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 27, 1999, or

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

Commission File No. 0-12719

GIGA-TRONICS INCORPORATED
(Exact name of registrant as specified in its charter)

California	94-2656341
(State or other jurisdiction of incorporation or organization)	I.R.S. Employer Identification No.)

4650 Norris Canyon Road, San Ramon, CA	94583
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number: (925) 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 [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

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 June 15, 1999 was $6,660,973. For purposes of this determination only, directors and officers of the Registrant have been assumed to be affiliates. There were a total of 4,361,902 shares of the Registrant's Common Stock outstanding as of June 15, 1999.

DOCUMENTS INCORPORATED BY REFERENCE

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

PART OF FORM 10-K	DOCUMENT
PART II Items 5, 6, 7 and 8	Registrant's ANNUAL REPORT TO SHAREHOLDERS for the fiscal year ended March 27, 1999.
PART III Items 10, 11, 12 and 13	Registrant's PROXY STATEMENT for its 1999 annual meeting of shareholders to be filed no later than 120 days after the close of the fiscal year ended March 27, 1999.

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 under "Certain Factors Which May Adversely Affect Future Operations Or An Investment In The Company" in Item 1 below and in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," incorporated by reference on pages 7 through 9 of the Company's 1999 Annual Report to Shareholders.

ITEM 1. BUSINESS

General

Giga-tronics Incorporated (Giga-tronics) includes the operations of Giga-tronics Instrument division, and its wholly owned subsidiaries, ASCOR, Inc. (ASCOR), Viking Semiconductor Equipment, Inc. (Viking), Ultracision, Inc. (Ultracision), and Microsource, Inc. (Microsource).

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

Effective July 23, 1996, Giga-tronics acquired ASCOR. 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 market.

Effective June 27, 1997, Giga-tronics completed a merger with Viking by issuing approximately 420,000 shares of the Company's common stock in exchange for all of the common stock of Viking. The merger was accounted for using the pooling-of-interests method of accounting. Viking, which is now located in Santa Clara, California, manufactures and markets a line of optical inspection equipment used to manufacture and test semiconductor devices.

Effective December 2, 1997, Giga-tronics completed a merger with Ultracision by issuing approximately 517,000 shares of the Company's common stock in exchange for all of the common stock of Ultracision. The merger was accounted for using the pooling-of-interests method of accounting. Ultracision is a manufacturer of automation equipment for the test and inspection of silicon wafers. Ultracision additionally produces a line of probers for the testing and inspection of silicon devices.

Effective May 18, 1998, Giga-tronics Inc. completed an acquisition of Microsource. All the outstanding shares of Microsource were exchanged for $1,500,000 plus contingent future payments based on earnings from Microsource for the next two years. The acquisition was accounted for using the purchase method of accounting. Microsource develops and manufactures a broad line of YIG (Yttrium, Iron, Garnet) tuned oscillators, filters and microwave synthesizers, which are used by its customers in manufacturing a wide variety of microwave instruments or devices.

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.

Industry Segments

The Company manufactures products used in test, measurement and handling. The Company conducts its business primarily in four operating segments; Giga-tronics Instruments, ASCOR, Microsource and the Semiconductor Equipment Group (Viking and Ultracision).

Products and Markets

Giga-tronics Instruments

The Giga-tronics Instruments segment 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. This segment's instruments are used in the design, production, repair and maintenance and calibration of other manufacturers' products, from discrete components to complex systems.

ASCOR

The ASCOR segment produces switch modules, and interface adapters that operate with a bandwidth from direct current (DC) to 18 GHz. This segment's switch modules may be incorporated within its customer's automated test equipment. 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.

Microsource

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

Semiconductor Equipment Group

The Semiconductor Equipment Group manufactures and markets a line of optical inspection equipment used in the testing of semiconductor devices. Products include die attachments, automatic die sorters, tape and reel equipment, and wafer inspection equipment. Further, the Semiconductor Equipment Group manufactures automation equipment for the test inspection and robotic handling of silicon wafers in addition to a line of probers for the testing and inspection of silicon devices. These products are used by Semiconductor manufacturers and various other suppliers to the Semiconductor industry.

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

The Company had been a leading supplier of microwave and radio frequency (RF) 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 2000, even though the outlook for defense-related orders continues to be soft. As a result of the Microsource Inc. acquisition, the Company is more dependent on U.S. Government defense agencies. This acquisition increased the percentage in fiscal 1999 of defense-related agency sales from 9% without Microsource Inc. to 24% with their inclusion. Defense-related agencies accounted for 24%, 12% and 28% of net sales in fiscal 1999, 1998 and 1997, respectively. Commercial business accounted for 76%, 88% and 72%, of net sales in fiscal 1999, 1998 and 1997, respectively. In the past several years, sales to the defense industry in general, and direct sales to the United States and foreign government agencies in particular, have declined. Giga-tronics believes this softening of product orders, and the resulting decline in defense sales revenues, is indicative of the world-wide decline in governmental defense spending. Any further decline in defense orders as a consequence of the foregoing circumstance, or otherwise, could have a material adverse effect on the business, operating results, financial condition and cash flows of Giga-tronics.

Backlog of Orders

On March 27, 1999, Giga-tronics had a backlog of approximately $17,792,000 compared to $6,492,000 at March 28, 1998. Included in the March 27, 1999 backlog is $11,066,000 for Microsource Inc. 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 backlog will be shipped within the next twelve months.

A portion of the year-end backlog consists 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

Giga-tronics is engaged in a highly competitive field. Competition from numerous existing companies is intense and potential new entrants could increase competitive pressures. The Company's instrument, switch, oscillator and synthesizer products compete with Hewlett Packard, Anritsu, Racal, IFR and Rhode & Schwarz while the Semiconductor Equipment Groups products compete with various other competitors. Many of these companies have substantially greater research and development, manufacturing, marketing, financial, technological, personnel and managerial resources than Giga-tronics. There can be no assurance that any products developed by these competitors will not gain greater market acceptance than any developed by Giga-tronics. Accordingly, Giga-tronics will be required to continue to devote substantial resources and efforts to marketing and research and development activities.

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

Sales and Marketing

The Giga-tronics Instruments, ASCOR and Microsource markets their products direct and through various distributors and representatives to government and commercial customers, although not necessarily through the same distributors and representatives. The Semiconductor Equipment Group markets its equipment direct and through separate distributors and sales representatives to semiconductor 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 component technologies into its new products.

Product development expense was approximately $5,313,000, $6,200,000 and $4,581,000 in fiscal 1999, 1998 and 1997, 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 until technological feasibility is achieved. Giga-tronics expects to continue to make significant investments in research and development.

Manufacturing

The assembly and testing of Giga-tronics Instrument's Microwave, RF and power measurement products is done at its San Ramon facility. The assembly and testing of ASCOR's switching and connecting devices is done at its Fremont facility. The assembly and testing of Microsource's line of YIG (Yttrium, Iron, Garnet) tuned oscillators, filters and microwave synthesizers is done at its

Santa Rosa facility. The assembly and testing of the Semiconductor Equipment Group's products is done at its Santa Clara 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 27, 1999, the Company employed 293 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 $7,665,000, $10,410,000 and $11,896,000 in fiscal 1999, 1998 and 1997, 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.

Certain Factors Which May Adversely Affect Future Operations Or An Investment In The Company

With the addition of Microsource Inc. the Company's defense-related orders have become more important. If the defense market should soften, shipments in the current year could fall short of plan with a concurrent decline in earnings. Current softness in the market for the Company's commercial products has resulted in a leveling of the commercial backlog. If this trend cannot be reversed in the near term, shipments in the current year could fall short of plan with a continued decline in earnings. The Company at this time is engaged in cost reduction activities and improvement in manufacturing efficiencies which may partially offset any unfavorable impact caused by a decline in revenues. Also, 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. Nevertheless, there is no assurance these efforts will lead to increased sales in the near term.

During fiscal years 1999, 1998 and 1997, Giga-tronics made four business acquisitions: Microsource, Ultracision, Viking and ASCOR. Giga-tronics has acquired these companies with the expectation that the acquisitions would result in long-term strategic benefits. The realization of the benefits sought from these acquisitions depends on the ability of Giga-tronics to effectively utilize the joint product development capabilities, sales and marketing capabilities, administrative organizations and facilities of these companies. There can be no assurance that these benefits will be achieved or that the activities of these companies will be integrated in a coordinated, timely and efficient manner. The combination of these entities also will require the dedication of management resources, which will detract such persons' attention from the day-to-day business of Giga-tronics. There can be no assurance the integration will be completed without disrupting Giga-tronics businesses. The inability of Giga-tronics to effectively utilize resources and to achieve integration in a timely and coordinated fashion could result in a material adverse effect on Giga-tronics' financial condition, operating results and cash flows.

Prior to the acquisition of Viking and Ultracision, Giga-tronics had no experience in the semiconductor manufacturing equipment industry. As a result, integration of these companies may be difficult. The difficulties may be increased by addressing possible differences in corporate cultures and management philosophies. Finally, expenditures related to the development of new products by these subsidiaries have, and may in the future, impact the financial results of Giga-tronics. The future success of Giga-tronics may depend on its ability to steadily incorporate advancements in semiconductor manufacturing technologies into its new products. The impact of these new subsidiaries on the operations of Giga-tronics remains uncertain.

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

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

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

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

ITEM 2. PROPERTIES

As of March 27, 1999, Giga-tronics Instrument'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 47,300 square feet in San Ramon, California, which the Company occupies under a lease agreement expiring December 31, 2006.

ASCOR's 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 that expired on January 31, 1999 and the Company is renting this facility on a month to month basis. The Company will continue to rent this facility on a month to month basis until the new facilities to be leased by the Company under a lease expiring in 2006 are completed. These facilities will be approximately 18,600 square feet in Fremont, California.

