giga-tronics as set forth below:

SECTION 3.01 CORPORATE EXISTENCE AND POWER. Viking 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. Viking 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. Viking has delivered to Giga-tronics true and complete copies of Viking's Articles of Incorporation and Bylaws as currently in effect.

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

with the consummation of the Merger. The Viking and Giga-tronics Affiliates

6.

Agreement are collectively referred to herein as the "Viking Ancillary Agreements." This Agreement and the Viking Ancillary Agreements constitute, or upon execution will constitute, valid and binding agreements of Viking, enforceable against Viking in accordance with their respective terms.

SECTION 3.03 GOVERNMENTAL AUTHORIZATION. The execution, delivery and performance by Viking of this Agreement, the Viking Ancillary Agreements and the Agreement of Merger and the consummation of the Merger by Viking 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;

(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 Viking, 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 Viking of this Agreement, the Viking Ancillary Agreements and the Certificate of Merger and the consummation by Viking of the transactions contemplated hereby and thereby do not and will not:

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

(b) assuming compliance with the matters referred to in Section 3.03 and assuming the requisite approval of Viking'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 Viking;

(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,

7.

contract or other instrument binding upon Viking or any license, franchise, permit or other similar authorization held by Viking; or

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

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 Viking consists of 100,000 shares of Viking Common Stock. As of the date hereof, there are 27,313 shares of Viking Common Stock outstanding. All outstanding Viking 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 Viking, (ii) no securities of Viking convertible into or exchangeable for shares of capital stock or voting securities of Viking and (iii) no options or other rights to acquire from Viking, and no obligation of Viking to issue, any capital stock, voting securities or securities convertible into or exchangeable for capital stock or other voting securities of Viking (the items in clauses (i), (ii) and (iii) being referred to collectively as the "Viking Securities"). There are no outstanding obligations of Viking to repurchase, redeem or otherwise acquire any Viking Securities.

SECTION 3.06 SUBSIDIARIES AND INVESTMENTS. Viking 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. Viking has delivered to Purchaser copies (initialled by Viking'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 Viking as at their respective dates and the results of its operations for the periods covered thereby, as follows: balance sheets of Viking as at March 31, 1997 and May 31, 1996 and May 31, 1995 and the related statements of earnings for the years then ended. The balance sheet of Viking as at March 31, 1997 (the "Viking Balance Sheet Date") is referred to herein as the "Viking 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.

8.

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

(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 Viking;

(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 Viking;

(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;

9.

(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 Viking;

(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 Viking 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 Viking's condition (financial or otherwise), properties, assets, liabilities, operations or prospects, including, without limitation, any change in Viking'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 Viking 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 Viking, other than:

10.

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

(b) liabilities incurred in the ordinary course of business consistent with past practice since the Viking Balance Sheet Date and which do not exceed \$50,000 in the aggregate;

(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 Viking's knowledge, overtly threatened, against Viking or any of its assets or against or involving any of its officers, directors or employees in connection with the business or affairs of Viking, including, without limitation, any claims for indemnification arising under any agreement to which Viking is a party, which could, individually or in the aggregate, have a Material Adverse Effect on Viking or which in any manner challenges or seeks to prevent, enjoin, alter or materially delay any of the transactions contemplated hereby. Viking 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 Viking.

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 Viking Disclosure Schedule, (i) Viking 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 Viking after due inquiry, threatening to assert against Viking any deficiency or claim for additional Taxes or interest thereon or penalties in connection therewith; (iii) Viking 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 Viking Balance Sheet and the most recent quarterly financial statements are adequate to cover all Taxes

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accruable through the date thereof (including interest and penalties, if any, thereon) in accordance with generally accepted accounting principals; (v) Viking has not made an election under Section 341(f) of the Code; (vi) Viking 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 Adverse Effect and (vii) there are no material liens for Taxes upon the assets of Viking, other than liens for Taxes that are being contested in good faith by appropriate proceedings.

(c) Viking 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. Viking maintains the policies of fire, liability, use and occupancy and other forms of insurance covering its properties and businesses set forth in the Viking Disclosure Schedule. Such policies are in full force and effect.

SECTION 3.13 EMPLOYEE BENEFIT PLANS; ERISA. Schedule 3.13 of the Viking 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 Viking (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 Viking (other than, in each case, any such contract or agreement that is terminable by Viking 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 Viking 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) Viking 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) Viking 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.

12.

(a) The Viking Disclosure Schedule includes a complete and accurate list of all contracts, agreements, leases and instruments to which Viking is a party or by which it or its properties or assets are bound which individually involve payments or receipts in excess of \$50,000, 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 officer, director or employee of Viking, whether written or oral (each a "Material Viking Agreement").

(b) Neither Viking nor, to the knowledge of Viking, any other party is in default under any Material Viking 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 Viking 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 Viking.

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

(d) Viking 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 Viking 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 Viking.

(b) To Viking's knowledge, with respect to any real property of Viking, 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 Viking are in full force and effect and, to Viking's knowledge, there exists no default on the part of Viking 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 Viking 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.

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SECTION 3.16 TITLE TO ASSETS. Viking 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 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 Viking'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 Viking are in good operating condition and repair, are suitable for the purposes used, are adequate and sufficient for all current operations of Viking and are directly related to the business of Viking.

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) Viking 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 Viking (including, without limitation,

soils and surface and ground waters); (iii) Viking is not liable for any off-site contamination; (iv) Viking is not liable under any Environmental Law; (v) Viking has all permits, licenses and other authorizations required under any Environmental Law ("Environmental Permits"); (vi) Viking has been and is in compliance with its Environmental Permits; and

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(vii) there are no pending, or, to the best knowledge of Viking after due inquiry, threatened claims against Viking relating to any Environmental Law or Hazardous Substance.

SECTION 3.18 INTELLECTUAL PROPERTY. No claim is pending or, to the knowledge of Viking, threatened to the effect that the present or past operations of Viking 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 Viking to conduct its business as now operated (the "Viking Intellectual Property"), except as disclosed in the Viking Disclosure Schedule, no claim is pending or, to the best knowledge of Viking, threatened to the effect that any of the Viking Intellectual Property is invalid or unenforceable. Viking 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 Viking and each of its subsidiaries. Except as set forth in the Viking Disclosure Schedule, no contract, agreement or understanding between Viking or any of its subsidiaries and any other party exists which would impede or prevent the continued use by Viking and its subsidiaries of the entire right, title and interest of Viking and its subsidiaries in and to the Viking Intellectual Property.

SECTION 3.19 NO GUARANTIES. None of the obligations or liabilities of Viking is guaranteed by, or subject to a similar contingent liability of, any other person, firm or corporation, nor has Viking 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 Viking nor any officer, employee or agent of Viking, 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 Viking (or assist Viking in connection with any actual or proposed transaction) which (a) might subject Viking 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 Viking as reflected in the Financial Statements or (c) if not continued in the future, might adversely affect Viking's assets, business, operations or prospects or which might subject Viking to suit or penalty in any private or governmental litigation or proceeding.

SECTION 3.21 COMPLIANCE WITH LAWS AND OTHER INSTRUMENTS. Viking 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 Viking'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 Viking is a party or by which it may be bound or affected. Neither Viking nor any Shareholder is aware of any proposed laws, rules, regulations, ordinances, orders, judgments, decrees, governmental takings, condemnations 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 Viking for inclusion in the information materials relating to the solicitation of the approval of Viking's shareholders of the Merger (the "Information Materials") at the time of mailing of the Information Materials to shareholders of Viking, and at the time of the meeting of Viking shareholders to be held in connection with the Merger or action by written consent of shareholders approving 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.

SECTION 3.23 TAX MATTERS. Neither Viking 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 Viking 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 Viking Disclosure Schedule sets forth all persons who, as of the date of this Agreement, may be deemed to be affiliates of Viking 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, Viking 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.

SECTION 3.25 RESTRICTIONS ON BUSINESS ACTIVITIES. There is no agreement (non-compete or otherwise), commitment, judgment, injunction order or decree to which Viking is a party or otherwise binding upon Viking which has or could reasonably be expected to have the effect of prohibiting or impairing any business practice of Viking, any acquisition of property by Viking or the conduct of business by Viking. Without limiting the foregoing, Viking has not entered into any agreement under which Viking is restricted from selling, licensing or otherwise distributing any of its products.

SECTION 3.26 INTERESTED PARTY TRANSACTIONS. No officer, director or stockholder of Viking (nor any ancestor, sibling, descendant or spouse of any such person, or any trust, partnership or corporation in which any of such persons has or has had an interest) has or has had, directly or indirectly, (i) an economic interest in any entity which furnished or sold, or furnishes or sells, services or products that Viking furnishes or sells or proposes to furnish or sell, or (ii) an economic interest in any entity that purchases from, or sells or furnishes to, Viking any goods

or services; provided that ownership of no more than one percent (1%) of the outstanding voting stock of a publicly traded corporation shall not be deemed an "economic interest in any entity" for purposes of this Section 3.26.

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 Viking 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 Viking 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 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 Viking 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 Viking 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 Viking 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;

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(c) compliance with any applicable requirements of 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 Viking, Giga-tronics or Merger Sub to

consummate the transactions contemplated hereby and operate their businesses as heretofore operated.

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) 3,379,199 shares of Giga-tronics Common Stock;
and

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(ii) employee and director stock options to purchase an aggregate of 262,500 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' 1990 Restated Stock Option Plan. In addition, Giga-tronics has authorized the issuance of up to 130,000 shares of Giga-tronics Common Stock under Giga-tronics' Employee Stock Purchase Plan, which is subject to approval of the shareholders of Giga-tronics at the next annual meeting of Giga-tronics, and pursuant to which no shares have yet been issued. 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 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 Viking 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 Viking:

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(i) its annual reports on Form 10-K for its fiscal years ended March 26, 1994, March 25, 1995, and March 30, 1996;

(ii) its quarterly report on Form 10-Q for its fiscal quarter ending June 29, September 28 and December 28, 1996;

(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 26, 1994; and

(iv) all of its other reports, statements, schedules and registration statements filed with the SEC since March 26, 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 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 28, 1996, 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 28, 1996.

SECTION 4.09 DISCLOSURE DOCUMENTS. None of the information supplied or to be supplied by Giga-tronics or Merger Sub for inclusion in the Information Materials will, at the time of mailing of the Information Materials to shareholders of Viking and at the time of any meeting of such shareholders to be held in connection with the Merger or solicitation of written consent approving 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.

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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;

(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 Viking 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 VIKING

Viking agrees that:

SECTION 5.01 CONDUCT OF VIKING. From the date hereof until the Effective Time, Viking 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 Viking to Giga-tronics in writing, without the prior written consent of Giga-tronics:

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

(b) Viking 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 March 31, 1997, 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 Viking, or (B) pursuant to plans disclosed in Viking Disclosure Schedule), or adopt or amend any employee benefit plan or arrangement (oral or written);

(c) Viking will not issue any Viking Securities;

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

(e) Viking 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;

(f) Viking 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;

(g) Viking 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;

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

(i) Viking will not agree or commit to do any of the foregoing.

SECTION 5.02 SHAREHOLDERS' MEETING; PROXY MATERIAL. Viking 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 by Giga-tronics of the Information Materials to be distributed to the Viking shareholders 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 Viking shall, subject to their fiduciary duties, recommend approval and adoption of this Agreement and the Merger by Viking's shareholders. In connection with such meeting or seeking of written consent, Viking:

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

(b) 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, Viking 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 Viking, 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 Viking's employees, counsel and financial advisors to cooperate with Giga-tronics in its investigation of the business of Viking and in the planning for the combination of the businesses of Viking 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 Viking to Giga-tronics hereunder. In addition, Viking will cooperate in arranging joint meetings among representatives of Viking and Giga-tronics and persons with whom Viking maintains business relationships. All requests for information made pursuant to this Section shall be directed to the Controller of Viking or such person as may be designated by him. All information obtained pursuant to this Section 5.03 shall be governed by

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any confidentiality agreements currently in effect between Giga-tronics and Viking 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, Viking and the officers, directors, employees or other agents of Viking 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 Viking or afford access to the properties, books or records of Viking 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 terminated in accordance with the terms hereof, Viking will

not enter into any agreement to merge or consolidate with, or sell a substantial portion of its assets to, any person or entity. Viking will promptly notify Giga-tronics after receipt of any Acquisition Proposal or any request for nonpublic information relating to Viking in connection with an Acquisition Proposal or for access to the properties, books or records of Viking 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 Viking 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 Viking, 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 Viking acquire securities of Viking representing more than 20% of the aggregate voting power of Viking'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. Viking 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 Viking 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, Viking 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

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it, its properties or its assets may be bound, and (iii) all decrees, orders, writs, injunctions, judgments, statutes, rules and regulations applicable to Viking and its properties or assets.

SECTION 5.07 NOTICES OF CERTAIN EVENTS. Viking 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

(c) any actions, suits, claims, investigations or other judicial proceedings commenced or threatened against Viking 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. Viking agrees that for a period of three years following any termination of this Agreement Viking 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 Viking (ii) information subsequently coming into the public domain by means other than disclosure by Viking or any of its agents (iii) information Viking can establish and document was in its possession or was known to it prior to its disclosure to Viking by Giga-tronics; (iv) information disclosed to Viking by a third party not in violation of any obligation of confidentiality or nondisclosure known to Viking or of which Viking should reasonably have known; or (v) information which was independently developed by Viking or which is generally known in Viking's industry.

SECTION 5.09 COMPLIANCE WITH THE SECURITIES ACT. Viking shall prior to 15 days after signing but in any event prior to mailing of the Information Materials 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 Viking to deliver to Giga-tronics an Affiliates Agreement in substantially the form attached hereto as Exhibit 5.09 (an "Viking Affiliates Agreement").

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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 Viking in writing, without the prior written consent of Viking:

(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);

(b) 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;

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

(d) 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

(e) 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 COMPLIANCE WITH SECURITIES LAWS. 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 Viking in writing.

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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 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 Viking 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 Viking, 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 Viking 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 Viking; (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 Viking'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 Information Materials;

(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 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 Viking 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 Viking 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 Viking shall have provided Giga-tronics with a certificate executed by the President and the Chief Financial Officer of Viking, 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 Viking 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 subsidiaries, taken as a whole; and "Material Adverse Change" shall

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mean a change or a development involving a prospective change which would have a Material Adverse Effect.

(b) Covenants. Viking 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 Viking's President and Chief Financial Officer.

(c) No Material Adverse Change. There shall have been no Material Adverse Change in Viking since the Viking 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 Viking 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 Viking by May 25, 1997 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 Viking. 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 Viking, Giga-tronics shall promptly notify Viking 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 Viking Shares which are voted against the Merger or which have abstained from voting with respect to the Merger.

SECTION 8.02 CONDITIONS TO OBLIGATIONS OF VIKING. Viking's obligations 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 Viking, but only in a writing signed by Viking):

(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 Viking 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-

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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 Articles VI and VII in all material respects on or before the Effective Date, and Viking 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 Viking 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. Viking's 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 Viking 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 Viking and the Giga-tronics tax opinions, Brobeck may rely on (and to the extent reasonably required, the parties and Viking'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 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 Viking 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 Viking 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

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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, Viking or the Surviving Corporation or would be reasonably likely to subject any of Giga-tronics, Merger Sub, Viking 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 Viking or Giga-tronics:

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

(b) by either Giga-tronics and Merger Sub or Viking, if the requisite approval of the shareholders of Viking shall not be obtained by August 1, 1997;

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

(i) withdrawn its recommendation of the Merger, or

(ii) 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

(d) by either Giga-tronics and Merger Sub or Viking, 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 Viking 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

(e) by Giga-tronics, if the conditions contained in Section 8.01(f) are not satisfied; or

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

(g) by either Giga-tronics and Merger Sub or Viking, respectively, at any time after August 1, 1997, 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 Viking, 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.

ARTICLE X

MISCELLANEOUS

SECTION 10.01 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 10.02 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 Viking or Giga-tronics shall be shared equally.

SECTION 10.03 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 10.04 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):

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(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.

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

Viking:

Viking Semiconductor Equipment, Inc.
44249 Old Warm Springs Blvd.
Fremont, CA 94538
Attention: Curt M. Berggren
President
Facsimile: (510) 657-5969

With copy to:

Thomas N. White, Jr.
Attorney at Law
3333 Bowers Avenue, Suite 130
Santa Clara, CA 95054
Facsimile: (408) 983-1077

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 10.05 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 10.06 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.

SECTION 10.07 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 10.08 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 10.09 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 10.10 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 Viking and prior to the Effective Time, this Agreement may be amended or supplemented by Viking or Giga-tronics with respect to any of the terms contained in this Agreement, except that following approval by the shareholders of Viking there shall be no amendment or change to the provisions hereof with respect to the Exchange Ratio without further approval by the shareholders of Viking, and no other amendment shall be made which by law requires further approval by such shareholders without such further approval.

SECTION 10.11 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 10.12 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.

SECTION 10.13 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

By: /s/ Curt M. Berggren

Name: Curt M. Berggren
Title: President

By: /s/ George H. Bruns, Jr.

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

GTV ACQUISITION CORP.

By: /s/ George H. Bruns, Jr.

Name: George H. Bruns, Jr.
Title: President

VIKING SEMICONDUCTOR
EQUIPMENT, INC.

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EXHIBIT 1.01

AGREEMENT OF MERGER

This Agreement of Merger, dated as of _____, 199__ ("Merger Agreement"), is made and entered into by GTV Acquisition Corp., a California corporation ("GTV"), Viking Semiconductor Equipment, Inc., a California corporation ("Viking") (GTV and Viking being collectively referred to as the "Constituent Corporations") and Giga-tronics Incorporated, a California corporation ("Giga-tronics").

WITNESSETH:

WHEREAS, the Constituent Corporations and Giga-tronics previously have entered into an Agreement and Plan of Reorganization (the "Agreement and Plan of Reorganization") providing for certain representations, warranties and agreements in connection with the transactions contemplated; and

WHEREAS, the Boards of Directors of the Constituent Corporations deem it advisable and in the best interests of the Constituent Corporations and in the best interests of the shareholders of the Constituent Corporations that GTV merge (the "Merger") with and into Viking.

NOW, THEREFORE, the Constituent Corporations and Giga-tronics hereby agree as follows:

ARTICLE I.

The Constituent Corporations

1.01 (a) Viking was incorporated under the laws of the State of California on December 16, 1983.

(b) Viking is authorized to issue an aggregate of 100,000 Common Shares (the "Viking Common Stock").

(c) As of the date and time immediately prior to the consummation of the Merger, there will be an aggregate of 27,313 shares of Viking Common Stock outstanding.

1.02 (a) GTV was incorporated under the laws of the State of California on April 7, 1997.

(b) GTV is authorized to issue an aggregate of 1,000 shares of common stock ("GTV Common Stock").

(c) As of the date and time immediately prior to the consummation of the Merger, an aggregate of 1,000 shares of GTV Common Stock were outstanding and owned by Giga-tronics.

ARTICLE II.

The Merger

2.01 (a) This Merger Agreement shall be submitted to the shareholders of Viking and GTV. If adopted and approved by the shareholders of Viking and GTV and if all of the conditions precedent to the consummation of the Merger specified in the Agreement and Plan of Reorganization shall have been satisfied or duly waived by the party entitled to satisfaction thereof, then, unless terminated as provided in the Agreement and Plan of Reorganization, this Merger Agreement, along with certificates meeting the requirements of the California General Corporation Law, shall be filed with the Secretary of State of California. Upon such filing, the Merger shall become effective ("Effective Time of the Merger").

(b) At the Effective Time of the Merger, GTV shall be merged into Viking and the separate corporate existence of GTV shall thereupon cease. Viking shall be the surviving corporation in the Merger (the "Surviving Corporation") and the separate corporate existence of Viking, with all of its purposes, objects, rights, privileges, powers, immunities and franchises, shall continue unaffected and unimpaired by the Merger.

2.02 (a) The Surviving Corporation shall succeed to all of the rights, privileges, powers, immunities and franchises of GTV, all of the properties and assets of GTV and all of the debts, choices in action and other interests due or belonging to GTV and shall be subject to, and responsible for, all of the debts, liabilities and obligations of GTV with the effect set forth in the California General Corporation Law.

(b) If, at any time after the Effective Time of the Merger, the Surviving Corporation shall consider or be advised that any deeds, bills of sale, assignments, assurances or any other actions or things are necessary or desirable to vest, perfect or confirm of record or otherwise in the Surviving Corporation its right, title or interest in, to or under any of the rights, properties or assets of GTV acquired or to be acquired by the Surviving Corporation as a result of, or in connection with, the Merger or to otherwise carry out this Merger Agreement, the officers and directors of the Surviving Corporation shall and will be authorized to execute and deliver, in the name and on behalf of the Constituent Corporations or otherwise, all such deeds, bills of sale,

2.
assignments and assurances and to take and do, in the name and on behalf of the Constituent Corporations or otherwise, all such other actions and things as may be necessary or desirable to vest, perfect or confirm any and all right, title and interest in, to and under such rights, properties or assets in the Surviving Corporation or to otherwise carry out this Merger Agreement.

ARTICLE III.

Articles of Incorporation

3.01 The Articles of Incorporation of Viking in effect immediately prior to the Effective Time of the Merger shall be amended and restated to read as attached at Exhibit 1.

ARTICLE IV.

Manner And Basis Of Converting Shares Of The Constituent Corporations

4.01 At the Effective Time of the Merger:

(a) Each share of GTV Stock which is outstanding immediately prior to the Effective Time of the Merger shall be converted at the

Effective Time of the Merger into one share of Viking Common Stock.

(b) Each share of Viking Common Stock (except for shares, if any, which shall then or thereafter constitute "dissenting shares" within the meaning of Section 1300 of the California General Corporation Law and those shares of GTV Common Stock converted to shares of Viking Common Stock Pursuant to Section 4.01(a) above) which is outstanding immediately prior to the Effective Time of the Merger shall be converted at the Effective Time of the Merger into [_____ FINAL NUMBER TO BE INSERTED AT CLOSING PURSUANT TO CALCULATION CONTAINED IN REORGANIZATION AGREEMENT] shares (the "Exchange Ratio") of Giga-tronics Common Stock.

4.02 Giga-tronics shall not be required to issue or deliver any fractional shares of Giga-tronics Common Stock or any Giga-tronics certificates representing fractional shares of Giga-tronics Common Stock in connection with any exchange of Viking certificates for Giga-tronics certificates; however, Giga-tronics shall pay to each person who would otherwise be entitled to receive an Giga-tronics certificate representing a fractional share of Giga-tronics Common Stock an amount in cash (rounded to the nearest whole cent) equal to such fraction multiplied by the closing sale price per share

3.

of Giga-tronics Common Stock on the last business day on which the Giga-tronics Common Stock is traded on the NASDAQ National Market prior to the Effective Time.

4.03 Immediately after the Effective Time of the Merger and after surrender to Giga-tronics or such other party designated by Giga-tronics (the "Exchange Agent") of any certificate which prior to the Effective Time of the Merger shall have represented any shares of Viking Common Stock, Giga-tronics shall cause to be distributed to the person in whose name such certificate shall have been issued a certificate registered in the name of such person representing the whole shares of Giga-tronics Common Stock into which any shares previously represented by the surrendered certificate shall have been converted at the Effective Time of the Merger, along with the check representing the value of any fractional share as determined in Section 4.02 above. Until surrendered to the Exchange Agent, each certificate which immediately prior to the Effective Time of the Merger shall have represented any share of Viking Common Stock shall be deemed at and after the Effective Time of the Merger to represent only the right to receive upon surrender the certificate and payment contemplated above. Upon such surrender, there shall be paid to the person in whose name the certificate representing such shares of Giga-tronics Common Stock shall be issued and without interest any dividends which shall have become payable with respect to such shares of Giga-tronics Common Stock between the Effective Time of the Merger and the time of such surrender.

ARTICLE V.

General

5.01 This Merger Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

5.02 Notwithstanding approval of this Merger Agreement by the shareholders of either of the Constituent Corporations, this Merger Agreement shall terminate forthwith in the event that the Agreement and Plan of Reorganization shall be terminated as therein provided.

5.03 This Merger Agreement may be amended by the parties hereto at any time before or after approval hereof by the shareholders of either of the Constituent Corporations, but, after any such approval, no amendment shall be made which would have a material adverse effect on the shareholders of either of the Constituent Corporations, or change any of the

principal terms of the Merger Agreement, without the further approval of such shareholders. This Merger Agreement may not be amended except by an instrument in writing signed on behalf of each of the parties hereto.

4.

Without limiting the foregoing, the parties hereto acknowledge and agree that any modification of the manner or basis of converting Viking Common Stock into Giga-tronics Common Stock shall require further approval of the Board of Directors (or appropriate committee thereof empowered to so act) of Giga-tronics and the shareholders of Viking.

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

GTV ACQUISITION CORP.

By _____
George H. Bruns, Jr.
President

By _____
Secretary

VIKING SEMICONDUCTOR EQUIPMENT, INC.

By _____
Curt M. Berggren
President

By _____
Curt M. Berggren
Secretary

GIGA-TRONICS INCORPORATED

By _____
George H. Bruns, Jr.
Chief Executive Officer

By _____
Secretary

5.

Exhibit 1

AMENDED AND RESTATED
ARTICLES OF INCORPORATION OF
VIKING SEMICONDUCTOR EQUIPMENT, INC.

ONE. The name of the corporation is Viking Semiconductor Equipment, Inc.

TWO. The purpose of the Corporation is to engage in any lawful act or activity for which a corporation may be organized under the General Corporation Law of California other than the banking business, the trust company business or the practice of a profession permitted to be incorporated by the California Corporations Code.

THREE. The Corporation is authorized to issue One Thousand (1,000) shares of Common Stock of one class.

FOUR. The liability of the directors of the Corporation for monetary damages shall be eliminated to the fullest extent permissible under California law.

FIVE. The Corporation is authorized to indemnify the directors and officers of the Corporation to the fullest extent permissible under California law.

6.

EXHIBIT 5.09

FORM OF VIKING AFFILIATES AGREEMENT

THIS AFFILIATES AGREEMENT (the "Agreement") is entered into as of this ___ day of ____, 1997 among GIGA-TRONICS, INC., a California corporation ("Giga-tronics"), the undersigned shareholder ("Shareholder") of VIKING SEMICONDUCTOR EQUIPMENT, INC., a California corporation ("Viking"), GTV ACQUISITION CORP., a California corporation and wholly owned subsidiary of Giga-tronics ("MERGER SUB") and Viking.

This Agreement is entered into in connection with that certain Agreement and Plan of Reorganization dated as of June 6, 1997 (the "Reorganization Agreement") among Giga-tronics, Merger Sub, and Viking. The Reorganization Agreement provides for the merger (the "Merger") of Merger Sub with and into Viking in a transaction in which issued and outstanding shares of common stock, no par value, of Viking (the "Viking Stock") will be exchanged for shares of common stock, no par value of Giga-tronics (the "Giga-tronics Stock") on the terms and conditions set forth in the Reorganization Agreement. Capitalized terms used herein and not defined herein shall have their defined meanings as set forth in the Reorganization Agreement.

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

1. TAX AND ACCOUNTING TREATMENT. Shareholder understands and agrees that it is intended that the Merger will be treated as a "reorganization" for federal income tax purposes and as a "pooling of interests" in accordance with generally accepted accounting principals and the applicable General Rules and Regulations published by the Securities and Exchange Commission (the "SEC"). Shareholder further understands and agrees that Shareholder may be deemed to be an "Affiliate" of Viking within the meaning of Rule 145 ("Rule 145") promulgated under the Securities Act of 1933, as amended (the "Securities Act"), although nothing contained herein should be construed as an admission of such fact.

2. RELIANCE UPON REPRESENTATIONS, WARRANTIES AND COVENANTS. Shareholder has been informed that the treatment of the Merger as a reorganization for federal income tax purposes requires that a sufficient number of former stockholders of Viking maintain a meaningful continuing equity ownership interest in Giga-tronics after the Merger. Shareholder understands that the representations, warranties and covenants of the Shareholder set forth herein will be relied upon by Giga-tronics, Viking, and agrees that

1.

their respective counsel and accounting firms and other stockholders of Viking shall be entitled to rely thereon.