Microsource's marketing, sales and engineering offices and manufacturing facilities for its YIG tuned oscillators, filters and microwave synthesizers are located in an approximately 35,000 square foot facility in Santa Rosa, California, which the Company occupies under a lease expiring May 31, 2003.

The Semiconductor Equipment Group's marketing, sales and engineering offices and manufacturing facilities for its automation equipment for the inspection of silicon wafers, prober line and optical inspection equipment used in the manufacture and test of semiconductor devices are located in an approximately 20,400 square foot facility in Santa Clara, California, under a lease expiring on June 30, 2002.

ITEM 3. LEGAL PROCEEDINGS

As of March 27, 1999, 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 27, 1999. Executive Officers of the Company are listed on page 16 of this Form 10-K.

PART II

The Registrant's Annual Report to Shareholders for the year ended March 27, 1999, is filed as Exhibit 13.0 with the Form 10-K (the "1999 Annual Report"). The information responsive to Items 5, 6, 7 and 8, which is contained in the 1999 Annual Report, is specifically incorporated by reference in this Form 10-K. With the exception of such information, the 1999 Annual Report is not deemed filed as part of this report.

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

Incorporated by reference from the 1999 Annual Report, see "Common Stock Market Prices" which appears on page 24.

ITEM 6. SELECTED FINANCIAL DATA

Incorporated by reference from the 1999 Annual Report, see "Selected Financial Data" which appears beginning on page 23.

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

Incorporated by reference from the 1999 Annual Report, see "Management's Discussion and Analysis" which appears on pages 7 to 9.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Financial instruments that expose the company to market risk are cash and cash equivalents. The investments are held in recognized financial instruments, have short term maturities and therefore have limited market risk. While the Company has sales in foreign countries, all such sales are denominated in U.S. dollars and therefore the company is not subject to foreign currency risk.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The following items which appear in the 1999 Annual Report are incorporated by reference:

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Consolidated Balance Sheets...	page 10
Consolidated Statements of Operations.....................................	page 11
Consolidated Statements of Shareholders' Equity............................	page 12
Consolidated Statements of Cash Flows.....................................	page 13
Notes to Consolidated Financial Statements................................	page 14 - 21
Independent Auditors' Report..	page 22

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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 1999 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 27, 1999.

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 27, 1999.

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 27, 1999.

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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Years Ended March 27, 1999,
March 28, 1998 and March 29, 1997

Consolidated Statements of Shareholders' Equity - 12
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Consolidated Statements of Cash Flows - 13
Years Ended March 27, 1999,
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(a)(2) Schedules	Form 10-K (Page No.)
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Report on Financial Statement Schedule and Consent of Independent Auditors	14
Schedule II - Valuation and Qualifying Accounts	15

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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 1999 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 page 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 27, 1999.

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.

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>	<C>	<C>
/s/ GEORGE H. BRUNS, JR. - ------------------------------------- George H. Bruns, Jr.	Chairman of the Board and Chief Executive Officer (Principal Executive Officer)	6/16/99 -------------------- (Date)
/s/ MARK H. COSMEZ II - ------------------------------------- Mark H. Cosmez II	Vice President, Finance and Chief Financial Officer (Principal Accounting Officer)	6/16/99 -------------------- (Date)
/s/ JAMES A. COLE - ------------------------------------- James A. Cole	Director	6/18/99 -------------------- (Date)
/s/ ROBERT C. WILSON - ------------------------------------- Robert C. Wilson	Director	6/18/99 -------------------- (Date)
/s/ WILLIAM E. WILSON - ------------------------------------- William E. Wilson	Director	6/17/99 -------------------- (Date)

</TABLE>

Exhibit 23.0

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 May 4, 1999 included the related financial statement schedule as of March 27, 1999 and for the years ended March 27, 1999, March 28, 1998, and March 29, 1997, incorporated herein. 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. 333-34719, 333-39403, and 333-48889) on Form S-8 and (No. 333-50091) on Form S-3 of Giga-tronics Incorporated of our reports included herein or incorporated herein by reference.

/s/

KPMG LLP

Mountain View, California
June 17, 1999

GIGA-TRONICS INCORPORATED
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

Column A	Column B	Column C	Column D	Column E
Description	Balance at Beginning of Period	Charged to Cost and Expenses	Deductions (Recoveries)	Balance At End of Period
Year ended March 27, 1999				
Allowances deducted from assets:				
Accounts receivable:				
For doubtful accounts(1)	$292,644	$152,581	$ 10,612	$434,613
Total	$292,644	$152,581	$ 10,612	$434,613
Year ended March 28, 1998				
Accounts receivable:				
For doubtful accounts(1)	$323,983	$ 39,800	$ 71,139	$292,644
Total	$323,983	$ 39,800	$ 71,139	$292,644
Year ended March 29, 1997				
Accounts receivable:				
For doubtful accounts(1)	$293,827	$ 23,451	$ (6,705)	$323,983
Total	$293,827	$ 23,451	$ (6,705)	$323,983

(1) Allowance for accounts receivable collection exposure.

GIGA-TRONICS INCORPORATED
EXECUTIVE OFFICERS

Name	Age	Position
George H. Bruns, Jr.	80	Chief Executive Officer since January, 1995, Chairman of the Board and a Director of the Company. One of the founders of the Company in 1980 and has been a Director since inception. Mr. Bruns is General Partner of The Bruns Company, a private venture investment and management consulting firm. Mr. Bruns is Director of Testronics, Inc. of McKinney, Texas.
Mark H. Cosmez II	48	Vice President, Finance/Chief Financial Officer, Giga-tronics from October 1997. Before joining the company, Mr. Cosmez was the Chief Financial Officer for Pacific Bell Public

		Communications. Prior to 1997, he was the Vice President of Finance and Chief Financial Officer for International Microcomputer Software Inc. (IMSI), a NASDAQ traded software company. From 1994 to 1995, he was the corporate controller for The Software Toolworks Inc.
James R. Koehn	58	President, Giga-tronics Instrument division as of May 1998. From January 1995 to April 1998, Mr. Koehn previously served as President of Marconi Instruments, Inc. of Fort Worth, Texas. Prior to December 1994 he was a Vice President at Tektronix.
Jeffrey T. Lum	53	President, ASCOR, Inc. since November 1987. Founded the Company in 1987 and has been President since inception. Before founding ASCOR, Mr. Lum was Vice President and founder of Autek Systems Corporation.
Daniel S. Markowitz	48	President, Ultracision, Inc. and Viking Semiconductor Equipment, Inc. since April 1999. Assistant to the Chairman of Giga-tronics, Inc. from September 1998 to March 1999. Vice President, Automation Products, Ultracision, Inc. from February 1996 to August 1998. Mr. Markowitz was the General Manager of Mar Engineering from September 1993 to January 1996.
Robert A. Smith	58	President, Microsource, Inc. from October 12, 1998. Before joining the Company, Mr. Smith was the Executive Vice President of Haskel International, Inc. and the President of IPG from 1995 to 1998. From 1994 to 1995 he was the President and CEO of Industrial Tools, Inc.

</TABLE>

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., as previously filed on June 13, 1997, as Exhibit 2.3 to Form 10-K for the fiscal year ended March 29, 1997.

2.4 Agreement and Plan of Reorganization, dated as of December 2, 1997, by and among Giga-tronics Incorporated, Giga Acquisition Corp. and Ultracision, Inc. as previously filed on December 16, 1997, as Exhibit 2.1 to Form 8-K, and incorporated herein by reference.

2.5 Agreement and Plan of Reorganization as amended, dated as of December 22, 1997, by and among Giga-tronics Incorporated, Giga Micro Corp., and Microsource Inc., as previously filed on June 1, 1998, as Exhibit 2.1 to Form 8-K and incorporated herein by reference.

3.1* Articles of Incorporation of Registrant, as amended.

3.2 By-laws of Registrant, as amended, previously filed on June 23, 1998 as Exhibit 3.2 to Form 10-K for the fiscal year ended March 28, 1998, and incorporated herein by reference.

10.1 1990 Restated Stock Option Plan and form of Incentive Stock Option Agreement, previously filed on December 3, 1997 as Exhibit 19.1 to Form S-8 and incorporated herein by reference.

10.2* Standard form Indemnification Agreement for Directors and Officers.

10.3 Lease between Giga-tronics Incorporated and Calfront Associates for 4650 Norris Canyon Road, San Ramon, CA, dated December 6, 1993, previously filed as an exhibit to Form 10-K for the fiscal year ended March 26, 1994.

10.4 Employee Stock Purchase Plan, previously filed on August 29, 1997, as Exhibit 99.1 to Form S-8, and incorporated herein by reference.

10.5 Form of Incentive Stock Option Agreements for Ultracision, Inc., as Amended by the Assumed Option Agreement, as previously filed on March 30, 1998 as Exhibit 99.3 to Form S-8 and incorporated herein by reference.

13.0* 1999 Annual Report to Shareholders.

23.0 Report on Financial Statement Schedule and Consent of Independent Auditors. (See page 14 of this Annual Report on Form 10-K.)

27.0* Financial Data Schedule.

* Attached as exhibits to this Form 10-K.

Exhibit 3.1

ARTICLES OF INCORPORATION

OF

GIGATRONICS, INC.

I.

The name of this corporation is GIGATRONICS, INC.

II.

The purpose of this 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.

III.

The name and address in the State of California of this corporation's initial agent for service of process is:

Mr. John Scheck
5 Garden Estates Court
Alamo, CA 94507

IV.

This corporation is authorized to issue only one class of shares of stock; and the total number of shares which this corporation is authorized to issue is 250,000.

DATED: March 3, 1980.

/s/ H. C. NACHTRIEB

Harold C. Nachtrieb

I hereby declare that I am the person who executed the foregoing Articles of Incorporation, which execution is my act and deed.

/s/ H. C. NACHTRIEB

CERTIFICATE OF AMENDMENT OF

ARTICLES OF INCORPORATION

OF

GIGATRONICS, INC.

John Scheck and Stanley Keller certify that:

1. They are the President and Secretary, respectively, of GIGATRONICS, INC., a California corporation (the "Corporation").

2. Article FOURTH of the Articles of Incorporation of the Corporation is hereby amended to read in full as follows:

> "FOURTH: This Corporation is authorized to issue two classes of shares, which shall be known as Common Stock and Preferred Stock. The total number of shares of Common Stock which this Corporation is authorized to issue is 1,000,000 and the total number of shares of Preferred Stock which this Corporation is authorized to issue is 250,000. Upon the Amendment of this Article to read as herein above set forth, each outstanding share is converted into or reconstituted as one Common Share."

3. Article FIFTH is added to the Articles of Incorporation and reads as follows:

> "FIFTH: Shares of Preferred Stock may be issued from time to time in one or more series. The Board of Directors shall determine the designation of each series and the authorized number of shares in each series. The Board of Directors is authorized to determine and alter the rights, preferences, privileges, and restrictions granted to or imposed upon any wholly unissued series of shares of Preferred Stock and to increase or decrease (but not below the number of shares of such series then outstanding) the number of shares of any such series subsequent to the issue of shares of that series.
> If the number of shares of any series of Preferred Stock shall be so decreased, the shares constituting such decrease shall resume the status which they had prior to the adoption of the resolution initially fixing the number of shares of such series."

4. The foregoing Amendment of Articles of Incorporation has been duly approved by the Board of Directors.

5. The foregoing Amendment of Articles of Incorporation has been duly approved by the required vote of shareholders in accordance with Section 902 of the Corporations Code. The total number of outstanding shares of the Corporation is 37,000. The number of shares voting in favor of Amendment equaled or exceeded the vote required. The percentage vote required was more than fifty percent (50%).

/s/ JOHN SCHECK

John Scheck, President

/s/ STANLEY KELLER

Stanley Keller, Secretary

The undersigned declare under penalty of perjury that the matters set forth in the foregoing Certificate are true of their own knowledge. Executed at Pleasant Hill, California on 14th day of January, 1981.

/s/ JOHN SCHECK

John Scheck, President

/s/ STANLEY KELLER

Stanley Keller, Secretary

CERTIFICATE OF DETERMINATION
OF PREFERENCES OF PREFERRED STOCK
SERIES A OF
GIGATRONICS, INC.

The undersigned, John Scheck and Stanley Keller, do hereby certify:

1. That said John Scheck is, and at all times herein mentioned was, the duly elected and acting President of GIGATRONICS, INC., a California corporation, and that said Stanley Keller is, and at all times herein mentioned was, the duly elected and acting Secretary of said corporation:

2. That at a meeting held January 7, 1981, the following resolutions were duly adopted by the Board of Directors of said corporation:

WHEREAS, Articles Fourth and Fifth of the Articles of Incorporation of this corporation provide for a class of its authorized shares known as Preferred Stock, comprising 250,000 shares of no par value, issuable from time to time in one or more series, and authorize the Board of Directors to fix or alter the dividend rights, dividend rate, conversion rights, voting rights, rights in terms of redemption (including sinking fund provisions), the redemption price or prices, the liquidation preferences of any wholly unissued class, or of a wholly unissued series of any class of shares, or the number of shares constituting any unissued series of any class and the designation of such series, or any of them; and to increase or decrease (but not below the number of shares of such series then outstanding) the number of shares of any such series subsequent to the issuance of shares of that series; and

WHEREAS, it is the desire of the Board of Directors of this corporation pursuant to its authority as aforesaid, to fix the rights, preferences, restrictions and other matters relating to a first series of said Preferred Stock;

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors does hereby provide, pursuant to Article Fifth of the Articles of Incorporation, for the issuance of a first series of Preferred Stock of the Corporation, and it does hereby fix and determine the rights, preferences, restrictions and other matters relating to said series of Preferred Stock as follows:

I. TITLE OF SERIES

The first series of Preferred Stock shall be designated and known as "Preferred Stock, Series A".

II. NUMBER OF SHARES

The number of shares constituting the Preferred Stock, Series A shall be 35,500 shares.

III. DIVIDEND RIGHTS

The holders of the Preferred Stock, Series A shall be entitled to receive, out of funds legally available therefor, dividends at the rate of One Dollar Forty Cents ($1.40) per annum per share, payable in cash quarterly on the fifteenth (15th) day of March, June, September and December in each year, commencing March 15, 1981, when and as declared by the Board of Directors of the Corporation. Such dividends shall not be cumulative; provided, however, that if the Corporation's independent certified public accountant determines, for any fiscal year, that the Corporation had after-tax earnings for such year, legally available for the payment of dividends, dividends will cumulate in an amount equal to the lesser of dividends payable but not declared during such fiscal year and after-tax earnings for such fiscal year. Dividends so cumulative will be paid or set apart for payment, but without interest, before the payment of any dividend on the common stock of the Corporation (the "Common Stock").

Dividends shall be paid by forwarding a check, postage prepaid, to the address of each holder (or, in the

case of joint holders, to the address of either such holder) of Preferred Stock, Series A as shown on the books of the Corporation, unless such holder specifies another address by written notice to the Corporation. The forwarding of such check shall satisfy all obligations of the Corporation with respect to such dividends, unless such check is not paid upon timely presentation.

The holders of the Preferred Stock, Series A shall be entitled to dividends as set forth in this Section III and no more. At any time after all dividends on the Preferred Stock, Series A shall have been declared and paid or set apart for payment in accordance with the provisions of this Section III, dividends may be paid on outstanding Common Stock out of any funds legally available therefor.

IV. LIQUIDATION RIGHTS

In the event of any liquidation, dissolution and winding up of the Corporation, whether voluntary or not, the holders of Preferred Stock, Series A shall be entitled to receive an amount per share equal to Twenty Dollars ($20) plus all dividends to which they are entitled before any amount shall be paid to holders of the Common Stock, and shall not be entitled to receive any portion of the remaining assets of the Corporation.

V. VOTING RIGHTS

The holders of the Preferred Stock, Series A shall have one vote for each full share of Common Stock into which their respective shares of Preferred Stock, Series A, are convertible on all matters on which holders of Common Stock are entitled to vote, and, except as expressly provided by law, shall have no other rights to vote with respect to any matter.

VI. CONVERSION TO COMMON STOCK

The Preferred Stock, Series A shall be convertible into Common Stock as follows:

A. DEFINITIONS. For purposes of this Section VI, the following definitions shall apply:

(1) "Series A Issuance Date" shall mean the first date on which the Corporation issues any shares of Preferred Stock, Series A.

(2) "Conversion Price" shall mean the price, determined pursuant to this Section VI, at which shares of Common Stock shall be deliverable upon conversion of Preferred Stock, Series A.

(3) "Current Conversion Price" shall mean the Conversion Price immediately before the occurrence of any event, which, pursuant to Section VI.C, causes a redetermination of the Conversion Price.

(4) "Convertible Securities" shall mean any indebtedness or shares of stock convertible into or exchangeable for Common Stock.

(5) "Options" shall mean any rights or options to subscribe for or purchase Common Stock or Convertible Securities.

(6) "Common Stock Outstanding" shall include all Common Stock issuable upon exercise of all outstanding Options and conversion of all outstanding Convertible Securities.

(7) "Distribution" shall have the meaning of the term

"distribution to its shareholders" in the California Corporations Code as in effect on the date of this certificate.

B. RIGHT TO CONVERT; INITIAL CONVERSION PRICE. Each holder of the Preferred Stock. Series A may, at any time, upon surrender of the certificates therefor, convert any or all of his Preferred Stock, Series A into fully paid and non-assessable shares of Common Stock at the Conversion Price, each share of Preferred Stock, Series A being taken at Twenty Dollars ($20) for the purpose of such conversion. The Conversion Price shall initially be Twenty Dollars ($20) per share of Common Stock. Such initial Conversion Price shall be subject to adjustment from time to time in certain instances as herein-after provided. No adjustments with respect to conversion shall be made on account of any dividends that may be cumulated but unpaid on the Preferred Stock, Series A surrendered for conversion, but no dividends shall thereafter be paid on the Common Stock unless such cumulated but unpaid dividends have first been paid to the holders at the time of conversion of the Preferred Stock, Series A.

Before any holder of Preferred Stock, Series A shall be entitled to convert the same into Common Stock, he shall surrender the certificate or certificates therefor, duly

endorsed, to the office of the Corporation or any transfer agent for such Preferred Stock, Series A, and shall give written notice to the Corporation at such office that he elects to convert the same. The Corporation shall, as soon as practicable thereafter, issue and deliver at such office to such holder of Preferred Stock, Series A, or to his nominee or nominees, certificates for the number of full shares of Common Stock to which he shall be entitled, together with cash in lieu of any fraction of a share as hereinafter provided, and, if less than all of the shares of Preferred Stock, Series A represented by such certificate are converted, a certificate representing the shares of Preferred Stock, Series A not converted. Such conversion shall be deemed to have been made as of the date of such surrender of the Preferred Stock, Series A to be converted, and the person or persons entitled to receive the Common Stock issuable upon such conversion shall be treated for all purposes as the record holder or holders or such Common Stock on such date.