3. REPRESENTATIONS, WARRANTIES AND COVENANTS OF SHAREHOLDER. Shareholder represents, warrants and covenants as follows:

(a) Shareholder has full power and authority to execute this Agreement, to make the representations, warranties and covenants herein contained and to perform Shareholder's obligations hereunder.

(b) Appendix A attached hereto sets forth all shares of Viking Stock owned by Shareholder, including all Viking Stock as to which Shareholder has sole or shared voting or investment power and all rights and options to acquire Viking Stock.

(c) Shareholder will not sell, transfer, exchange, pledge, or otherwise dispose of, or make any offer or agreement relating to any of the foregoing with respect to, any shares of Giga-tronics Stock that Shareholder may acquire in connection with the Merger, or any securities that may be paid as a dividend or otherwise distributed thereon or with respect thereto or issued or delivered in exchange or substitution therefor (all such shares and other securities of Giga-tronics being herein sometimes collectively referred to as "Restricted Securities"), or any option, right or other interest with respect to any Restricted Securities, unless (i) such transaction is permitted pursuant to Rule 144 and 145(d) under the Securities Act, (ii) counsel representing Shareholder shall have advised Giga-tronics in a written opinion letter satisfactory to Giga-tronics and Giga-tronics's legal counsel, and upon which Giga-tronics and its legal counsel may rely, that no registration under the Securities Act would be required in connection with the proposed sale, transfer or other disposition, (iii) a registration statement under the Securities Act covering the Giga-tronics Stock proposed to be sold, transferred or otherwise disposed of, describing the manner and terms of the proposed sale, transfer or other disposition, and containing a current prospectus, shall have been filed with the SEC and made effective under the Securities Act, or (iv) an authorized representative of the SEC shall have rendered written advice to Shareholder (sought by Shareholder or counsel to Shareholder, with a copy thereof and all other related communications delivered to Giga-tronics) to the effect that the SEC would take no action, or that the staff of the SEC would not recommend that the SEC take action, with respect to the proposed disposition if consummated.

(d) Notwithstanding any other provision of this Agreement to the contrary, Shareholder will not sell, transfer, exchange, pledge or otherwise dispose of, or in any other way reduce Shareholder's risk of ownership or investment in, or make any offer or agreement relating to any of the foregoing with respect to any Viking Stock or any rights, options or warrants to purchase Viking Stock, or any

2.

Restricted Securities or other securities of Giga-tronics (i) during the 30-day period immediately preceding the Effective Time of the Merger and (ii) until such time after the Effective Time of the Merger as Giga-tronics has publicly released a report including the combined financial results of Giga-tronics and Viking for a period of at least 30 days of combined operations of Giga-tronics and Viking within the meaning of Accounting Series Release No. 130, as amended, of the SEC. Giga-tronics agrees to publish such financial results expeditiously in a manner consistent with its prior practices; provided that nothing contained herein shall obligate Giga-tronics to publish its financial results other than on a quarterly basis.

(e) Shareholder has, and as of the Effective Time of the Merger will have, no plan or intention (a "Plan") to sell, transfer, exchange, pledge (other than in a pre-existing bona fide margin account) or otherwise dispose of (any of the foregoing, a "Sale"), more than fifty percent (50%) of the shares of Giga-tronics Stock that Shareholder may acquire in connection with the Merger, or any securities that may be paid as a dividend or otherwise distributed thereon or with respect thereto or issued or delivered in exchange or substitution therefor. Sale shall also be deemed to include a distribution by a partnership to its partners, or a corporation to its stockholders, or any other transaction which results in a reduction in the risk of ownership. Shareholder is not aware of, or participating in, any Plan on the part of Viking stockholders to engage in Sales of the shares of Giga-tronics Stock to be issued in the Merger such that the aggregate fair market value, as of the Effective Time of the Merger, of the shares subject to such Sales would exceed fifty percent (50%) of the aggregate fair market value of all shares of outstanding Viking Stock immediately prior to the Merger. For purposes of the preceding sentence, shares of Viking Stock (i) with respect to which dissenters' rights are exercised, (ii) which are exchanged for cash in lieu of fractional shares of Giga-tronics Stock or (iii) with respect to which a pre-Merger Sale occurs in a transaction that is in contemplation of, or related or pursuant to, the Merger or the Reorganization Agreement, shall be considered to be shares of Viking Stock that are exchanged for Giga-tronics Stock in the Merger and then disposed of pursuant to a Plan. If any of Shareholder's representations in this Section 3(e) ceases to be true at any time prior to the Effective Time of the Merger, Shareholder will deliver to each of Viking and Giga-tronics, prior to the Effective Time of the Merger, a written statement to that effect, signed by Shareholder.

4. RULE 144 AND 145. From and after the Effective Time of the Merger and for so long as is necessary in order to permit Shareholder to sell the Giga-tronics Stock held by and pursuant to Rule 144 under the Securities Act, Giga-tronics will use its best efforts to file on a timely basis all reports required to be filed by it pursuant to Section 13 of the Securities Exchange Act of 1934, as amended, referred to in paragraph (c)(1) of Rule 144 under the Securities Act, in order to permit Shareholder to sell the Giga-tronics Stock held by it pursuant to the terms and conditions of Rule 144. Shareholder understands that, Giga-tronics is under no obligation to register the sale, transfer or other disposition of any

3.
Restricted Securities by or on behalf of Shareholder or to take any other action necessary in order to make compliance with an exemption from registration available.

5. 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.

Giga-tronics and Merger Sub:

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

Viking:

Viking Semiconductor Equipment, Inc.
44249 Old Warm Springs Blvd.
Fremont, CA 94538
Attention: Curt M. Berggren
President
Facsimile: (510) 657-5969

4.

With copy to:

Tomas N. White, Jr.
Attorney-at-Law
3333 Bowers Avenue, Suite 130
Santa Clara, CA 95054
Facsimile: (408) 983-1077

If to Shareholder:

At the address set forth beneath the Shareholder's signature below.

or to such other address as any party may designate for itself by notice given as provided in this Agreement.

6. TERMINATION. This Agreement shall be terminated and shall be of no further force and effect upon the termination of the Reorganization Agreement pursuant to Article IX thereof.

7. BINDING AGREEMENT. This Agreement will inure to the benefit of and be binding upon and enforceable against the parties and their successors and assigns, including administrators, executors, representatives, heirs, legatees and devisees of Shareholder and any pledgee holding Restricted Securities as collateral.

8. WAIVER. No waiver by any party hereto of any condition or of any breach of any provision of this Agreement shall be effective unless in writing and signed by each party hereto.

9. GOVERNING LAW. This Agreement shall be governed by and construed, interpreted and enforced in accordance with the laws of the State of California (irrespective of its choice of law provisions).

10. ATTORNEYS' FEES. In the event of any legal action or proceeding to enforce or interpret the provisions hereof, the prevailing party shall be entitled to reasonable attorneys' fees, whether or not the proceeding results in a final judgment.

11. EFFECT OF HEADINGS. The section headings herein are for convenience only and shall not affect the construction or interpretation of this Agreement.

12. COUNTERPARTS. This Agreement shall be executed in one or more counterparts, each of which shall be deemed an original, and all of which together shall constitute one instrument.

5.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed as of the day and year first above written.

GIGA-TRONICS, INC.

By _____
Name:
Title: Chief Executive Officer

SHAREHOLDER:

Name:

Address:

GTV ACQUISITION CORP.

By _____
Name:
Title: Chief Executive Officer

VIKING SEMICONDUCTOR EQUIPMENT, INC.

By _____
Name:
Title: President

6.

APPENDIX A

RESTRICTED SECURITIES

Number of Shares

Viking Common Stock _____

7.

EXHIBIT 6.08

FORM OF GIGA-TRONICS AFFILIATES AGREEMENT

THIS AFFILIATES AGREEMENT (the "Agreement") is entered into as of this ___ day of ____, 1997 among GIGA-TRONICS INCORPORATED, a California corporation ("Giga-tronics"), the undersigned shareholder ("Shareholder") of Giga-tronics, GTV ACQUISITION CORP., a California corporation and wholly owned subsidiary of Giga-tronics ("Merger Sub") and VIKING SEMICONDUCTOR EQUIPMENT, INC., a California corporation ("Viking").

This Agreement is entered into in connection with that certain Agreement and Plan of Reorganization dated as of June 6, 1997 (the "Reorganization Agreement") among Giga-tronics, Merger Sub, and Viking. The Reorganization Agreement provides for the merger (the "Merger") of Merger Sub with and into Viking in a transaction in which issued and outstanding shares of common stock, no par value, of Viking (the "Viking Stock") will be exchanged for shares of common stock, no par value, of Giga-tronics (the "Giga-tronics Stock") on the terms and conditions set forth in the Reorganization Agreement. Capitalized terms used herein and not defined herein shall have their defined meanings as set forth in the Reorganization Agreement.

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

1. TAX AND ACCOUNTING TREATMENT. Shareholder understands and agrees that it is intended that the Merger will be treated as a "reorganization" for federal income tax purposes and as a "pooling of interests" in accordance with generally accepted accounting principals and the applicable General Rules and Regulations published by the Securities and Exchange Commission (the "SEC"). Shareholder further understands and agrees that Shareholder may be deemed to be an "Affiliate" of Giga-tronics within the meaning of Rule 145 ("Rule 145") promulgated under the Securities Act of 1933, as amended (the "Securities Act"), although nothing contained herein should be construed as an admission of such fact.

2. RELIANCE UPON REPRESENTATIONS, WARRANTIES AND COVENANTS. Shareholder has been informed that the treatment of the Merger as a reorganization for federal income tax purposes requires that a sufficient number of shareholders of Giga-tronics maintain a meaningful continuing equity ownership interest in Giga-tronics after the Merger. Shareholder understands that the representations, warranties and covenants of the Shareholder set forth herein will be relied upon by Giga-tronics, Viking, and agrees that their respective counsel and accounting firms and other shareholders of Viking shall be entitled to rely thereon.

3. REPRESENTATIONS, WARRANTIES AND COVENANTS OF SHAREHOLDER.

Shareholder represents, warrants and covenants as follows:

- (a) Shareholder has full power and authority to execute this Agreement, to make the representations, warranties and covenants herein contained and to perform Shareholder's obligations hereunder.
- (b) Appendix A attached hereto sets forth all shares of Giga-tronics stock owned by Shareholder, including all Giga-tronics stock as to which Shareholder has sole or shared voting or investment power and all rights and options to acquire Giga-tronics stock.
- (c) Notwithstanding any other provision of this Agreement to the contrary, Shareholder will not sell, transfer, exchange, pledge or otherwise dispose of, or in any other way reduce Shareholder's risk of ownership or investment in, or make any offer or agreement relating to any of the foregoing with respect to any Giga-tronics stock or any rights, options or warrants to purchase Giga-tronics stock, or other securities of Giga-tronics (i) during the 30-day period immediately preceding the Effective Time of the Merger and (ii) until such time after the Effective Time of the Merger as Giga-tronics has publicly released a report including the combined financial results of Giga-tronics and Viking for a period of at least 30 days of combined operations of Giga-tronics and Viking within the meaning of Accounting Series Release No. 130, as amended, of the SEC. Giga-tronics agrees to publish such financial results expeditiously in a manner consistent with its prior practices; provided that nothing contained herein shall obligate Giga-tronics to publish its financial results other than on a quarterly basis.
- (d) Shareholder has, and as of the Effective Time of the Merger will have, no plan or intention (a "Plan") to sell, transfer, exchange, pledge (other than in a pre-existing bona fide margin account) or otherwise dispose of (any of the foregoing, a "Sale"), more than fifty percent (50%) of the shares of Giga-tronics Stock that Shareholder may acquire in connection with the Merger, or any securities that may be paid as a dividend or otherwise distributed thereon or with respect thereto or issued or delivered in exchange or substitution therefor. Sale shall also be deemed to include a distribution by a partnership to its partners, or a corporation to its shareholders, or any other transaction which results in a reduction in the risk of ownership. Shareholder is not aware of, or participating in, any Plan on the part of Viking shareholders to engage in Sales of the shares of Giga-tronics Stock to be issued in the Merger such that the aggregate fair market value, as of the Effective Time of the Merger, of the shares subject to such Sales would exceed fifty percent (50%) of the aggregate fair market value of all shares of outstanding Viking Stock immediately prior to the Merger. For purposes of the preceding sentence, shares of Viking Stock (i) with respect to which dissenters' rights are exercised, (ii) which are exchanged for cash in lieu of fractional shares of Giga-tronics Stock or (iii) with

2.

respect to which a pre-Merger Sale occurs in a transaction that is in contemplation of, or related or pursuant to, the Merger or the Reorganization Agreement, shall be considered to be shares of Viking Stock that are exchanged for Giga-tronics Stock in the Merger and then disposed of pursuant to a Plan. If any of Shareholder's representations in this Section 3(e) ceases to be true at any time prior to the Effective Time of the Merger, Shareholder will deliver to each of Viking and Giga-tronics, prior to the Effective Time of the Merger, a written statement to that effect, signed by Shareholder.

4. 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.

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

3.

Viking:

Viking Semiconductor Equipment, Inc.
44249 Old Warm Springs Blvd.
Fremont, CA 94538
Attention: Curt M. Berggren
President
Facsimile: (510) 657-5969

With copy to:

Tomas N. White, Jr.
Attorney-at-Law
3333 Bowers Avenue, Suite 130
Santa Clara, CA 95054
Facsimile: (408) 983-1077

If to Shareholder:

At the address set forth beneath the Shareholder's signature below,

or to such other address as any party may designate for itself by notice given as provided in this Agreement.

5. TERMINATION. This Agreement shall be terminated and shall be of no further force and effect upon the termination of the Reorganization Agreement pursuant to Article IX thereof.

6. BINDING AGREEMENT. This Agreement will inure to the benefit of and be binding upon and enforceable against the parties and their successors and assigns, including administrators, executors, representatives, heirs, legatees and devisees of Shareholder and any pledgee holding Restricted Securities as collateral.

7. WAIVER. No waiver by any party hereto of any condition or of any breach of any provision of this Agreement shall be effective unless in writing and signed by each party hereto.

8. GOVERNING LAW. This Agreement shall be governed by and construed, interpreted and enforced in accordance with the laws of the State of California (irrespective of its choice of law provisions).

4.

9. ATTORNEYS' FEES. In the event of any legal action or proceeding to enforce or interpret the provisions hereof, the prevailing party shall be entitled to reasonable attorneys' fees, whether or not the proceeding results in a final judgment.

10. EFFECT OF HEADINGS. The section headings herein are for convenience only and shall not affect the construction or interpretation of this Agreement.

11. COUNTERPARTS. This Agreement shall be executed in one or more counterparts, each of which shall be deemed an original, and all of which together shall constitute one instrument.

5.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed as of the day and year first above written.

GIGA-TRONICS INCORPORATED

By _____

Name:

Title: Chief Executive Officer

SHAREHOLDER:

Name:

Address:

GTV ACQUISITION CORP.

By _____
Name:
Title: Chief Executive Officer

VIKING SEMICONDUCTOR EQUIPMENT, INC.

By _____
Name:
Title: President

6.

Appendix A

RESTRICTED SECURITIES

Number of Shares

Giga-tronics Common Stock _____

Options or Warrants to Purchase Giga-tronics Common Stock

_____	_____
_____	_____
_____	_____

EXHIBIT 3.2

AMENDED BYLAWS OF

GIGATRONICS, INC.

A California Corporation

ARTICLE I

Offices

Section 1. Principal Executive Office: The principal executive office of the corporation shall be at 2495 Estand Way, Pleasant Hill, California.

The board of directors is granted full power and authority to change the principal executive office from one location to another in California.

Section 2. Other Offices. Other offices may at any time be established by the board of directors at any place or places where the corporation is qualified to do business.

ARTICLE II

Meetings of Shareholders

Section 1. Place of Meetings. All meetings of shareholders shall be held at the principal executive office of the corporation, or at such other place within or without the State of California which may be designated by the board of directors pursuant to the authority hereby granted to said board, or by the written consent of all persons entitled to vote thereat and not present at the meeting, given either before or after the meeting and filed with the secretary of the corporation.

Section 2. Annual Meeting. The annual meeting of shareholders shall be

held at 2:00 p.m. on the second Tuesday in July provided, however, that should said day fall upon a legal holiday, then any such annual meeting of shareholders shall be held at the same time and place on the next day thereafter ensuing which is not a legal holiday. At such meeting, directors shall be elected, reports of the affairs of the corporation shall be considered, and any other business may be transacted which is within the powers of the shareholders.

Section 3. Notice - Annual meeting written notice of each annual meeting shall be given to each shareholder entitled to vote, either personally or by first class mail or other means of written communication, charges prepaid, addressed to such shareholder at the shareholder's address appearing on the books of the corporation or provided to the corporation for the purpose of notice. All such notices shall be sent to each shareholder entitled thereto not less than ten (10) days nor more than sixty (60) days before each annual meetings and shall specify:

(a) the place, date and hour of such meeting;

(b) those matters which the board, at the time of the mailing of the notice, intends to present for action before the shareholders;

(c) if directors are to be elected, the names of nominees intended, at the time of the notice, to be presented by management for election;

(d) the general nature of a proposal, if any, to take action with respect to approval of: (i) a contract or other transaction with an interested

director, (ii) amendment of the articles of incorporation, (iii) a reorganization of the corporation as defined in Section 181 of the General Corporation Law, (iv) voluntary dissolution of the corporation, or (v) a distribution in dissolution other than in accordance with the rights of preferred shares, if any; and

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(e) such other matters, if any, as may be expressly required by statute.

Section 4. Special Meetings. Special meetings of the shareholders, for the purpose of taking any action permitted by the shareholders under the California General Corporation Laws and the articles of incorporation of this corporation, may be called at any time by the chairman of the board, president or by the board of directors, or by one or more shareholders holding not less than ten percent (10%) of the voting power of the corporation, by written request to the chairman of the board, the president, a vice president or the secretary, who shall forthwith cause notice to be given to the shareholders entitled to vote that a meeting will be held at the time requested by the person or persons calling the meeting, except that in the case of a special meeting called by any person or persons other than the Board of Directors such notice shall be given not less than thirty five (35) nor more than sixty (60) days after receipt of the request. Except in special cases where other express provision is made by statute, notice of special meetings shall be given in the same manner as for annual meetings of shareholders. Notices of any special meeting shall, in addition to the matters required by item (a), and if applicable, item (c) of the preceding section, specify the general nature of the business to be transacted and no business other than that specified in the notice may be transacted at said special meeting.

Section 5. Adjourned Meeting and Notice Thereof. Any annual or special shareholders' meeting, whether or not a quorum is present, may be adjourned from

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time to time by majority vote of the shares present in person or represented by proxy, but in the absence of a quorum, no business (except as provided in Section 8(d) below "Quorum") may be transacted at such meeting. No notice of an adjourned meeting need be given other than by announcement of the time and place thereof at the meeting at which such adjournment is taken unless the meeting is adjourned for 45 days or more or unless a new record date for the adjourned meeting is fixed after adjournment.

Section 6. Validation of Defectively Called or Noticed Meetings. The transactions at any meeting of shareholders, however called and noticed, shall be as valid as though had at a meeting held after regular call and notice, if a quorum is present and if either before or after the meeting, each of the persons entitled to vote, not present in person or by proxy, or who, though present, has, at the beginning of the meeting, properly objected to the transaction of any business because the meeting was not lawfully called or convened, or to particular matters of business legally required to be included in the notice, but not so included, signs a written waiver of notice, or a consent to the holding of such meeting, or an approval of the minutes thereof. All such waivers, consents or approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

Section 7. Action Without Meeting.

(a) Election of Directors. Directors may be elected, without a meeting by written consent, setting forth the action so taken, signed by all of the persons entitled to vote for the election of directors. A director may be elected at any time to fill a vacancy not filled by the directors by the written

consent of persons holding a majority of the shares entitled to vote for the election of directors.

(b) Other Action. Any other action which, under any provision of the General Corporation Law, may be taken at a meeting of the shareholders, may be taken without a meeting, and, except as hereinafter set forth, without notice, by written consent, setting forth the action so taken, signed by the holders of not less than the number of shares necessary to take such action at a meeting at which all shares entitled to vote thereon were present and voted. If the consents of all of the shareholders entitled to vote have been solicited in writing, no notice need be given of the action so taken. If consents were not solicited in writing and the written consents of all of the shareholders entitled to vote were not obtained, prompt notice of the action taken shall be given to the shareholders not consenting. As to proposed shareholder approval of any of the following matters, notice to the shareholders not consenting in writing shall be given in the manner provided in Article II, Section 3, of these bylaws at least ten (10) days before consummation of the action authorized by such approval:

- (i) a contract or other transaction with an interested director,
- (ii) indemnification of an agent of the corporation as authorized by Section 6, Article V, of these Bylaws,
- (iii) a reorganization the corporation as defined in Section 181 of the General Corporation Law, or
- (iv) a distribution in dissolution other than in accordance with the rights of outstanding preferred shares, if any.

(c) Notice of Action by Consent of Majority. Prompt notice of the taking of any corporate action approved by the shareholders without a meeting by

less than unanimous written consent shall be given to the shareholders entitled to vote who have not consented in writing. Such notice shall be given in the manner provided in Section 3, Article II, of these Bylaws.

(d) Record Date. Unless the board of directors has fixed a record date for the determination of shareholders entitled to notice of and to give such written consent, the record date for such determination shall be the date on which such written consent is first given.

(e) Revocation of Written Consent. A written consent may be revoked by the shareholder by writing received by the corporation prior to the time that the written consents of the number of shares required to authorize the proposed action have been received by the secretary of the corporation. Such a revocation shall be effective upon receipt by the secretary.

Section 8. Voting.

(a) Record Date. Unless a record date for voting purposes be fixed, as provided in Section 7, Article V, of these Bylaws, then, subject to the provisions of California General Corporation Law Sections 702 and 704, only persons in whose names shares entitled to vote stand on the stock records of the corporation at the close of business on the business day next preceding the day on which notice of the meeting is given, or if such notice is waived, at the close of business on the business day next preceding the day on which the meeting of shareholders is held, shall be entitled to vote at such meeting, and such day shall be the record date for such meeting.

(b) Manner of Voting. Vote may be via voice or by ballot; provided however, at all elections for directors, vote must be by ballot upon demand by a shareholder made at any election before the voting begins.

(c) Cumulative Voting. Every shareholder entitled to vote at any election for directors shall have the right to cumulate his or her votes

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provided that the name of the candidate has been placed in nomination prior to voting and that any shareholder, at the meeting, prior to voting, has given notice of his or her intention to cumulate his or her votes.

If votes for directors are cumulated, each shareholder may give one candidate the number of votes equal to the number of directors to be elected multiplied by the number of votes to which that shareholder's shares are entitled, or to distribute the votes on the same principle among as many candidates as the shareholder desires. The candidates receiving the highest number of votes, up to the number of directors to be elected, shall be elected.

(d) Quorum. The presence in person or by proxy of persons entitled to vote a majority of the voting shares at any meeting shall constitute a quorum for the transaction of business. The shareholders present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough shareholders to leave less than a quorum, if any action taken, other than adjournment, is approved by at least a majority of the shares required to constitute a quorum.

(e) Proxies. Persons entitled to vote or execute consents shall have the right to do so either in person or by one or more agents authorized by written proxy executed by the person or that person's authorized agent and filed with the secretary of the corporation; provided, however, no proxy shall be valid after 11 months from the date of its execution unless the proxy provides the length of time for which the proxy is to continue in force, which in no case shall exceed the duration permitted by law.

(f) Revocation of Proxy. A duly executed proxy continues in full force and effect until: (i) an instrument revoking it, or a duly executed proxy

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bearing a later date is filed with the secretary of the corporation, prior to the vote pursuant thereto, (ii) the person executing the proxy attends the meeting and votes in person, or (iii) written notice of the death or incapacity of the maker of such proxy is received by the corporation before the vote pursuant thereto is counted.

Section 9. Inspectors of Election. In advance of any meeting of shareholders, the board of directors may appoint any persons other than nominees for office as inspectors of election to act at such meeting or any adjournment thereof. If inspectors of election be not so appointed, the chairman of any such meeting may, and on the request of any shareholder or his proxy shall, make such appointment at the meeting. The number of inspectors shall be either one or three. If appointed at a meeting on the request of one or more shareholders or proxies, the majority of shares represented in person or by proxy shall determine whether one or three inspectors are to be nominated. In case any person appointed as inspector fails to appear or fails or refuses to act, the vacancy may, and on the request of any shareholder or a shareholder's proxy shall, be filled by appointment by the board of directors in advance of the meeting, or at the meeting by the chairman of the meeting.

The duties of such inspectors shall be as prescribed by Section 707 of the General Corporation Law and shall include: determining the number of shares outstanding and the voting power of each, the shares represented at the meeting, the existence of a quorum, the authenticity, validity and effect of proxies; receiving votes, ballots or consents; hearing and determining all challenges and questions in any way arising in connection with the right to vote; counting and

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tabulating all votes or consents; determining when the polls shall close; determining the result; and such acts as may be proper to conduct the election

or vote with fairness to all shareholders. In the determination of the validity and effect of proxies the dates contained on the forms of proxy shall presumptively determine the order of execution of the proxies, regardless of the postmark dates on the envelopes in which they are mailed.

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

ARTICLE III

Directors

Section 1. Powers. Subject to limitations of the articles of incorporation and of the California General Corporation Law as to action to be authorized or approved by the shareholders, and subject to the duties of directors as prescribed by the bylaws, all corporate powers shall be exercised by or under the authority of, and the business and affairs of the corporation shall be controlled by, the board of directors. Without prejudice to such general powers, but subject to the same limitations, it is hereby expressly declared that the directors shall have the following powers, to wit:

(a) To select and remove all the officers, agents and employees of the corporation, prescribe such powers and duties for them as may not be inconsistent with law, with the articles of incorporation or the bylaws, fix

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their compensation and require from them security for faithful service.

(b) To conduct, manage and control the affairs and business of the corporation, and to make such rules and regulations therefor not inconsistent with law, or with the articles of incorporation or the bylaws, as they may deem best.

(c) To change the principal executive office and principal office for the transaction of the business of the corporation from one location to another as provided in Article I, Section 1, hereof; to fix and locate from time to time one or more subsidiary offices of the corporation within or without the State of California, as provided in Article I, Section 2, hereof; to designate any place within or without the State of California for the holding of any shareholders' meeting or meetings; and to adopt, make and use a corporate seal; to prescribe the forms of certificates of stock; to alter the form of such seal and of such certificates from time to time, as in their judgment they may deem best, provided such seal and such certificates shall at all times comply with the provisions of law.

(d) To authorize the issuance of shares of stock of the corporation from time to time, upon such terms as may be lawful.

(e) To borrow money and incur indebtedness for the purposes of the corporation, and to cause to be executed and delivered therefor, in the corporate name, promissory notes, bonds, debentures, deeds of trust, mortgages, pledges, hypothecations or other evidences of debt and securities therefor.

(f) By resolution adopted by a majority of the authorized number of directors, to designate an executive and other committees, each consisting of

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two or more directors, to serve at the pleasure of the board, and to prescribe the manner in which proceedings of such committee shall be conducted. Unless the board of directors shall otherwise prescribe the manner of proceedings of any such committee, meetings of such committee may be regularly scheduled in advance and may be called at any time by any two members thereof; otherwise, the provisions of these bylaws with respect to notice and conduct of meetings

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

- (i) the approval of any action for which the General Corporation Law or the articles of incorporation also require shareholder approval;
- (ii) the filling of vacancies on the board or in any committee;
- (iii) the fixing of compensation of the directors for serving on the board or on any committee;
- (iv) the adoption, amendment or repeal of bylaws;
- (v) the amendment or repeal of any resolution of the board;
- (vi) any distribution to the shareholders, except at a rate or in a periodic amount or within a price range determined by the board; and
- (vii) the appointment of other committees of the board or the members thereof.