C. ADJUSTMENTS TO CONVERSION PRICE. Subject to Section VI.C.9, the Conversion Price in effect from time to time shall be subject to adjustment in certain cases as follows:

1. ISSUANCE OF SECURITIES. In case the Corporation shall at any time after the Series A Issuance Date (i) issue or sell any Common Stock without consideration, or for a consideration per share less than the Current Conversion price, or (ii) pay or make a dividend or other Distribution on the Common Stock (other than in cash out of its retained earnings, in Common Stock, in Convertible Securities, or in Options) then, and thereafter successively upon each such issuance, sale, dividend or other Distribution, the Current Conversion Price shall simultaneously with such issuance, sale, dividend or other Distribution be adjusted to a Conversion Price (calculated to the nearest cent) determined by dividing

(a) an amount equal to (i) the total number of shares of Common Stock Outstanding when the Current Conversion Price became effective multiplied by the Current Conversion Price, plus (ii) the aggregate of the amount of all consideration, if any, received by the Corporation for the issuance or sale of Common Stock since the Current Conversion Price became effective, minus (iii) the aggregate amount of all dividends or Distributions on Common Stock (other than in cash out of its retained earnings, in shares of Common Stock, in Convertible Securities or in Options), paid by the Corporation since the Current Conversion Price became effective, by

(b) the total number of shares of Common Stock Outstanding immediately after such issuance, sale, dividend, or other Distribution,

except that the Current Conversion Price shall not be reduced if the amount of such reduction would be less than fifty cents ($.50), and in no event shall the Conversion Price exceed the Initial Conversion Price.

For the purposes of this subsection VI.C.1, the following provisions shall also be applicable:

(i) CASH CONSIDERATION. In case of the issuance or sale of additional Common Stock for cash, the consideration received by the Corporation therefor shall be deemed to be the amount of cash received by the Corporation for such shares (or, if such shares are offered by the Corporation for subscription, the subscription price, or, if such shares are sold to underwriters or dealers for public offering without a subscription offering, the initial public offering price), without deducting therefrom any compensation or discount paid or allowed to underwriters or dealers or others performing similar services or for any expenses incurred in connection therewith.

(ii) NON-CASH CONSIDERATION. In case of the issuance (otherwise than upon conversion or exchange of Convertible Securities) or sale of additional Common Stock, Options or Convertible Securities for a consideration other than cash or a consideration a part of which shall be other than cash, the fair value of such consideration as determined by the Board of Directors of the Corporation in the good faith exercise of its business judgment, irrespective of the accounting treatment thereof, shall be deemed to be the value, for purposes of this Section VI, of the consideration other than cash received by the Corporation for such securities.

(iii) OPTIONS AND CONVERTIBLE SECURITIES. In case the Corporation shall in any manner issue or grant any Options or any Convertible Securities, the total minimum number of shares

of Common Stock issuable upon the exercise of such Options or upon conversion or exchange of the total maximum amount of such Convertible Securities at the time such Convertible Securities first become convertible or exchangeable shall (as of the date of issue or grant of such Options or, in the case of the issue or sale of Convertible Securities other than where the same are issuable upon the exercise of Options, as of the date of such issue or sale) be deemed to be issued and to be outstanding for the purpose of this subsection VI.C.1 and to have been issued for the price per share for which shares of Common Stock are issuable upon the exercise of such Options or upon conversion or exchange of such Convertible Securities at the time such Convertible Securities first become convertible or exchangeable; provided that, subject to the provisions of subsection VI.C.2, no further adjustment of the Conversion Price shall be made upon the actual issuance of any such Common Stock or Convertible Securities or upon the conversion or exchange of any such Convertible Securities.

(iv) DIVIDENDS IN COMMON STOCK, OPTIONS, OR CONVERTIBLE SECURITIES. In the case of the issuance of additional Common Stock, Options, or Convertible Securities as a dividend or as a Distribution on Common Stock, the aggregate number of shares of Common Stock issued (or deemed issued pursuant to Section VI.C.1(iii)) in payment of such dividend or Distribution shall be deemed to have been issued on the record date for such dividend or Distribution and shall be deemed to have been issued without consideration.

(v) OTHER DIVIDENDS. In case of the payment or making of a dividend or other Distribution on Common Stock in property (excluding Common Stock, Convertible Securities and Options, but including all other securities), such dividend or other Distribution shall be deemed to have been paid or made on the record date for such dividend or other Distribution and in the amount of such dividend or other Distribution in property on such record date, as determined by the Board of Directors of the Corporation.

(vi) RECLASSIFICATION. The reclassification of securities other than Common Stock into securities including Common Stock shall be deemed to involve the issuance for a consideration other than cash of such Common Stock at the close of business on the date fixed for the determination of shareholders entitled to receive such Common Stock.

(vii) RECORD DATE. In the event that there shall be no record date for the determination of shareholders entitled to any dividend or Distribution declared by the Corporation, the first business day during which the stock transfer books of the Corporation shall be closed for the purpose of such determination shall be deemed to be the record date for the determination of shareholders entitled to such dividend or Distribution.

2. CHANGE IN OPTION PRICE OR CONVERSION RATE. In the event that the purchase price provided for in any Option referred to in subsection VI.C.1(iii), or the rate at which any Convertible Securities referred to in subsection VI.C.1(iii) are convertible into or exchangeable for shares of Common Stock shall change at any time (other than under or by reason of provisions designed to protect against dilution), the Current Conversion Price in effect at the time of such event shall forthwith be readjusted to the Conversion Price that would have been in effect at such time had such Options or Convertible Securities still outstanding provided for such changed purchase price, additional consideration or conversion rate, as the case may be, at the time initially granted, issued or sold. In the event that the purchase price provided for in any such Option referred to in subsection VI.C.1(iii), or the additional consideration (if any) payable upon the conversion or exchange of any Convertible Securities referred to in subsection VI.C.1(iii), or the rate at which any Convertible Securities referred to in subsection VI.C.1(iii) are convertible into or exchangeable for shares of Common Stock, shall be reduced at any time under or by reason of provisions with respect thereto designed to protect against dilution, then in case of the delivery of shares of Common Stock upon the exercise of any such Option or upon conversion or exchange of any such Convertible Security, the Current Conversion Price then in effect hereunder shall, upon issuance of such shares of Common Stock, be adjusted to such amount as would have

obtained had such Option or Convertible Security never been issued and had adjustments been made only upon the issuance of the shares of Common Stock delivered as aforesaid.

3. TERMINATION OF OPTION OR CONVERSION RIGHTS. In the event of the termination or expiration of any right to purchase Common Stock under any Option or of any right to convert or exchange Convertible Securities, the Current Conversion Price shall, upon such termination, be changed to the Conversion Price that would have been in effect at the time of such expiration or termination had such Option or Convertible Security, to the extent outstanding immediately prior to such expiration or termination, never been issued, and the shares of Common Stock issuable thereunder shall no longer be deemed to be Common Stock Outstanding.

4. STOCK SPLITS. In the event the outstanding Common Stock shall be subdivided into a greater number of shares of Common Stock, the Current Conversion Price shall, simultaneously with the effectiveness of such subdivision, be proportionately reduced, and conversely, in case the outstanding Common Stock shall be combined into a smaller number of shares of Common Stock, the Current Conversion Price shall, simultaneously with the effectiveness of such combination, be proportionately increased. For the purposes of subsections VI.C.1 and VI.C.4, a distribution of Common Stock to holders of Common Stock in which the number of shares distributed is 25 percent (25%) or more of the number of shares of Common Stock upon

which the distribution is to be made shall be deemed to be a subdivision of Common Stock, and a distribution of a lesser number of shares of Common Stock shall be deemed to be a stock dividend.

5. SUCCESSIVE CHANGES. The above provisions of this Section VI shall similarly apply to successive issuances, sales, dividends or other Distributions, subdivisions and combinations on or of the Common Stock after the Series A Issuance Date.

6. MERGER; SALE OF CORPORATION. Subject to Section IV, in the event, after the Series A Issuance Date, of any consolidation of the Corporation with, or merger of the Corporation with or into another corporation (other than a consolidation or merger in which the Corporation is the continuing corporation and which does

not result in any reclassification of, or change in, the outstanding shares of Common Stock), or in case of any sale or transfer to another corporation of all or substantially all of the assets of the Corporation, each share of Preferred Stock, Series A shall be treated for all purposes as if it had been converted into Common Stock on the earlier of (i) the record date, if any, for voting by holders of Common Stock on such event and (ii) the date of such event.

7. OTHER EVENTS ALTERING CONVERSION PRICE. Upon the occurrence of any event not specifically denominated in this Section VI as altering the Conversion Price that, in the reasonable exercise of the business judgment of the Board of Directors of the Corporation requires, on equitable principles, the alteration of the Conversion Price, the Conversion Price will be equitably altered.

8. MISCELLANEOUS CONVERSION PRICE MATTERS. The Corporation shall at all times reserve and keep available out of its authorized but unissued Common Stock the full number of shares of Common Stock deliverable upon conversion of all the then outstanding Preferred Stock, Series A, and shall, at its own expense, take all such actions and obtain all such permits and orders as may be necessary to enable the Corporation lawfully to issue such Common Stock upon the conversion of such Preferred Stock. No fractions of Common Stock shall be issued upon the conversion of Preferred Stock, Series A, and in lieu thereof the Corporation shall pay the holder an amount in cash equal to the fair market value of such fractional interest as determined by the Board of Directors of the Corporation in the exercise of its good faith business judgment.

9. EXCLUDED EVENTS. Notwithstanding anything in this Section VI to the contrary, the Conversion Price shall not be adjusted by virtue of the issuance or sale of an aggregate of not more than 20,000 shares of Common Stock to employees of the Corporation at a price which is less than the Conversion Price at the time of such issuance or sale (all as determined in accordance with this Section VI).