Section 2. Number and Qualification of Directors. The number of directors of the corporation shall not be less than three (3) nor more than five (5) until changed by amendment of the articles of incorporation or by a bylaw

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amending this Section 2 duly adopted by the vote or written consent of holders of a majority of the outstanding shares entitled to vote, provided that a bylaw specifying or changing the minimum number or changing from a variable to a fixed board, or vice versa, may only be adopted by approval of the outstanding shares and provided further that a bylaw or amendment of the articles reducing the authorized number or the minimum number of directors below five cannot be adopted if the votes cast against its adoption at a meeting or the shares not consenting in the case of action by written consent, are equal to more than 16-2/3 percent of the outstanding shares entitled to vote. The exact number of directors shall be fixed from time to time, within the limits specified in the articles of incorporation or in this Section 2, by a bylaw or amendment thereof duly adopted by the vote of a majority of the shares entitled to vote represented at a duly held meeting at which a quorum is present, or by the written consent of the holders of a majority of the outstanding shares entitled to vote, or by the board of directors.

Section 3. Election and Term of Office. The directors shall be elected at each annual meeting of shareholders but, if any such annual meeting is not held or the directors are not elected thereat, the directors may be elected at any special meeting of shareholders held for that purpose. All directors shall hold office until their respective successors are elected, subject to the General Corporation Law and the provisions of these bylaws with respect to vacancies on the board.

Section 4. Vacancies. A vacancy in the board of directors shall be deemed to exist in case of the death, resignation or removal of any director, if a director has been declared of unsound mind by order of court or convicted of a felony, if the authorized number of directors be increased, or if the shareholders fail, at any annual or special meeting of shareholders at which any

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director or directors are elected, to elect the full authorized number of directors to be voted for at that meeting.

(a) Filling Vacancies. Vacancies in the board of directors, including a vacancy created by the removal of a director, may be filled by a majority of the remaining directors, though less than a quorum, or by a sole remaining director.

(b) The shareholders may elect a director at any time to fill any vacancy not filled by the directors. Any such election by written consent other than to fill a vacancy created by removal requires the consent of a majority of the outstanding shares entitled to vote.

(c) If, after the filling of any vacancy by the directors, the directors then in office who have been elected by the shareholders shall constitute less than a majority of the directors then in office, (i) any holder or holders of an aggregate of 5 percent or more of the total number of shares at the time outstanding having the right to vote for such directors may call a special meeting of shareholders, or (ii) the superior court of the proper county shall, upon application of such shareholder or shareholders, summarily order a special meeting of shareholders, to be held to elect the entire board. The term of office of any directors shall terminate upon such election of a successor.

Section 5. Resignation of Director. Any director may resign effective upon giving written notice to the chairman of the board, the president, the secretary of the board of directors of the corporation, unless the notice specifies a later time for the effectiveness of such resignation. If the board of directors accept the resignation of a director tendered to take effect at a future time, the board or the shareholders shall have power to elect a successor to take office when the resignation is to become effective.

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Section 6. Effect of Reduction in Number. No reduction of the authorized number of directors shall have the effect of removing any director prior to the expiration of his term of office.

Section 7. Place of Meeting. Regular meetings of the board of directors shall be held at any place within or without the state which has been designated from time to time by resolution of the board or by written consent of all members of the board. In the absence of such designation, regular meetings shall be held at the principal executive office of the corporation. Special meetings of the board may be held either at a place so designated or at the principal executive office.

Section 8. Meetings.

(a) Organization Meeting. Immediately following each annual meeting of shareholders, the board of directors shall hold a regular meeting at the place of said annual meeting or at such other place as shall be fixed by the board of directors, for the purpose of organization, election of officers, and the transaction of other business. Call and notice of such meetings are hereby dispensed with.

(b) Regular Meetings. Regular meetings of the board of directors shall be held, without call, at the time and place fixed by the board. Notice of all regular meetings is hereby dispensed with except as provided hereinbelow.

(c) Special Meetings. Special meetings of the board of directors for any purpose or purposes shall be called at any time by the chairman of the board, the president, any vice president, the secretary or by any two directors and shall be held upon four days' notice by mail or 48 hours' notice delivered personally or by telephone or telegraph. A notice or waiver of notice need not

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specify the purpose of any special meeting of the board. Notice of a meeting need not be given to any director who signs a waiver of notice or a consent to holding the meeting or an approval of the minutes thereof, whether before or

after the meeting, or who attends the meeting without protesting, prior thereto or at its commencement, the lack of notice to such director. All such waivers, consents and approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

(d) Adjourned Meetings. A majority of the directors present, whether or not a quorum is present, may adjourn any meeting to another time and place. If the meeting is adjourned for more than 24 hours, notice of any adjournment to another time or place shall be given prior to the time of the adjourned meeting to the directors who were not present at the time of the adjournment.

(e) Place of Meeting. Meetings of the board may be held at any place within or without the state which has been designated in the notice of the meeting or, if not stated in the notice or there is no notice, designated in the bylaws or by resolution of the board.

(f) Participation by Conference Call. Members of the board may participate in a meeting through use of conference telephone or similar communications equipment, so long as all members participating in such meeting can hear one another. Participation in a meeting pursuant to this subdivision constitutes presence in person at such meeting.

(g) Quorum. A majority of the authorized number of directors constitutes a quorum of the board for the transaction of business.

Section 9. Notice of Meeting. Written notice of the time and place of special meetings shall be delivered personally to each director or communicated to each director by telephone, or by telegraph or mail, charges prepaid,

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addressed to him at his address as it is shown upon the records of the corporation or, if it is not so shown on such records or is not readily ascertainable, at the place at which the meetings of the directors are regularly held. In case such notice is mailed, it shall be deposited in the United States mail at least four (4) days prior to the time of the holding of the meeting. In case such notice is delivered, personally or by telephone or telegraph, as above provided, it shall be so delivered at least 48 hours prior to the time of the holding of the meeting. Such mailing, telegraphing or delivery, personally or by telephone, as above provided, shall be due, legal and personal notice to such director.

Section 10. Action Without Meeting. Any action required or permitted to be taken by the board of directors may be taken without a meeting if all members of the board shall individually or collectively consent in writing to such action. Such written consent or consents shall be filed with the minutes of the proceedings of the board and shall have the same force and effect as a unanimous vote of such directors.

Section 11. Action at a Meeting - Required Vote. Every act or decision done or made by a majority of the directors present at a meeting duly held at which a quorum is present shall be regarded as the act of the board of directors, unless a greater number, or the same number after disqualifying one or more directors from voting, is required by law, by the articles of incorporation, or by these bylaws. A meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of director, provided that any action taken is approved by at least a majority of the required quorum for such meeting.

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Section 12. Fees and Compensation. Directors and members of committees may receive such compensation, if any, for their services, and such reimbursement for expenses, as may be fixed or determined by resolution of the board.

Officers

Section 1. Officers. The officers of the corporation shall be a president, a vice-president, a secretary and a treasurer. The corporation may also have, at the discretion of the board of directors, a chairman of the board, one or more additional vice-presidents, one or more assistant secretaries, one or more assistant treasurers, and such other officers as may be appointed in accordance with the provisions of Section 3 of this Article. One person may hold two or more offices, except that the offices of president and secretary shall not be held by the same person.

Section 2. Election. The officers of the corporation, except such officers as may be appointed in accordance with the provisions of Section 3 or Section 5 of this Article, shall be chosen annually by the board of directors, and each shall hold his office until he shall resign or shall be removed or otherwise disqualified to serve, or his successor shall be elected and qualified.

Section 3. Subordinate Officers, Etc. The board of directors may appoint, and may empower the chairman of the board or the president, whichever of such officers is serving as the chief executive officer of the corporation, to appoint such other officers as the business of the corporation may require, each of whom shall hold office, for such period, have such authority and perform

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such duties as are provided in the bylaws or as the board of directors may from time to time determine.

Section 4. Removal and Resignation. Any officer may be removed, either with or without cause, by the board of directors, at any regular or special meeting thereof, or, except in case of an officer chosen by the board of directors, by any officer upon whom such power of removal may be conferred by the board of directors (subject, in each case, to the rights, if any, of an officer under any contract of employment).

Any officer may resign at any time by giving written notice to the board of directors or to the chairman of the board or the president, whichever of such officers is serving as the chief executive officer of the corporation, or to the secretary of the corporation, without prejudice however, to the rights, if any, of the corporation under any contract to which such officer is a party. Any such resignation shall take effect at the date of the receipt of such notice or at any later time specified therein; and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 5. Vacancies. A vacancy in any office because of death, resignation, removal, disqualification or any other cause shall be filled in the manner prescribed in the bylaws, for regular appointments to such office.

Section 6. Chairman of the Board. If there shall be a chairman of the board, who is not a full-time employee of the corporation, such officer shall, if present, preside at all meetings of the board of directors and exercise and perform such other powers and duties as may be from time to time assigned to him by the board of directors. If such officer is a full-time employee of the

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corporation, he shall be the chief executive officer of the corporation, and shall, subject to the control of the board of directors, have general supervision, direction and control of the business and officers of the corporation. He shall preside at all meetings of the shareholders and at all meetings of the board of directors. He shall be ex-officio a member of all the standing committees, including the executive committee, if any, and shall have the general powers, and duties of management usually vested in the office of

president of a corporation, and shall have such other powers and duties as may be prescribed by the board of directors or the bylaws.

Section 7. President. If there shall be no chairman of the board or if such officer is not a full-time employee of the corporation, the president shall be the chief executive officer of the corporation and shall, subject to the control of the board of directors, have the powers and duties set forth hereinabove for a chairman of the board who is a full-time employee of the corporation. If there shall be a chairman of the board who is full-time employee of the corporation, the president, in the absence or disability of the chairman of the board, shall if present, preside at all meetings of the board of director and shall exercise and perform such other powers and duties as may be from time to time assigned to him by the board.

Section 8. Vice-President. In the absence or disability of the president, the vice-presidents in order of their rank as fixed by the board of directors or, if not ranked, the vice-president designated by the board of directors, shall perform all the duties of the president, and when so acting shall have all the powers of, and be subject to all the restrictions upon, the president. The vice-presidents shall have such other powers and perform such other duties as from time to time may be prescribed for them respectively by the board of directors or the bylaws.

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Section 9. Secretary. The secretary shall record or cause to be recorded, and shall keep or cause to be kept, at the principal executive office and such other place as the board of directors may order, a book of minutes of actions taken at all meetings of directors and shareholders, with the time and place of holding, whether regular or special, and, if special, how authorized, the notice thereof given, the names of those present at directors' meetings, the number of shares present or represented at shareholders' meetings, and the proceedings thereof.

The secretary shall keep, or cause to be kept, at the principal executive office or at the office of the corporation's transfer agent, a share register, or a duplicate share register, showing the names of the shareholders and their addresses, the number and classes of shares held by each, the number and date of certificates issued for the same, and the number and date of cancellation of every certificate surrendered for cancellation.

The secretary shall give, or cause to be given, notice of all the meetings of the shareholders and of the board of directors required by the bylaws or by law to be given, and shall keep the seal of the corporation in safe custody, and shall have such other powers and perform such other duties as may be prescribed by the board of directors or by the bylaws.

Section 10. Treasurer. The treasurer shall be the chief financial officer of the corporation and shall keep and maintain, or cause to be kept and maintained, adequate and correct accounts of the properties and business transactions of the corporation, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital, surplus and shares. Any surplus, including earned surplus, paid-in surplus and surplus arising from a

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reduction of stated capital, shall be classified according to source and shown in a separate account. The books of account shall at all reasonable times be open to inspection by any director.

The treasurer shall deposit all moneys and other valuables in the name and to the credit of the corporation with such depositories as may be designated by the board of directors. He shall disburse the funds of the corporation as may be ordered by the board of directors, shall render to the chairman of the board, the president and directors, whenever they request it, an account of all of his transactions as treasurer and of the financial condition of the corporation, and shall have such other powers and perform such

other duties as may be prescribed by the board of directors or the bylaws.

ARTICLE V

Miscellaneous

Section 1. Inspection of Corporate Records.

(a) Shareholder. The accounting books and records, the record of shareholders, and minutes of proceedings of the shareholders and the board and committees of the board of this corporation and any subsidiary of this corporation shall be open to inspection upon the written demand on the corporation of any shareholder at any reasonable time during usual business hours, for a purpose reasonably related to such holder's interests as a shareholder. Such inspection by a shareholder may be made in person or by agent or attorney, and the right of inspection includes the right to copy and make extracts.

(b) Director. Every director shall have the absolute right at any reasonable time to inspect and copy all books, records and documents of every

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kind and to inspect the physical properties of the corporation. Such inspection by a director may be made in person or by agent or attorney and the right of inspection includes the right to copy and make extracts.

Section 2. Waiver of Annual Reports to Shareholders. As provided by Section 1501(a) of the California General Corporation Law, the annual report to shareholders is hereby expressly waived.

Section 3. Contracts, Etc., How Executed. The board of directors, except as in the bylaws otherwise provided, may authorize any officer or officers, agent or agents, to enter into any contract or execute any instrument in the name of and on behalf of the corporation, and such authority may be general or confined to specific instances; and, unless so authorized by the board of directors, no officer, agent or employee shall have any power or authority to bind the corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or to any amount.

Section 4. Certificate for Shares. Every holder of shares in the corporation shall be entitled to have a certificate signed in the name of the corporation by the chairman or vice chairman of the board or the president or a vice president and by the chief financial officer or an assistant treasurer or the secretary or any assistant secretary, certifying the number of shares and the class or series of shares owned by the shareholder.

Any of the signatures on the certificate may be facsimile, provided that in such event at least one signature, including that of either officer or the corporation's registrar or transfer agent, if any, shall be manually signed. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such

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officer, transfer agent or registrar before such certificate is issued, it may be issued by the corporation with the same effect as if such person were an officer, transfer agent or registrar at the date of issue.