D. MANDATORY CONVERSION. At any time on or after the earlier of (a) the date on which any Common Stock is sold to the public by the Corporation (or selling shareholders, if any) in a public offering registered under the Securities Act of 1933 at a per share public offering price of not less

than twice the Conversion Price (as defined in Section VI.A(2) hereof) then in effect, or (b) the expiration of three (3) years after the Series A Issuance Date (as defined in Section VI.A.(3), then, in either case, the Corporation, may, at its election, cause all or any portion of the Preferred Stock, Series A to be converted at the Conversion Price then in effect.

The Corporation shall give notice of its election to cause conversion under this Section VI.D by mail, postage prepaid, at least 15 days prior to the date specified for conversion, to each holder of record of the Preferred Stock, Series A at the address of such holder as the same shall appear on the books of the Corporation, which notice shall specify said conversion date, the Conversion Price, the number of shares of Common Stock to be issued upon such conversion, the amount of the cash adjustment to be paid in respect of a fractional share of Common Stock and the amount of any dividend cumulated and unpaid prior to such conversion date. On and after said conversion date, notwithstanding that any certificate for the Preferred Stock, Series A shall not have been surrendered for conversion, the shares of Preferred Stock, Series A evidently thereby shall be deemed to be no longer outstanding, and all rights with respect thereto shall forthwith cease and terminate except only the rights of the holder (i) to receive the shares of Common Stock to which he shall be entitled upon conversion thereof, (ii) to receive the amount of cash payable in respect of any fractional share of Common Stock to which he shall be entitled, and (iii) with respect to dividends cumulated but unpaid on such Preferred Stock, Series A prior to such conversion date.

VII. WARRANT.

Subject to the terms and conditions hereinafter set forth, each holder of Preferred Stock, Series A, is hereby granted the right (a "Warrant"), to purchase, upon (but only upon and in no event after) conversion into Common Stock of the shares of Preferred Stock, Series A to which such Warrant relates, one share of Common Stock for each five shares of Preferred Stock, Series A, held, at a price ("Exercise Price") of Twenty Dollars ($20.00) per share of Common Stock.

The Warrants are exercisable at the office of the Corporation, or such other office or agency as the Corporation may from time to time designate, upon surrender of the certificate or the holder's Preferred Stock, Series A for conversion into shares of Common Stock and payment of the Exercise Price for the shares of Common Stock to be purchased

on such exercise, in United States currency, either in cash, or by certified or official bank check payable to the order of the Corporation.

A Warrant may be exercised only in full, only upon conversion of all Preferred Stock, Series A held by the holder making such exercise, and only upon exercise of all Warrants relating to such holder's shares of Preferred Stock, Series A.

Shares of Common Stock sufficient to provide for the exercise of the Warrants shall at all times be reserved by the Corporation for issuance upon exercise. All shares of Common Stock issuable upon the exercise of the Warrants shall be validly issued, fully paid and non-assessable.

VIII. CERTAIN TAXES.

The Corporation shall pay any and all issuance and other taxes (excluding any federal or state income taxes) that may be payable in respect of any issuance or delivery of shares of Common Stock on conversion of Preferred Stock, Series A, or on exercise of any Warrant. The Corporation shall not, however, be required to pay any tax that may be payable in respect of any transfer involved in the issuance and delivery of shares of Common Stock in a name other than that in which the shares of Preferred Stock, Series A to which such issuance relates were registered, and no such issuance or delivery shall be made unless and until the person requesting such issuance has paid to the Corporation the amount of any such tax, or it is established to the satisfaction of the Corporation that such tax has been paid.

RESOLVED FURTHER, that the President or any Vice President and the Secretary or any Assistant Secretary of this Corporation be, and they hereby are, authorized and directed to prepare and file a Certificate of Determination of Preferences in accordance with the foregoing resolution and the provisions of California law and to take such actions as they may deem necessary or appropriate to carry out the intent of the foregoing resolution.

3. That the authorized number of shares of Preferred Stock of said

corporation is 250,000 and that no such Preferred Stock has been issued.

IN WITNESS WHEREOF, the undersigned have executed this Certificate this 14th day of January, 1981.

/s/ JOHN SCHECK

John Scheck, President

/s/ STANLEY KELLER

Stanley Keller, Secretary

Each of the undersigned declares under penalty of perjury that the matters set forth in the foregoing Certificate of Determination are true and correct.

Executed at Pleasant Hill, California, on January 14, 1981.

/s/ JOHN SCHECK

John Scheck

/s/ STANLEY KELLER

Stanley Keller

CERTIFICATE OF CORRECTION OF
CERTIFICATE OF DETERMINATION OF PREFERENCES
OF PREFERRED STOCK, SERIES A OF
GIGATRONICS, INC.

The undersigned, John Scheck and Stanley Keller, do hereby certify:

1. That said John Scheck is, and at all times herein mentioned was, the duly elected and acting President of GIGATRONICS, INC., a California corporation, and that said Stanley Keller is, and at all times herein mentioned was, the duly elected and acting Secretary of said corporation:

2. That on January 15, 1981, the Corporation filed with the Secretary of State a Certificate of Determination of Preferences of Preferred Stock, Series A which contained an inadvertent error.

3. That clause VI.C.1(i) of such Certificate, as corrected, reads as follows:

"(i) issue or sell any Common Stock without consideration, or for a consideration per share other than the Current Conversion price, or"

IN WITNESS WHEREOF, the undersigned have executed this Certificate this 26th day of January, 1981.

/s/ JOHN SCHECK

John Scheck, President

/s/ STANLEY KELLER

Stanley Keller, Secretary

Each of the undersigned declares under penalty of perjury that the matters set forth in the foregoing Certificate or Determination are true and correct.

Executed at Pleasant Hill, California, on January 26, 1981.

/s/ JOHN SCHECK

John Scheck

/s/ STANLEY KELLER

Stanley Keller

CERTIFICATE OF AMENDMENT
OF CERTIFICATE OF DETERMINATION OF
PREFERENCES OF PREFERRED STOCK,
SERIES A OF GIGATRONICS, INC.

JOHN SCHECK and STANLEY KELLER certify that:

1. They are the President and the Secretary, respectively, of GIGATRONICS, INC., a California corporation.

2. On January 15, 1981, the Corporation filed with the Secretary of State a Certificate of Determination of Preferences of Preferred Stock, Series A, as amended by an amendment thereto filed on January 27, 1981 (the "Certificate").

3. Clause VII of the Certificate is amended to read in its entirety as follows:

"VII. WARRANT.

Subject to the terms and conditions hereinafter set forth, each holder of Preferred Stock, Series A, is hereby granted the right (a "Warrant"), to purchase at any time prior to conversion into Common Stock of the shares of Preferred Stock, Series A to which such Warrant relates, one share of Common Stock for each five shares of Preferred Stock, Series A, held, at a price ("Exercise Price") of Twenty Dollars ($20.00) per share of Common Stock.

The Warrants are exercisable at the office of the Corporation, or such other of office or agency as the Corporation may from time to time designate, upon delivery of the Certificate for the holder's Preferred Stock, Series A to be marked by the Corporation indicating exercise of the Warrants and payment of the Exercise Price for the shares of Common Stock to be purchased on such exercise, in United States currency, either in cash, or by certified or official bank check payable to the order of the Corporation.

A Warrant may be exercised only in full and only upon exercise of all Warrants relating to such holder's shares of Preferred Stock, Series A.

Shares of Common Stock sufficient to provide for the exercise of the Warrants shall at all times be reserved by the Corporation for issuance upon exercise. All shares of Common Stock issuable upon the exercise of the Warrants shall be validly issued, fully paid and non-assessable."

4. The foregoing amendment of the Certificate has been duly approved by the Board of Directors.

5. The foregoing amendment of the Certificate has been duly approved by the required vote of shareholders in accordance with Sections 902 and 903 of the Corporations Code. The total number of outstanding shares of the Common

Stock of the Corporation is 51,798. The total number of outstanding shares of Preferred Stock of the Corporation is 25,500. The number of shares voting in favor of the amendment exceeded the vote required. The percentage vote required was more than fifty percent (50%) of the Common Stock and more than fifty percent (50%) of the Preferred Stock.

/s/ JOHN SCHECK

John Scheck, President

/s/ STANLEY KELLER

Stanley Keller, Secretary

The undersigned declare under penalty of perjury that the matters set forth in the foregoing certificate are true of their own knowledge. Executed at Pleasant Hill, California on June 7, 1982.

/s/ JOHN SCHECK

John Scheck

/s/ STANLEY KELLER

Stanley Keller

NAME CHG. TO: GIGA-TRONICS INCORPORATED

CERTIFICATE OF AMENDMENT
OF ARTICLES OF INCORPORATION
OF GIGATRONICS, INC.
OFFICERS' CERTIFICATE

JOHN W. SCHECK and STANLEY S. KELLER hereby certify:

1. That they are the President and Secretary, respectively, of GIGATRONICS, INC. (the "Company").

2. That Article FIRST of the Articles of Incorporation of this corporation is hereby amended to read as follows:

> "FIRST. The name of this corporation is GIGA-TRONICS INCORPORATED."

3. That Article FOURTH of the Articles of Incorporation of this corporation is hereby amended to read as follows:

> "FOURTH. This corporation is authorized to issue two classes of shares, to be designated respectively "Common Stock" and "Preferred Stock." The number of shares of Preferred Stock which this corporation is
> authorized to issue is 1,000,000 shares. The number of shares of Common Stock which this Corporation is authorized to issue is 40,000,000 shares. Upon the amendment of this Article FOURTH to read as hereinabove set forth, each share of Common Stock outstanding as of the date of filing hereof is split up and converted into forty (40) shares of Common Stock."