(a) Legend Stock. Any such certificate shall also contain such legend or other statement as may be required by Section 418 of the General Corporation Law, the Corporate Securities Law of 1968, the federal securities laws, and any agreement between the corporation and the issuee thereof.

(b) Issuance Before Full Payment. Certificates for shares may be issued prior to full payment under such restrictions and for such purposes as the board of directors or the bylaws may provide; provided, however, that any

such certificate so issued prior to full payment shall state on the face thereof the amount remaining unpaid and the terms of payment thereof.

(c) Lost or Destroyed Certificates. No new certificate for shares shall be issued in lieu of an old certificate unless the latter is surrendered and cancelled at the same time; provided, however, that a new certificate will be issued without the surrender and cancellation of the old certificate if (1) the old certificate is lost, apparently destroyed or wrongfully taken; (2) the request for the issuance of the new certificate is made within a reasonable time after the owner of the old certificate has notice of its loss, destruction, or theft; (3) the request for the issuance of a new certificate is made prior to the receipt of notice by the corporation that the old certificate has been acquired by a bona fide purchaser; (4) the owner of the old certificate files a sufficient indemnity bond with or provides other adequate security to the corporation; and (5) the owner satisfies any other reasonable requirements imposed by the corporation. In the event of the issuance of a new certificate, the rights and liabilities of the corporation, and of the holders of the old and new certificates, shall be governed by the provisions of Section 8104 and 8405

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of the California Commercial Code.

Section 5. Representation of Shares of Other Corporations. The president or any vice-president and the secretary or any assistant secretary of this corporation are authorized to vote, represent and exercise on behalf of this corporation all rights incident to any and all shares of any other corporation or corporations standing in the name of this corporation. The authority herein granted to said officers to vote or represent on behalf of this corporation any and all shares held by this corporation in any other corporation or corporations may be exercised either by such officers in person or by any other person authorized so to do by proxy or power of attorney duly executed by said officers.

Section 6. Indemnification of Agents of the Corporation; Purchase of Liability Insurance.

(a) Definitions: Agent; Proceeding; Expenses. For the purposes of this section, "agent" means any person who is or was a director, officer, employee or other agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another foreign or domestic corporation, partnership, joint venture, trust or other enterprise; "proceeding" means any threatened, pending or completed action or proceeding whether civil, criminal, administrative or investigative; and "expenses" includes without limitation attorneys' fees and any expenses of establishing a right to indemnification under subdivision (d) or paragraph (3) of subdivision (e).

(b) Power to Indemnify Agent.

(i) The corporation shall have power to indemnify any person who was or

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

manner which the person reasonably believed to be in the best interests of the corporation or that the person had reasonable cause to believe that the person's conduct was unlawful.

(ii) A corporation shall have power to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action by or in the right of the corporation to procure a judgment in its favor by reason of the fact that such person is or was an agent of the corporation, against expenses actually and reasonably incurred by such person in connection with the defense or settlement of such action if such person acted in good faith, in a manner such person believed to be in the best interests of the corporation and with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use under similar circumstances. No indemnification shall be made under this subdivision (b):

(A) In respect of any claim, issue or matter as to which such person

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shall have been adjudged to be liable to the corporation in the performance of such person's duty to the corporation, unless and only to the extent that the court in which such proceeding is or was pending shall determine upon application that, in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for the expenses which such court shall determine;

(B) Of amounts paid in settling or otherwise disposing of a threatened or pending action, with or without court approval; or

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

(c) Expenses. To the extent that an agent of a corporation has been successful on the merits in defense of any proceeding referred to in subdivision (b) or in defense of any claim, issue or matter therein, the agent shall be indemnified against expenses actually and reasonably incurred by the agent in connection therewith.

(d) Vote Authorizing Indemnification. Except as provided in subdivision (c), any indemnification under this section shall be made by the corporation only if authorized in the specific case, upon a determination that indemnification of the agent is proper in the circumstances because the agent has met the applicable standard of conduct set forth in subdivision (b) or (c), by:

(i) A majority vote of a quorum consisting of directors who are not parties to such proceeding;

(ii) Approval of the shareholders by majority vote, with the shares owned by the person to be indemnified not being entitled to vote thereon; or

(iii) The court in which such proceeding is or was pending upon application made

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by the corporation or the agent or the attorney or other person rendering services in connection with the defense, whether or not such application by the agent, attorney or other person is opposed by the corporation.

(e) Advancement of Expenses. Expenses incurred in defending any proceeding may be advanced by the corporation prior to the final disposition of such proceeding upon receipt of an undertaking by or on behalf of the agent to repay such amount unless it shall be determined ultimately that the agent is entitled to be indemnified as authorized in this section.

(f) Validity and Limitation. No provision made by a corporation to indemnify its or its subsidiary's directors or officers for the defense of any

proceeding, whether contained in the articles, bylaws, a resolution of shareholders or directors, an agreement or otherwise, shall be valid unless consistent with this section. Nothing contained in this section shall affect any right to indemnification to which persons other than such directors and officers may be entitled by contract or otherwise.

(g) No indemnification or advance shall be made under this section, except as provided in subdivision (c) or paragraph (iii) of subdivision (d), in any circumstance where it appears:

(i) That it would be inconsistent with a provision of the articles, bylaws, a resolution of the shareholders or an agreement in effect at the time of accrual of the alleged cause of action asserted in the proceeding in which the expenses were incurred or other amounts were paid, which prohibits or otherwise limits indemnification; or

(ii) That it would be inconsistent with any condition expressly imposed by a court in approving a settlement.

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(h) Purchase of Insurance. The corporation shall have power to purchase and maintain insurance on behalf of any agent of the corporation against any liability asserted against or incurred by the agent in such capacity or arising out of the agent's status as such whether or not the corporation would have the power to indemnify the agent against such liability under the provisions of this section.

(i) Trustee, Etc. Excluded. This section does not apply to any proceeding against any trustee, investment manager or other fiduciary of an employee benefit plan in such person's capacity as such, even though such person may also be an agent as defined in subdivision (a) of the employer corporation. A corporation shall have power to indemnify such a trustee, investment manager or other fiduciary to the extent permitted by General Corporation Law subdivision (f) of Section 207.

Section 7. Record Date. In order that the corporation may determine the shareholders entitled to notice of any meeting or to vote or entitled to receive payment of any dividend or other distribution or allotment of any rights or entitled to exercise any rights in respect of any other lawful action, the board may fix, in advance, a record date, which shall not be more than 60 nor less than 10 days prior to the date of such meeting nor more than 60 days prior to any other action.

Section 8. Construction and Definitions. Unless the context otherwise requires, the general provisions, rules of constructions and definitions contained in the California General Corporation Law shall govern the construction of these bylaws.

ARTICLE VI

Amendments

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Section 1. Power of Shareholders. New bylaws may be adopted or these bylaws may be amended or repealed by the affirmative vote of a majority of the outstanding shares entitled to vote, or by the written assent of shareholders entitled to vote such shares except as otherwise provided by law or by the articles of incorporation.

Section 2. Power of Directors. Subject to the right of shareholders as provided in Section 1 of this Article VI to adopt, amend or repeal bylaws, bylaws may be adopted, amended or repealed by the board of directors provided, however, that the board of directors may adopt a bylaw or amendment thereof changing the authorized number of directors only for the purpose of fixing the exact number of directors within the limits specified in Section 2 of Article III of these bylaws.

EXHIBIT 13.0

MANAGEMENT'S DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS FOR FISCAL 1997, 1996 AND 1995

The Management's Discussion and Analysis of Financial Condition and Results of Operations and other sections of this Annual Report to Stockholders 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 a difference include, but are not limited to, those discussed herein.

The merger of ASCOR, Inc. was completed in fiscal 1997 and was accounted for by the pooling of interests method of accounting, accordingly financial results for all periods reflect the consolidated Company. The merger joined two companies with products and markets in the test and measurement business.

New orders received in 1997 were \$25,039,000, a decrease of 5% from 1996, which decreased 6% over 1995. In 1997, the decrease reflects order reductions of approximately 40% in the signal generator (SG) line caused by the maturing of the product line, delays in new product releases and continued constraints on military budgets, offset by an increase of approximately 29% in the power meter (PM) line. The increase in PM orders in 1997 is due to new product releases and growth in the size of the commercial wireless telecommunications market. In 1996, the decrease in orders reflects large order declines in both the SG and radio frequency (RF) product lines.

At year-end 1997, the Company's backlog of unfilled orders was \$5,007,000, compared to \$8,854,000 at the end of 1996 and \$13,177,000 at the end of 1995. The decrease in backlog from 1996 to 1997 resulted from a continued decline in SG product line defense-related orders. The 1995 backlog was unusually high due to large SG orders taken in the last quarter and reduced levels of shipping during fiscal year 1995 caused by manufacturing constraints. The decline in backlog from 1995 to 1996 was caused by the higher levels of shipments in 1996 as production efficiencies improved along with a reduction in new SG orders.

Net sales for 1997 were \$28,886,000, a 6% decrease from 1996, which follows a 19% increase in 1996 from 1995. Reduced sales volume for SG products was the major factor for the

sales decline in 1997. The \$3.0 million decline in SG sales was partially offset by increased sales in the power meter and the switching modules product lines. Average selling prices in the SG and RF lines were also lower in 1997 due to non-recurring discounts on certain large international orders. The increase in sales in 1996 was a result of the high defense-related backlog at the beginning of the year and the ability to ship more products as inventory and production efficiencies improved with the implementation of the new manufacturing information system. Overall, the approximate proportion of net sales coming from defense-related customers was 37% in 1997, 42% in 1996, and 36% in 1995.

Gross profit as a percentage of sales increased to 38% in 1997 from 37% in 1996 as manufacturing efficiencies offset the lower sales prices and lower sales volume. Gross profit as a percentage of sales increased to 37% in 1996 from 33% in 1995 due to improved manufacturing efficiencies in 1996 and the effect in 1995 of additional required inventory reserves.

Operating expenses decreased 7% in 1997 over 1996. Costs were notably lower in sales and marketing due to lower advertising and commission expenses. Advertising expenses decreased due to an effort to reduce the advertising frequency while increasing the focus by targeting specific publications. Commission expenses declined as a result of reduced sales. In 1996, operating expenses decreased 4% over 1995 as costs were tightly controlled in many areas despite higher sales. Amortization expense, relating to the intellectual property and non-compete covenants associated with two prior acquisitions, amounted to \$559,000 in 1997 and \$560,000 in 1996 and 1995. As a result of a

commitment to increase research and development activity, the Company expects operating expenses to increase in the near term.

Net interest income increased by 115% to \$586,000 in 1997, following a 31% increase from 1995 to 1996. The increase in interest income from 1995 to 1997 was due primarily to an increase in available cash for investment, resulting from lower inventory levels and positive earnings in 1996 and 1997.

The provision for income taxes in 1997 was \$546,000, or 25% of pre-tax income. The provision for income taxes in 1996 was \$242,000, or 12% of pre-tax income. The change in tax rate was due principally to the utilization of tax loss carryovers in 1996 associated with the acquired subsidiary for which it had previously not taken benefit.

The Company recorded net earnings of \$1,644,000, or \$0.48 per share, in 1997, an 8% decrease in earnings per share from \$0.52 in 1996. Earnings per share in 1996 of \$0.52 was a substantial increase over the \$0.27 loss in 1995. The decline in 1997 net earnings was due to the sales decrease of 6%, offset in part by 7% lower operating expenses and higher net interest income. The improvement in results in 1996 over 1995 was due mostly to non-recurring charges in 1995 of approximately \$1.2 million related to the Company's San Ramon facility. These charges included additions to the Company's inventory reserves, new product start-up costs, severance costs, inventory write-offs, and costs for upgrading the management information system.

FINANCIAL CONDITION AND LIQUIDITY

As of March 29, 1997, the Company had \$13,806,000 in cash, cash equivalents and investments, compared to \$11,236,000 as of March 30, 1996 and \$7,033,000 as of March 25, 1995. Cash provided from operations amounted to \$3,480,000 in 1997, compared to cash provided from operations of \$4,584,000 in 1996, and cash provided from operations of \$524,000 in 1995. In 1997 and 1996, cash provided from operations was principally due to earnings and significant reductions in inventories. In 1995, cash provided was negligible due principally to large operating losses.

The Company continues to maintain a strong financial position, with working capital at year-end of \$20,149,000 compared to \$17,206,000 and \$13,940,000 at the end of 1996 and 1995, respectively. The Company's current ratio of 6.1 increased from the 1996 and 1995 current ratio of 4.1 and 3.0, respectively. The Company maintains a one million dollar line of credit collateralized by the Company's cash equivalents and marketable securities. This line of credit has never been utilized.

Additions to property and equipment were \$636,000 in 1997, compared to \$633,000 and \$745,000 in 1996 and 1995, respectively. This spending reflects continuing investments to support new product development, increased productivity and improved product quality. Other cash flows for 1997 included \$376,000 inflow from the issuance of common stock, \$730,000 outflow for the repayment of notes, and \$1,639,000 outflow for the net purchase of short-term investments. The common stock was issued in connection with the exercise of stock options.

The notes payable were obligations of the Company's acquired subsidiary and were subsequently paid off. The investments are principally marketable securities, which are classified as available for sale. In 1996 and 1995, respectively, net cash used in investing activities included \$1.5 million and \$2.2 million for purchases of short-term investments.

Management believes that the Company has adequate resources to meet its operating and capital expenditure needs for the foreseeable future. The Company intends to increase product development expenditures substantially in the near term for the purpose of broadening its product base, especially in the SG and RF lines where orders have been declining in recent years. It is the Company's intention to broaden its product lines and expand its markets, both by internal development of new products and through the acquisition of other business entities. From time to time, the Company considers a variety of acquisition opportunities. Such acquisition activity could increase the Company's operating expenses and require additional capital resources.

CONSOLIDATED BALANCE SHEETS

<TABLE>
<CAPTION>

Years Ended	March 29, 1997	March 30, 1996
(In thousands except share data)		
<S>	<C>	<C>
Assets		
Current Assets		
Cash and cash equivalents	\$ 6,796	\$ 5,923
Investments	7,010	5,313
Trade accounts receivable, less allowance for doubtful accounts of \$236 and \$235, respectively		3,190 3,658
Inventories	5,219	6,293
Prepaid expenses	317	228
Deferred income taxes	1,562	1,305
Total current assets	24,094	22,720
Property and Equipment		
Machinery and equipment	7,462	7,277
Office furniture and fixtures	543	518
Leasehold improvements	121	106
Accumulated depreciation and amortization	8,126 7,901	(6,295) (5,779)
Net property and equipment	1,831	2,122
Patents and licenses	1,030	1,590
Other assets	66	152
Total assets	\$ 27,021	\$ 26,584
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable	\$ 1,688	\$ 2,070
Accrued commissions	175	277
Accrued payroll and benefits	703	666
Accrued warranty	590	580
Accrued earnout payment	--	393
Accrued expenses	789	798
Notes payable	--	730
Total current liabilities	3,945	5,514
Deferred income taxes	161	223
Obligation under capital lease, long term	20	30
Total liabilities	4,126	5,767
Commitments		
Shareholders' Equity		
Convertible preferred stock of no par value; 1,000,000 shares authorized; no shares outstanding in 1996 and 1997	--	--
Common stock of no par value; 40,000,000 shares authorized; 3,379,199 shares in 1997 and 3,323,649 shares in 1996 issued and outstanding	10,919	10,543
Unrealized gain (loss) on securities	11	(47)
Retained earnings	11,965	10,321
Total shareholders' equity	22,895	20,817
Total liabilities and shareholders' equity	\$ 27,021	\$ 26,584

</TABLE>

See accompanying notes to consolidated financial statements

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CONSOLIDATED STATEMENTS OF OPERATIONS

<TABLE>

<CAPTION>

Years Ended	March 29, 1997	March 30, 1996	March 25, 1995
(In thousands except per share data)			
<S>	<C>	<C>	<C>
Net sales	\$ 28,886	\$ 30,811	\$ 25,969
Cost of sales	18,023	19,425	17,396
Gross profit	10,863	11,386	8,573
Product development expense	2,722	2,726	2,928
Selling, general and administrative expenses	5,971	6,590	6,768
Operating expenses	8,693	9,316	9,696
Net operating income (loss)	2,170	2,070	(1,123)
Amortization of intangibles	(559)	(560)	(560)
Interest income, net	586	272	207
Other income (expense)	(7)	200	17
Earnings (loss) before income taxes	2,190	1,982	(1,459)
Provision for income taxes (benefit)	546	242	(592)
Net earnings (loss)	\$ 1,644	\$ 1,740	\$ (867)
Net earnings (loss) per share of common stock	\$ 0.48	\$ 0.52	\$ (0.27)
Weighted average common shares outstanding	3,411	3,360	3,259

</TABLE>

See accompanying notes to consolidated financial statements.

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CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

<TABLE>

<CAPTION>

(In thousands, except share data)	Common Stock			Unrealized Gain		Total
	Shares	Amount	Retained Earnings	(Loss) on Investments		
<S>	<C>	<C>	<C>	<C>	<C>	
Balances as of March 26, 1994	3,259,447	\$ 10,379	\$ 9,448	\$ ---		\$ 19,827
Unrealized loss on investments, net of income tax credit of \$41	---	---	---	(77)	(77)	
Net loss	---	---	(867)	---	(867)	
Balances as of March 25, 1995	3,259,447	10,379	8,581	(77)		18,883
Repurchase of stock	(12,500)	(94)	---	---	(94)	
Exercise of stock options	76,702	258	---	---	258	
Unrealized gain on investments, net of income tax expense of \$16	---	---	---	30	30	
Net earnings	---	---	1,740	---	1,740	

Balances as of March 30, 1996	3,323,649	10,543	10,321	(47)	20,817
Exercise of stock options	55,550	275	---	---	275
Tax benefit associated with exercise of stock options	---	101	---	---	101
Unrealized gain on investments, net of income tax expense of \$31	---	---	---	58	58
Net earnings	---	---	1,644	---	1,644
Balances as of March 29, 1997	3,379,199	\$ 10,919	\$ 11,965	\$ 11	\$ 22,895

</TABLE>

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

<TABLE>
<CAPTION>

Years Ended	March 29, 1997	March 30, 1996	March 25, 1995
(In thousands)			
<\$>	<C>	<C>	<C>
Cash flows from operations:			
Net earnings (loss)	\$ 1,644	\$ 1,740	\$ (867)
Adjustments to reconcile net earnings (loss) to net cash provided by operations:			
Depreciation and amortization	1,486	1,659	1,525
Deferred income taxes, net	(319)	(214)	(296)
Changes in operating assets and liabilities			
Trade accounts receivable	468	266	(244)
Inventories	1,074	2,112	(327)
Prepaid expenses	(89)	385	(414)
Accounts payable	(382)	420	(50)
Accrued commissions	(102)	(41)	(45)
Accrued payroll and benefits	37	(219)	252
Accrued warranty	10	113	57
Accrued earnout and other expenses	(300)	(211)	214
Customer advances	--	(1,453)	732
Income taxes payable	(47)	27	(13)
Net cash provided by operations	3,480	4,584	524
Cash flows from investing activities:			
Patents and licenses, other assets	87	93	31
Purchases of investments	(27,605)	(7,315)	(11,187)
Maturities of investments	25,966	5,863	10,987
Additions to property and equipment	(636)	(633)	(745)
Net cash used in investing activities	(2,188)	(1,992)	(914)
Cash flows from financing activities:			
Proceeds (repayment) on line of credit	(55)	55	--
Principal payment on notes payable	(730)	(81)	--
Principal payment on obligation, capital lease	(10)	(9)	(7)
Issuance of common stock	376	258	--
Repurchase of common stock	--	(94)	--
Net cash provided by (used in) financing activities	(419)	129	(7)
Increase (decrease) in cash and cash equivalents	873	2,721	(397)
Beginning cash and cash equivalents	5,923	3,202	3,599

Ending cash and cash equivalents	\$ 6,796	\$ 5,923	\$ 3,202
----------------------------------	----------	----------	----------

Supplementary disclosure of cash flow information:

Cash paid for income taxes	\$ 906	\$ 376	\$ 270
Cash paid for interest	45	50	51

Noncash transactions:

Purchase under capital lease obligation	\$ --	\$ --	\$ 55
---	-------	-------	-------

</TABLE>

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 BUSINESS COMBINATION

In July 1996, Giga-tronics Incorporated completed a merger with ASCOR, Inc., hereafter collectively referred to as the Company, by issuing approximately 721 thousand common shares in exchange for all of the stock of ASCOR, Inc. The merger has been accounted for as a pooling of interests, and accordingly, the consolidated financial statements for periods prior to the combination have been restated to include the results of operations, financial position and cash flows of ASCOR, Inc.

Prior to the merger, ASCOR's fiscal year ended on September 30. In recording the business combination, ASCOR's prior period financial statements have been restated to a year ended March, to conform with Giga-tronics fiscal year end. There were no transactions between Giga-tronics and ASCOR prior to the merger.

The results of operations for the separate companies and the combined amounts presented in the consolidated financial statements follow.

<TABLE>

<CAPTION>

(In thousands)	Three Months Ended June 29, 1996	Year Ended March 30, 1996	Year Ended March 25, 1995
<S>	<C>	<C>	<C>
Net Sales			
Giga-tronics	\$ 5,855	\$ 24,898	\$ 21,937
ASCOR	1,938	5,913	4,032
Combined	7,793	30,811	25,969
Net Earnings (loss)			
Giga-tronics	285	901	(1,576)
ASCOR	220	839	709
Combined	\$ 505	\$ 1,740	\$ (867)

</TABLE>

Transaction costs related to the merger were approximately \$180,000 and \$125,000 in fiscal year 1997 and 1996 respectively. Transaction costs consist principally of transaction fees for the investment bankers, attorneys, accountants, financial printing and other related charges and are included in general and administrative expenses in the accompanying Consolidated Statement of Operations.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company The accompanying consolidated financial statements

include the accounts of Giga-tronics and ASCOR, its wholly owned subsidiary. 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 wireless communications, radar and electronic warfare systems. ASCOR designs and manufactures modular, computer-based automatic test system equipment used for testing computer assemblies. The Company's products are principally sold to customers in the test and measurement industry. The Company has no foreign operations, and all non-U.S. sales are made in U.S. dollars, and, therefore, there is no currency risk on these transactions.

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

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

Fiscal Year The Company's financial reporting year consists of either a 52 week or 53 week period ending on the Saturday nearest to the end of the month of March. Fiscal years 1997 and 1995 each contained 52 weeks, and fiscal year 1996 contained 53 weeks.

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 remaining 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 three to ten years. Leasehold

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Patents and Licenses Patents and licenses are being amortized using the straight-line method over periods of five to seven years. As of March 29, 1997 and March 30, 1996, accumulated amortization on patents and licenses was \$2,300,000 and \$1,741,000, respectively.

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

Investments The Company's investments in debt securities are classified as available-for-sale securities and are reported at fair

value. The cost of securities sold is determined based on the specific identification method. Unrealized gains and losses are reported as a separate component of shareholders' equity.

Product Development Costs Product development costs are charged to operations in the year incurred.

Financial Instruments and Concentration of Credit Risk 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 portfolio is diversified, consisting of nine and five different governmental agencies located in various geographic regions of the United States as of March 29, 1997 and March 30, 1996, respectively. Concentration of credit risk in trade accounts receivable results primarily from sales to major customers. The Company individually evaluates the creditworthiness of its customers and generally does not require collateral or other security. 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, notes 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 is effective for fiscal years beginning after December 15, 1995, and requires that the Company either recognize in its financial statements costs related to its employee stock-based compensation plans, such as stock option and stock purchase plans, or make pro forma disclosures of such costs in a footnote to the financial statements. The Company has elected 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 has made the required pro forma disclosures in a footnote to the financial statements. SFAS No. 123 did not have a material effect on the Company's results of operations or financial position.

The Financial Accounting Standards Board recently issued SFAS No. 128, "Earnings Per Share." SFAS No. 128 requires the presentation of basic earnings per share ("EPS") and, for companies with complex capital structures, diluted EPS. SFAS No. 128 is effective for annual and interim periods ending after December 31, 1997. The Company expects that basic EPS will be higher than primary earnings per share and that diluted EPS will not differ materially from fully diluted earnings per share as presented in the accompanying consolidated financial statements.

In March 1995, the FASB issued SFAS No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of. The new standard requires long-lived assets to be evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Company adopted SFAS No. 121 in fiscal 1996, which did not have a material impact on the Company's consolidated results of operations or financial position.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3 CASH, CASH EQUIVALENTS AND SHORT TERM INVESTMENTS

Cash, cash equivalents, and short-term investments consisted of the following at March 29, 1997 and March 30, 1996:

<TABLE>
<CAPTION>

March 29, 1997 (In thousands)			
Cash and Cash Equivalents		Short-term Investments	
Amortized Cost	Fair Value	Amortized Cost	Fair Value
----	-----	----	-----

<S>	<C>	<C>	<C>	<C>
Cash	\$4,049	\$4,049	\$ ---	\$ ---
Money Market Funds	647	647	104	104
U.S. Government Securities	--	--	3,004	2,996
Municipal Obligations	2,100	2,100	2,026	2,020
Other Marketable Securities	--	--	1,859	1,890
	-----	-----	-----	-----
Total debt securities	\$6,796	\$6,796	\$6,993	\$7,010
	=====	=====	=====	=====

</TABLE>

<TABLE>
<CAPTION>

March 30, 1996 (In thousands)				
	Cash and Cash Equivalents		Short-term Investments	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	----	----	----	----
<S>	<C>	<C>	<C>	<C>
Cash	\$5,923	\$5,923	\$ --	\$ --
Money Market Funds	--	--	343	343
U.S. Government Securities	--	--	927	927
Municipal Obligations	--	--	2,895	2,823
Other Marketable Securities	--	--	1,220	1,220
	-----	-----	-----	-----
Total debt securities	\$5,923	\$5,923	\$5,385	\$5,313
	=====	=====	=====	=====

</TABLE>

There were no realized gains (losses) on sales of available-for-sale securities in fiscal 1997 and fiscal 1996. Unrealized gains (losses) on available-for-sale securities were \$17,000 and (\$72,000) in fiscal year 1997 and 1996, respectively, and are included net of a tax benefit as a separate component of shareholders' equity.

As of March 29, 1997, all of the Company's short term investments mature within one year, except for approximately \$1,020,000 of Municipal securities which have maturities of between one and two years. These securities have interest rates that ranged from 3.4% to 6.5%. As of March 30, 1996, all of the Company's short-term investments matured within one year.

4 SALES TO SIGNIFICANT CUSTOMERS AND EXPORT SALES

Sales to agencies of the U.S. government and defense-related customers accounted for 37%, 42%, and 36% of the Company's sales in fiscal 1997, 1996 and 1995, respectively. Export sales accounted for 29%, 22%, and 17% of the Company's sales in fiscal 1997, 1996 and 1995, respectively. Export sales by geographical area are shown below.

<TABLE> <CAPTION>			
Years ended (In thousands)	March 29, 1997	March 30, 1996	March 25, 1995
<S>	<C>	<C>	<C>
Americas	\$ 286	\$ 935	\$ 337
Europe	2,380	2,354	1,441
Asia	5,111	2,833	2,357
Rest of World	460	669	323
	-----	-----	-----
	\$8,237	\$6,791	\$4,458
	=====	=====	=====

</TABLE>

5 INVENTORIES

<TABLE>
<CAPTION>

Years ended (In thousands)	March 29, 1997	March 30, 1996
<S>	<C>	<C>
Raw materials	\$1,966	\$2,388
Work in-progress	2,293	2,972
Finished goods	960	933

-----	-----
\$5,219	\$6,293
=====	=====

</TABLE>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6 SELLING EXPENSES

Selling expenses consist primarily of commissions paid to various marketing agencies. Commission expense totaled \$1,721,000, \$1,835,000 and \$1,643,000 in fiscal 1997, 1996 and 1995, respectively. Advertising costs totaled \$405,000, \$625,000 and \$691,000 for fiscal 1997, 1996 and 1995, respectively.