4. That at a special meeting of the Board of Directors of the Company, held on April 25, 1983, the foregoing amendment was duly approved by the Board of Directors.

5. That said amendment was approved and adopted by the outstanding shares of Series A Preferred Stock and Common Stock of the Company in accordance with Section 903 of the California Corporations Code at the annual meeting of the Company's shareholders on April 25, 1983. The numbers of shares of Series A Preferred Stock and Common Stock eligible to

vote on such amendment were 25,500 and 82,398, respectively. As required for approval of such amendment, a majority of the shares of each class were voted in favor of such amendment.

IN WITNESS WHEREOF, the undersigned have hereunto subscribed their names this 27th day of April, 1983.

/s/ JOHN W. SCHECK

John W. Scheck
President

/s/ STANLEY S. KELLER

Stanley S. Keller
Secretary

The undersigned, JOHN W. SCHECK and STANLEY S. KELLER, President and Secretary, respectively, of GIGATRONICS, INC. each declare under penalty of perjury that the matters set forth in the foregoing Certificate are true of their own knowledge.

Executed in the City and County of San Francisco, in the State of California, this 27th day of April, 1983.

/s/ JOHN W. SCHECK

John W. Scheck
President

/s/ STANLEY S. KELLER

Stanley S. Keller
Secretary

CERTIFICATE OF AMENDMENT

OF

ARTICLES OF INCORPORATION

OF

GIGA-TRONICS INCORPORATED

The undersigned, John W. Scheck and Stanley S. Keller, hereby certify that:

1. They are duly elected and acting President and Secretary, respectively, of Giga-tronics Incorporated, a California corporation.

2. A new Article VI is added to the Articles of Incorporation, reading in full as follows:

"VI.

Section 1. The liability of the directors of this corporation for monetary damages shall be eliminated to the fullest extent permissible under California law.

Section 2. This corporation is authorized to provide indemnification of agents (as defined in Section 317 of the California Corporations Code) through bylaw provisions, agreements with agents, vote of shareholders or disinterested directors or otherwise, in excess of the indemnification otherwise permitted by Section 317 of the California Corporations Code, subject only to applicable limits set forth in Section 204 of the California Corporations Code with respect to actions for breach of duty to the corporation and its shareholders."

3. The foregoing amendment has been duly approved by resolution of the Board of Directors of this corporation.

4. The foregoing amendment has been approved by the holders of the requisite number of shares of this corporation in accordance with Section 902 and 903 of the California General Corporation Law. The total number of outstanding shares entitled to vote with respect to the foregoing amendment was 3,154,020 shares of Common Stock. The number of shares voting in favor of the foregoing amendment equaled or exceeded the vote required, such required vote being a majority of the outstanding shares of Common Stock.

IN WITNESS WHEREOF, the undersigned have executed this certificate on August 12, 1988.

/s/ John W. Scheck

John W. Scheck, President

/s/ Stanley S. Keller

Stanley S. Keller, Secretary

Each of the undersigned declares under penalty of perjury that the matters set forth in the foregoing certificate are true and correct. Executed at Pleasant Hill, California, on August 12, 1988.

/s/ John W. Scheck

John W. Scheck, President

/s/ Stanley S. Keller

Stanley S. Keller, Secretary

CERTIFICATE OF DETERMINATION
OF
SERIES A JUNIOR PARTICIPATING PREFERRED STOCK
OF
GIGA-TRONICS INCORPORATED

We, George H. Bruns, Jr., Chairman of the Board, and Mark H. Cosmez II, Secretary of Giga-tronics Incorporated, a corporation organized and existing under the General Corporation Law of the State of California, in accordance with the provisions of Section 401 thereof, DO HEREBY CERTIFY:

That pursuant to the authority conferred upon the Board of Directors by the Articles of Incorporation of said Corporation, the said Board of Directors on October 14, 1998 adopted the following resolution creating a series of Two Hundred Fifty Thousand (250,000) shares of Preferred Stock designated as Series A Junior Participating Preferred Stock, none of which has been issued:

RESOLVED, that pursuant to the authority vested in the Board of Directors of this Corporation in accordance with the provisions of its Articles of Incorporation, a series of Preferred Stock of the Corporation be and it hereby is created, and that the designation and amount thereof and the voting powers, preferences and relative, participating, optional and other special rights of the shares of such series, and the qualifications, limitations or restrictions thereof are as follows:

Section 1. That pursuant to the authority granted to and vested in the Board by Article Fourth of the Articles of Incorporation of the Corporation, the Board hereby creates a series of Preferred Stock (which term is used throughout this resolution with the meaning given in said Article Fourth) with a par value of $1.00 per share, of the Corporation, hereby designates said Series of Preferred Stock as the "Series A Junior Participating Preferred Stock" (the "Junior Preferred Stock") and hereby designates the number of shares to constitute such series, fixes the terms, preferences, voting powers, restrictions and qualifications thereof, and authorizes the issue thereof all in accordance with the provisions of Section 2 of this resolution.

Section 2. That the total number of shares to constitute the Junior Preferred Stock is hereby designated as 250,000 shares, and the terms, preferences, voting powers, restrictions and qualifications of the Junior Preferred Stock are hereby fixed as follows:

2.1. AUTHORIZED SHARES. The total authorized amount of the Junior Preferred Stock shall be 250,000 shares, with a par value of $1.00 per share. Such number of shares may be increased or decreased by resolution of the Board of Directors; PROVIDED, that no decrease shall reduce the number of shares of Junior Preferred Stock to a number less than the number of shares then outstanding plus the number of shares reserved for issuance upon the exercise of outstanding options, rights or warrants or upon the conversion of any outstanding securities issued by the Corporation convertible into Junior Preferred Stock.

2.2. DIVIDENDS AND DISTRIBUTIONS.

(A) Subject to the prior and superior rights of the holders of any shares of any series of Preferred Stock ranking prior and superior to the Junior Preferred Stock with respect to dividends, the holders of shares of Junior Preferred Stock, in preference to the holders of Common Stock of the Corporation (the "Common Stock"), and of any other junior stock, shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally

available for the purpose, quarterly dividends payable in cash on the first day of March, June, September and December in each year (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a share of Junior Preferred Stock, in an amount per share (rounded to the nearest cent) equal to the greater of (a) $.25 per share or (b) subject to the provision for adjustment hereinafter set forth, 100 times the aggregate per share amount of all cash dividends, and 100 times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions, other than a dividend payable in shares of Common Stock or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), declared on the Common Stock since the immediately preceding Quarterly Dividend Payment Date or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Junior Preferred Stock. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount to which holders of shares of Junior Preferred Stock were entitled immediately prior to such event under clause (b) of the preceding sentence shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) The Corporation shall declare a dividend or distribution on the Junior Preferred Stock as provided in paragraph (A) of this Section 2.2 immediately after it declares a dividend or distribution on the Common Stock (other than a dividend payable in shares of Common Stock); provided that, in the event no dividend or distribution shall have been declared on the Common Stock during the period between any Quarterly Dividend Payment Date and the next subsequent Quarterly Dividend Payment Date, a dividend of $.25 per share on the Junior Preferred Stock shall nevertheless be payable on such subsequent Quarterly Dividend Payment Date.

(C) Dividends shall begin to accrue and be cumulative on outstanding shares of Junior Preferred Stock from the Quarterly Dividend Payment Date next preceding the date of issue of such shares, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of shares of Junior Preferred Stock entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of Junior Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of shares of Junior Preferred Stock entitled to receive payment of a dividend or distribution declared thereon, which record date shall be not more than 60 days prior to the date fixed for the payment thereof.

2.3. VOTING RIGHTS. The holders of shares of Junior Preferred Stock shall have the following voting rights:

(A) Subject to the provision for adjustment hereinafter set forth, each share of Junior Preferred Stock shall entitle the holder thereof to 100 votes on all matters submitted to the vote of the stockholders of the Corporation. In the event the Corporation shall at any time after

November 10, 1998 declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the number of votes per share to which holders of shares of Junior Preferred Stock were entitled immediately prior to such event shall be adjusted by multiplying such number by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) Except as otherwise provided herein, in the Articles of Incorporation, in any other resolution of the Board of Directors of the Corporation creating a series of Preferred Stock, or by law, the holders of shares of Junior Preferred Stock and the holders of shares of Common Stock and any other capital stock of the Corporation having general voting rights shall vote together as one class on all matters submitted to a vote of stockholders of the Corporation.

(C) Except as set forth herein, holders of Junior Preferred Stock shall have no voting rights.

2.4. CERTAIN RESTRICTIONS.

(A) Whenever quarterly dividends or other dividends or distributions payable on the Junior Preferred Stock as provided in Section 2.2 are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Junior Preferred Stock outstanding shall have been paid in full, the Corporation shall not:

(i) declare or pay dividends, or make any other distributions, on any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Junior Preferred Stock;

(ii) declare or pay dividends, or make any other distributions, on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Junior Preferred Stock, except dividends paid ratably on the Junior Preferred Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;

(iii) redeem or purchase or otherwise acquire for consideration shares of any stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Junior Preferred Stock, provided that the Corporation may at any time redeem, purchase or otherwise acquire shares of any such junior stock in exchange for shares of any stock of the Corporation ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Junior Preferred Stock; or

(iv) redeem or purchase or otherwise acquire for consideration any shares of Junior Preferred Stock, or any shares of stock ranking on a parity with the Junior Preferred Stock except in accordance with a purchase offer made in writing or by publication as determined by the Board of Directors) to all holders of such shares upon such terms as the Board of Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(B) The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of stock of the Corporation unless the

Corporation could, under paragraph (A) of this Section 2.4 purchase or otherwise acquire such shares at such time and in such manner.