7 INCOME TAXES

Following are the components of the provision for income taxes:

<TABLE>

<CAPTION>

Years ended (In thousands)	March 29, 1997	March 30, 1996	March 25, 1995
<S>	<C>	<C>	<C>
Current:			
Federal	\$ 676	\$ 322	\$(298)
State	221	149	43
	-----	-----	-----
	897	471	(255)
Deferred:			
Federal	(215)	(211)	(337)
State	(136)	(18)	--
	-----	-----	-----
	(351)	(229)	(337)
Provision for income taxes (benefit)	=====	=====	=====
	\$ 546	\$ 242	\$(592)

</TABLE>

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

<TABLE>

<CAPTION>

Years ended (In thousands)	March 29, 1997	March 30, 1996
<S>	<C>	<C>
Current tax assets, net	\$ 1,562	\$ 1,305
Noncurrent tax liabilities, net	(161)	(223)
	-----	-----
Net deferred taxes	\$ 1,401	\$ 1,082
	=====	=====
Future state tax effect	\$ 23	\$ 44
Allowance for doubtful accounts	101	102
Fixed asset depreciation	(161)	(282)
Inventory reserves and additional costs capitalized	1,234	1,102
Deferred revenue	77	71
Alternative minimum federal tax credit carryforward	--	45
Accrued vacation	128	118
Accrued warranty	210	213
Other accrued liabilities	146	59
General business credit carryforward	--	149
Federal net operating loss carryforward	--	239

Unrealized loss (gain) on equity securities	(7)	25
Valuation allowances	(350)	(803)
	-----	-----
	\$ 1,401	\$ 1,082
	=====	=====

</TABLE>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

<TABLE>

<CAPTION>

Years ended	March 29, 1997		March 30, 1996		March 25, 1995	
(In thousands except percentages)						
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Statutory federal income tax	\$ 745	34.0%	\$ 674	34.0%	\$(496)	(34.0)%
Beginning of year change in deferred tax asset valuation allowance	(272)	(12.4)	(381)	(19.2)	--	--
State income tax, net of federal benefit	55	2.5	86	4.3	28	1.9
Nontax deductible expenses	40	1.8	21	1.0	35	2.4
Interest income exempt from federal tax	(20)	(.9)	(52)	(2.6)	(66)	(4.5)
Tax credits	(67)	(3.1)	(106)	(5.3)	(122)	(8.4)
Other	65	3.0	--	29	2.0	
	-----	-----	-----	-----	-----	-----
Effective income tax	\$ 546	24.9%	\$ 242	12.2%	\$(592)	(40.6)%
	=====	=====	=====	=====	=====	=====

</TABLE>

8 STOCK OPTION AND EMPLOYEE BENEFIT PLANS

Stock Option Plan The Company has established a stock option plan which provides for the granting of up to 400,000 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. 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. 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 canceled and reissued (repriced) 77,900 options pursuant to the repricing. As of March 29, 1997, the total number of shares of common stock available for issuance is 324,450. All outstanding options have a term of five years, except for 75,000 options (which have a term of 2-1/2 years).

Following is a summary of stock option activity:

<TABLE>

<CAPTION>

	Per Share Weighted Average Fair Value of Options Granted	Options Exercisable	Shares	Weighted Average Exercise Price	
<S>	<C>	<C>	<C>	<C>	
Outstanding as of March 26, 1994	---	---	359,028	\$6.312	
Forfeited		(260,900)		7.154	
Granted		124,800		5.000	
Outstanding as of March 25, 1995	N/A	68,500	222,928	4.591	

Exercised		(76,702)	3.364	
Forfeited		(37,250)	4.784	
Granted		48,924	4.447	
Outstanding as of March 30, 1996	\$ 3.510	48,350	157,900	5.104
Exercised		(55,550)	4.945	
Forfeited		(51,750)	4.874	
Granted		211,900	8.574	
Outstanding as of March 29, 1997	\$ 4.008	12,150	262,500	\$ 7.984

</TABLE>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Company applies APB Opinion No. 25 and related interpretations in accounting for its plan. Accordingly, no compensation cost has been recognized for its stock options in its results of operations. Had the Company recorded a charge for the fair value of options granted consistent with FASB Statement 123, net earnings and net earnings per share would have been reduced to the pro forma amounts shown below.

<TABLE>

<CAPTION>

Years Ended	March 29, 1997	March 30, 1996
(In thousands except per share data)		
<S>	<C>	<C>
Net earnings		
As reported	\$ 1,644	\$ 1,740
Pro forma	1,640	1,602
Net earnings per share		
As reported	0.48	0.52
Pro forma	\$ 0.48	\$ 0.48

</TABLE>

Pro forma net income reflects only options granted in 1996 and 1995. Therefore, the full impact of calculating compensation cost for stock options under SFAS No. 123 is not reflected in the pro forma net income amounts presented above because compensation cost is reflected over the options' vesting period of five years, and compensation cost for options granted prior to January 1, 1995 is not considered.

The per share weighted average fair value of each stock option granted during 1997 and 1996 is estimated on the date of the grant using the Black Scholes option pricing model, with the following weighted average assumptions: dividend yield of zero percent for both years, expected volatility of 56% for both years; risk-free interest rates of 6.51% and 5.11% respectively; and expected lives of 3.5 years for both years.

OPTIONS OUTSTANDING AND EXERCISABLE AS OF MARCH 29, 1997, BY PRICE RANGE

<TABLE>

<CAPTION>

Range of Exercise Prices	Number of Options Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number of Options Exercisable	Weighted Average Exercise Price
<S>	<C>	<C>	<C>	<C>	<C>

\$4.00	29,600	2.95	\$ 4.000	5,400	\$ 4.000
From \$7.25 to \$9.35	232,900	3.61	8,490	6,750	7.750
	-----	----	-----	-----	
From \$4.00 to \$9.35	262,500	3.53	\$ 7.984	12,150	\$ 6.083
	-----	----	-----	-----	

</TABLE>

401(k) Plan The Company has established a 401(k) plan which covers substantially all employees. Participants may make voluntary contributions to the plan up to 20% of their defined compensation. The Company is required to match a percentage of the participants' contributions in accordance with the plan. The Company added a discretionary match of 20% of the first 5% contributed by plan participants for calendar 1996. Participants vest ratably in Company contributions over a four-year period. Company contributions to the plan for fiscal 1997, 1996, and 1995 were approximately \$111,000, \$136,000, and \$107,000 respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9 COMMITMENTS

The Company leases a 47,300 square foot facility located in San Ramon, California, under a 12 year lease (as amended) that commenced in April 1994. The Company leases a facility located in Fremont under an operating lease agreement which expires in January 1998 with a one-year renewal option. These facilities accommodate all of the Company's present operations. The future minimum lease payments are shown below:

<TABLE>

<CAPTION>

Fiscal Years (in thousands)	
<S>	<C>
1998	\$ 635
1999	568
2000	626
2001	631
2002	631
Remaining five years	3,228

	\$6,319
	=====

</TABLE>

The aggregate rental expense was \$752,000, \$735,000, and \$662,000 in fiscal 1997, 1996 and 1995, respectively.

10 NOTES PAYABLE

The Company's wholly owned subsidiary entered into three bridge financing agreements during the period of April 1991 through December 1991. All of the notes were due on demand, provided for interest at 6% per annum and were secured by the assets of the Company. Unpaid interest on the notes payable was approximately \$46,645 at March 30, 1996. The notes and interest were repaid in 1997.

The Company maintains a \$1,000,000 line of credit collateralized by the Company's cash equivalents and marketable securities. As of March 29, 1997, none of this line has been utilized.

11 SUBSEQUENT EVENTS

On June 6, the Company entered into an agreement to acquire Viking Semiconductor Equipment, Inc., a private company that designs, manufactures and markets a line of optical inspection equipment used to manufacture and test semiconductor devices. Products include die attachments, automatic die sorters, tape and reel and wafer inspection equipment.

The merger will be accounted for as a pooling-of-interests. Accordingly, the historical accounts of Viking Semiconductor Equipment, Inc. will be combined with those of the Company as if they had always been merged. Each share of Viking Common Stock will be converted to a pro-rata portion of an aggregate of 420,000 shares of Giga-tronics Common Stock. The merger is expected to be effective in June 1997. The merger is subject to final approval of the transaction by Viking Semiconductor Equipment shareholders.

If the merger had been effective as of March 29, 1997 revenues, net earnings (loss) and earnings (loss) per share would have been as follows:

<TABLE>
<CAPTION>

Years Ended (In thousands except per share data)	March 29, 1997	March 30, 1996	March 25, 1995
<S>	<C>	<C>	<C>
Revenues	\$ 32,428	\$ 35,305	\$ 29,824
Net earnings (loss)	1,122	1,748	(778)
Net earnings (loss) per share	\$ 0.29	\$ 0.46	\$ (0.21)

</TABLE>

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Shareholders
Giga-tronics Incorporated:

We have audited the accompanying balance sheets of Giga-tronics Incorporated and subsidiary as of March 29, 1997, and March 30, 1996, and the related statements of operations, shareholders' equity and cash flows for years ended March 29, 1997, March 30, 1996, and 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 and subsidiary as of March 29, 1997, and March 30, 1996, and the results of their operations and their cash flows for the years ended March 29, 1997, March 30, 1996 and March 25, 1995, in conformity with generally accepted accounting principles.

/s/

KPMG Peat Marwick LLP

San Jose, California
April 18, 1997

except as to note 11, which is as of June 6, 1997

SELECTED FINANCIAL DATA

<TABLE>

<CAPTION>

SUMMARY OF OPERATIONS:

(In thousands except per share data)

	March 29, 1997	March 29, 1996	March 30, 1995	March 25, 1994	March 26, 1993	March 27, 1993
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Net sales	\$ 28,886	\$ 30,811	\$ 25,969	\$ 23,467	\$ 24,888	
Gross profit	10,863	11,386	8,573	9,546	9,258	
Operating expenses	8,693	9,316	9,696	8,145	7,964	
Interest income, net	586	272	207	249	220	
Earnings (loss) before income taxes	2,190	1,982	(1,459)	1,392	1,354	
Net earnings (loss)	1,644	1,740	(867)	1,305	727	
Net earnings (loss) per share	\$ 0.48	\$ 0.52	\$ (0.27)	\$ 0.40	\$ 0.22	

</TABLE>

<TABLE>

<CAPTION>

FINANCIAL POSITION:

(In thousands except ratio)

	March 29, 1997	March 29, 1996	March 30, 1995	March 25, 1994	March 26, 1993	March 27, 1993
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Current ratio	6.1	4.1	3.0	4.0	3.2	
Working capital	\$20,149	\$17,206	\$13,940	\$15,040	\$15,121	
Total assets	27,021	26,584	25,826	25,690	25,176	
Shareholders' equity	22,895	20,817	18,883	19,827	18,522	
Shares of common stock	3,379	3,324	3,259	3,259	3,259	

</TABLE>

<TABLE>

<CAPTION>

PERCENTAGE DATA:

	March 29, 1997	March 30, 1996	March 25, 1995	March 26, 1994	March 27, 1993
<S>	<C>	<C>	<C>	<C>	<C>
Percent of net sales:					
Gross profit	37.6%	37.0%	33.0%	40.7%	37.2%
Operating expenses	30.1	30.2	37.3	34.7	32.0
Interest income, net	2.0	.9	.8	1.7	0.9
Earnings (loss) before income taxes	7.6	6.4	(5.6)	5.9	5.4
Net earnings (loss)	5.7	5.6	(3.3)	5.6	2.9

</TABLE>

SELECTED FINANCIAL DATA

<TABLE>

<CAPTION>

QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

(In thousands except per share data)

	1997				
	First	Second	Third	Fourth	Year
<S>	<C>	<C>	<C>	<C>	<C>
Net sales	\$ 7,793	\$ 7,138	\$ 7,697	\$ 6,258	\$28,886
Gross profit	3,065	2,665	2,741	2,392	10,863
Operating expenses	2,385	2,052	2,106	2,150	8,693
Interest income, net	111	159	161	155	586
Earnings before income taxes	672	630	623	265	2,190
Net earnings	505	472	469	198	1,644
Net earnings per share	0.15	0.14	0.14	0.06	0.48

Equivalent shares of common stock	3,408	3,420	3,411	3,401	3,411
-----------------------------------	-------	-------	-------	-------	-------

</TABLE>

<TABLE>

<CAPTION>

(In thousands except per share data)		1996				
<S>	First	Second	Third	Fourth	Year	
	<C>	<C>	<C>	<C>	<C>	
Net sales	\$ 7,649	\$ 7,692	\$ 7,718	\$ 7,752	\$30,811	
Gross profit	2,847	2,916	2,888	2,735	11,386	
Operating expenses	2,355	2,413	2,219	2,329	9,316	
Interest income, net	40	66	67	99	272	
Earnings before income taxes		476	515	614	377	1,982
Net earnings	453	453	532	302	1,740	
Net earnings per share	0.14	0.13	0.16	0.09	0.52	
Equivalent shares of common stock		3,341	3,369	3,369	3,360	3,360

</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 29, 1997 exceeded 1,000. The table below shows the high and low closing bid quotations for the common stock during the indicated fiscal periods.

<TABLE>

<CAPTION>

	1997	HIGH	LOW	1996	HIGH	LOW
<S>	<C>	<C>	<C>	<C>	<C>	<C>
First Quarter	(3/31 - 6/29)	14-1/4	7	(3/26 - 6/24)	7-7/8	6
Second Quarter	(6/30 - 9/28)	11-5/8	7-7/8	(6/25 - 9/30)	10-1/2	6-3/4
Third Quarter	(9/29 - 12/28)	9	7-5/8	(10/1 - 12/30)	9	6-7/8
Fourth Quarter	(12/29 - 3/29)	9-1/8	7-1/4	(12/31 - 3/30)	8	6-5/8

</TABLE>

<TABLE> <S> <C>

<ARTICLE> 5

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