2.5. REACQUIRED SHARES. Any shares of Junior Preferred Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and cancelled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preferred Stock and may be reissued as part of a new series of Preferred Stock, subject to the conditions and restrictions on issuance set forth herein, in the Articles of Incorporation, in any other resolution of the Board of Directors of the Corporation creating a series of Preferred Stock, or as otherwise required by law.

2.6. LIQUIDATION, DISSOLUTION OR WINDING UP. Upon any liquidation, dissolution or winding up of the Corporation, no distribution shall be made (1) to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Junior Preferred Stock unless, prior thereto, the holders of shares of Junior Preferred Stock shall have received $1.00 per share, plus an amount equal to accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment, provided that the holders of shares of Junior Preferred Stock shall be entitled to receive an aggregate amount per share, subject to the provision for adjustment hereinafter set forth, equal to 100 times the aggregate amount to be distributed per share to holders of shares of Common Stock, or (2) to the holders of shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Junior Preferred Stock, except distributions made ratably on the Junior Preferred Stock and all other such parity stock in proportion to the total amounts to which the holders of all such shares are entitled upon such liquidation, dissolution or winding up. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the aggregate amount to which holders of shares of Junior Preferred Stock were entitled immediately prior to such event under the proviso in clause (1) of the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

2.7. CONSOLIDATION, MERGER, ETC. In case the Corporation shall enter into any consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such case each share of Junior Preferred Stock shall at the same time be similarly exchanged or changed into an amount per share (subject to the provision for adjustment hereinafter set forth) equal to 100 times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged. In the event the Corporation shall at any time declare or pay any dividend on Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount set forth in the preceding sentence with respect to the exchange or change of shares of Junior Preferred Stock, shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

2.8. REDEMPTION. The shares of Junior Preferred Stock shall not be redeemable.

2.9. RANK. The Junior Preferred Stock shall rank junior with respect to the payment of dividends and the distribution of assets to all series of the Corporation's Preferred Stock that specifically provide that they shall rank prior to the Junior Preferred Stock. Nothing herein shall preclude the Board from creating any series of Preferred Stock ranking on a parity with or prior to the Junior Preferred Stock as to the payment of dividends or the distribution of assets.

2.10. AMENDMENT. The Articles of Incorporation of the Corporation shall not be amended in any manner which would materially alter or change the powers, preferences or special rights of the Junior Preferred Stock so as to affect them adversely without the affirmative role of the holders of at least two-thirds of the outstanding Junior Preferred Stock, voting together as a single series.

2.11. FRACTIONAL SHARES. The Junior Preferred Stock may be issued in fractions of a share which shall entitle the holder, in proportion to such holder's fractional shares, to exercise voting rights, receive dividends, participate in distributions and have the benefit of all other rights of holders of the Junior Preferred Stock.

We further declare under penalty of perjury under the laws of the State of California that the matters set forth in this certificate are true and correct of our own knowledge.

Dated: November 6, 1998

/s/ George H. Bruns, Jr.

George H. Bruns, Jr., Chairman of the Board

/s/ Mark H. Cosmez II

Mark H. Cosmez II, Secretary

EXHIBIT 10.2

INDEMNIFICATION AGREEMENT

THIS AGREEMENT, made and entered into the _____ day of ________________, 199__ between Giga-tronics Incorporated, a California corporation ("Corporation"), and ______________________________ ("Officer"),

WITNESSETH THAT:

WHEREAS, Officer of the Corporation, performs a valuable service in such capacity of Corporation; and

WHEREAS, the Articles of Incorporation of the Corporation authorizes and permits contracts between Corporation and its officers with respect to indemnification of such officers; and

WHEREAS, in accordance with the authorization as provided by the California General Corporation Law, as amended ("Code"), Corporation may purchase and maintain a policy or policies of Directors and Officers Liability Insurance ("D&O Insurance"), covering certain liabilities which may be incurred by its directors and officers in the performance as officers and directors of Corporation; and

WHEREAS, as a result of recent developments affecting the terms, scope and availability of D&O Insurance there exists general uncertainty as to the extent of protection afforded officers and directors by such D&O Insurance and by statutory and by-law indemnification provisions; and

WHEREAS, in order to induce Officer to continue to serve as an officer of Corporation, Corporation has determined and agreed to enter into this contract with Officer;

NOW, THEREFORE, in consideration of Officer's continued service as an officer after the date hereof, the parties hereto agree as follows:

1. INDEMNITY OF OFFICER. Corporation hereby agrees to hold harmless and indemnify Officer to the full extent authorized by the provisions of the Code, as it may be amended from time to time.

2. ADDITIONAL INDEMNITY. Subject only to the limitations set forth in Section 3 hereof, Corporation hereby further agrees to hold harmless and indemnify Officer:

   (a) Against any and all expenses (including attorney's fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by Officer in connection with any threatened, pending or completed action, suit or proceedings, whether civil, criminal, administrative or investigative (including an action by or in the right of

Corporation) to which Officer is, was, or at any time becomes a party, or is threatened to be made a party, by reason of the fact that Officer is, was or at any time becomes a director, officer, employee or agent of Corporation, or is or was serving or at any time serves at the request of Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprises; and

   (b) otherwise to the fullest extent as may be provided to Officer by Corporation under the non-exclusivity provision of the Articles of Incorporation of Corporation and the Code.

(3) LIMITATIONS ON ADDITIONAL INDEMNITY.

   (a) No indemnity pursuant to Section 2 hereof shall be paid by

Corporation for any of the following:

(i) except to the extent the aggregate of losses to be indemnified thereunder exceeds the sum of such losses for which the Officer is indemnified pursuant to Section 1 hereof or pursuant to any D & O Insurance purchased and maintained by Corporation;

(ii) in respect to remuneration paid to Officer if it shall be determined by a final judgment or other final adjudication that such remuneration was in violation of law;

(iii) on account of any suit in which judgement is rendered against Officer for an accounting of profits made from the purchase or sale by Officer of securities of Corporation pursuant to the provisions of Section 16(b) of the Securities Exchange Act of 1934 and amendments thereto or similar provisions of any federal, state or local statutory law;

(iv) on account of Officer's acts or omissions that involve intentional misconduct or a knowing and culpable violation of laws;

(v) on account of any proceeding (other than a proceeding referred to in Section 8(b) hereof) initiated by the Officer unless such proceeding was authorized by the Directors of the Corporation;

(vi) if a final decision by a Court having jurisdiction in the matter shall determine that such indemnification is not lawful; or

(vii) on account of any action, suit or proceeding commenced by the Officer against the Corporation or against any officer, director or shareholder of the Corporation unless authorized in the specific case by action of the Board of Directors;

(b) In addition to those limitations set forth above in paragraph (a) of this Section 3, no indemnity pursuant to Section 2 hereof in an action by or in the right of Corporation shall be paid by Corporation for any of the following:

(i) on account of acts or omissions that Officer believes to be contrary to the best interests of the Corporation or its shareholders or that involve the absence of good faith on the part of Officer;

(ii) with respect to any transaction from which Officer derived an improper personal benefit;

(iii) on account of acts or omissions that show a reckless disregard for Officer's duty to the Corporation or its shareholders in circumstances in which Officer was aware, or should have been aware, in the ordinary course of performing an officer's duties, of a risk of serious injury to Corporation or its shareholders;

(iv) on account of acts or omissions that constitute an unexcused pattern of inattention that amounts to an abdication of Officer's duty to the Corporation or its shareholders;

(v) to the extent prohibited by section 310 of the California Corporations Code, "Contracts In Which Officer Has Material Financial Interest;"

(vi) to the extent prohibited by Section 316 of the California

Corporations Code, "Corporate Actions Subjecting Officers To Joint and Several Liability" (for prohibited distributions, loans and guarantees);

(vii) in respect to any claim, issue or matter as to which Officer shall have been adjudged to be liable to Corporation in the performance of Officer's duty to Corporation and its shareholders, 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, Officer is fairly and reasonably entitled to indemnity for expenses and then only to the extent that the court shall determine;

(viii) of amounts paid in settling or otherwise disposing of a pending action without court approval; or

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

4. CONTRIBUTION. If the indemnification provided in 1 and 2 is unavailable and may not be paid to Officer for any reason other than those set forth in Section 3 (excluding subsections 3(b) (viii) and (ix), then in respect of any threatened, pending or completed action, suit or proceeding in which Corporation is jointly liable with Officer (or would be if joined in such action, suit or proceeding), Corporation shall contribute to the amount of expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred and paid or payable by Officer in such proportion as is appropriate to reflect (i) the relative benefits received by Corporation on the one hand and Officer on the other hand from the transaction from which such action, suit or proceeding arose, and (ii) the relative fault of Corporation on the one hand and of Officer on the other in connection with the events which resulted in such expenses, judgments, fines or settlement amounts, as well as any other relevant equitable considerations. The relative fault of Corporation on the one hand and the Officer on the other shall be determined by reference to, among other things, the parties' relative intent, knowledge, access to information and opportunity to correct or prevent the circumstances resulting in such expenses, judgments, fines or settlement amounts. Corporation agrees that it would not be just and equitable if contribution pursuant to this Section 4 were determined by pro rata allocation or any other method of allocation which does not take account of the foregoing equitable consideration.

5. CONTINUATION OF OBLIGATIONS. All agreements and obligations of Corporation contained herein shall continue during the period Officer is a director, officer, employee or agent of Corporation (or is or was serving at the request of Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise) and shall continue hereafter so long as Officer shall be subject to any possible claim or threatened, pending or completed action, suit or proceeding, whether civil, criminal or investigative by reason of the fact that Officer was an officer of Corporation or serving in any other capacity referred to herein.

6. NOTIFICATION AND DEFENSE OF CLAIM. Promptly after receipt by Officer of notice of the commencement of any action, suit or proceeding, Officer will, if a claim in respect thereof is to be made against Corporation under this Agreement, notify Corporation of the commencement thereof; but the omission so to notify Corporation will not relieve it from any liability which it may have to Officer otherwise than under this Agreement. With respect to any such action, suit or proceeding as to which Office notifies Corporation of the commencement thereof;

(a) Corporation will be entitled to participate therein at its own expense;

(b) except as otherwise provided below, to the extent that it may wish, Corporation jointly with any other indemnifying party similarly notified will be entitled to assume the defense thereof, with counsel satisfactory to Officer. After notice from Corporation to Officer of its election so as to assume the defense thereof, Corporation will not be liable to Officer under this Agreement for any legal or other expenses subsequently incurred by Officer in connection with the defense thereof other than reasonable costs of investigation or as otherwise provided below. Officer shall have the right to employ its counsel in such action, suit or proceeding but the fees and expenses of such counsel incurred after notice from Corporation of its assumption of the defense thereof shall be at the expense of Officer unless (i) the employment of counsel by Officer has been authorized by Corporation, (ii) Officer shall have reasonably concluded that there may be a conflict of interest between Corporation and Officer in the conduct of the defense of such action, in each of which cases the fees and expenses of counsel shall be at the

expense of Corporation. Corporation shall not be entitled to assume the defense of any action, suit or proceeding brought by or on behalf of Corporation or as to which Officer shall have made the conclusion provided for in (ii) above; and

(c) Corporation shall not be liable to indemnify Officer under this Agreement for any amounts paid in settlement of any action or claim effected without its written consent. Corporation shall not settle any action or claim in any manner which would impose any penalty or limitation on Officer without Officer's written consent. Neither Corporation nor Officer will unreasonably withhold its consent to any proposed settlement.

7. ADVANCEMENT AND REPAYMENT OF EXPENSES.

(a) In the event that Officer employs his own counsel pursuant to Section 6(b)(i) through (iii) above, Corporation shall advance to Officer, prior to any final disposition of any threatened or pending action, suit or proceeding, whether civil, criminal, administrative or investigative, any and all reasonable expenses (including legal fees and expenses) incurred in investigating or defending any such action, suit or proceeding within ten (10) days after receiving copies of invoices presented to Officer for such expenses; and

(b) Officer agrees that Officer will reimburse Corporation for all reasonable expenses paid by Corporation in defending any civil or criminal action, suit or proceeding against Officer in the event and only to the extent it shall be ultimately determined by a final judicial decision (from which there is no right of appeal) that Officer is not entitled, under applicable law, the by-laws, this Agreement or otherwise, to be indemnified by Corporation for such expenses.

8. ENFORCEMENT.

(a) Corporation expressly confirms and agrees that it has entered into this Agreement and assumed the obligations imposed on Corporation hereby in order to induce Officer to continue as an Officer of Corporation, and acknowledges that Officer is relying upon this Agreement in continuing in such capacity.

(b) In the event Officer is required to bring any action to enforce rights or to collect monies due under this Agreement and is successful in such action, Corporation shall reimburse Officer for all of Officer's reasonable fees and expenses in bringing and pursuing such action.

9. SEPARABILITY. Each of the provisions of this Agreement is a separate and distinct agreement and independent of the others, so that if any provision hereof shall be held to be valid or unenforceable for any

reason, such invalidity or unenforceability shall not affect the validity or enforceability of the other provisions hereof.

10. GOVERNING LAW. This Agreement shall be interpreted and enforced in accordance with the laws of the State of California.

11. BINDING EFFECT. This Agreement shall be binding upon Officer and upon Corporation, its successors and assigns, and shall inure to the benefit of Officer, his heirs, personal representatives and assigns and to the benefit of Corporation, its successors and assigns.

12. AMENDMENT AND TERMINATION. No amendment, modification, termination or cancellation of this Agreement shall be effective unless in writing signed by both parties hereto.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on and as of the day and year first above written.

GIGA-TRONICS, INCORPORATED

By ____

[Name] [Title]

____

[Name] [Officer]

EXHIBIT 13.0

MANAGEMENT'S DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS FOR FISCAL 1999 AS COMPARED TO 1998

The Company acquired Microsource, Inc. a manufacturer of YIG oscillators and communications related synthesizers on May 18, 1998 in a purchase transaction. Its performance from that date through March 27, 1999 is included in the Company's operating results. This acquisition positions the Company to expand its market for microwave instruments and devices.

New orders received in 1999 were $36,786,000, an increase of 11% from $33,092,000 in 1998. These orders included $7,900,000 for Microsource for which there were no comparable orders. At year end 1999, the Company's backlog of unfilled orders was $17,792,000, compared to $6,492,000 at the end of 1998. Primarily, the increase in backlog is attributable to addition of the Microsource backlog which was $11,066,000 at year end.

Net sales for 1999 were $37,636,000, a 2% increase from 1998. The increase is due to the addition of Microsource sales of $9,000,000 offset by reduced sales volume for the Semiconductor Equipment Group as well as Giga-tronics Instrument products. In 1999, Semiconductor Group sales declined $6.2 million. Revenues at the Company's semiconductor product lines were impacted by the substantial downturn of the semiconductor industry together with the severe economic problems in Asia. The Giga-tronics Instruments sales reduction of $3.4 million were due to the aging of the product lines, delay in new product releases, and weakness in the wireless industry. ASCOR sales improved $1.4 million in 1999 over 1998.

Cost of sales increased 24% in 1999 to $26,102,000 from $21,024,000 in 1998. The increase in 1999 is attributable to the addition of Microsource as well as inventory write offs associated with the Company's decision to discontinue a particular semiconductor equipment line. The cost of sales for Microsource during fiscal 1999 was $6,978,000.

Operating expenses increased 1% in 1999 over 1998, which includes Microsource operating expenses of $2,152,000. Product development costs declined $.9 million in 1999 to $5.3 million as the development of new products begins to return to previous levels. Selling, general and administrative expenses increased in 1999 due to the addition of Microsource which had expenses of $1,602,000. Amortization of intangibles increased as a result of the addition of the amortization of goodwill for Microsource offset by reduced amortization of patents and licenses.

Other income increased primarily due to the gain from the sale of a surplus building following facilities consolidation of the Company's Semiconductor Equipment subsidiaries. Net interest income in 1999 declined 75% from 1998 due to lower cash available for investment. The cash decline resulted principally from the extinguishment of debt, reduction of accounts payable and acquisition costs associated with the acquisition of the Microsource subsidiary. The benefit for income taxes in 1999 was $1,148,000 or 38% of the pre-tax loss.

The Company recorded a net loss of $1,858,000, or $0.43 per share, in 1999 versus earnings of $767,000, or $0.18 per share in 1998. The decline in 1999 earnings was due to the Company's lower gross profits in 1999 of $11,534,000 as compared to $15,789,000 in 1998.

RESULTS OF OPERATIONS FOR FISCAL 1998 AS COMPARED TO 1997

Orders received in 1998 were $33,092,000, a decrease of 6% from 1997. At year end 1998, the Company's backlog of unfilled orders was $6,492,000, compared to $10,192,000 at the end of 1997. The majority of the decline in backlog is attributable to the semiconductor product line. Several large semiconductor orders were shipped in 1998.

Net sales for 1998 were $36,813,000, a 3% decrease from 1997. In 1998, Giga-tronics Instruments sales declined by $1.7 million. Aging of the product lines, lack of new product releases, and the continued decline in defense-related programs was the principal cause of the revenue decline. ASCOR fiscal 1998 sales also declined $1.7 million due to the timing of large procurements and declining military programs. These declines were partially offset by an increase of $2.2 million of Semiconductor Equipment Group sales. The 1998 growth in the semiconductor products reflects the introduction of several new products and increased manufacturing output.

Cost of sales decreased to $21,024,000 or 8% in 1998 from $23,404,000 in 1997. The decrease in cost of sales is attributable to lower labor content, lower depreciation, and lower controllable manufacturing expenses as a result of cost cutting measures to control expenses.

Operating expenses increased 16% in 1998 over 1997. Product development costs increased $1.6 million in 1998 to $6.2 million in an effort to develop new products in each of the Company's product lines. The increased product development spending in 1998 has resulted in the introduction of several new products, with additional new products anticipated for release in 1999 or later.

Selling, general and administrative expenses increased in 1998 due to $643,000 of transaction costs associated with the mergers of Viking Semiconductor Equipment, Inc. and Ultracision, Inc.

Net interest income in 1998 declined 14% from 1997 due to lower cash available for investment. The cash decline resulted from extinguishing the debt of the acquired subsidiaries, increased funding for new product development, and acquisition costs. The provision for income taxes in 1998 was $329,000 or 30% of pre-tax income and the provision for income taxes in 1997 was $539,000 or 26% of pre-tax income.

The Company recorded net earnings of $767,000, or $0.18 per share, in 1998, a 47% decrease in earnings per share from $0.34 in 1997. The decline in 1998 earnings was due to the 35% increase in product development spending and transaction costs for the mergers.

FINANCIAL CONDITION AND LIQUIDITY

As of March 27, 1999, the Company had $2,686,000 in cash, cash equivalents, and investments, compared to $10,335,000 as of March 28, 1998 and $14,209,000 as of March 29, 1997. Cash used by operations amounted to $2,365,000 in 1999, compared to cash used by operations of $1,099,000 in 1998, and cash provided by operations of $3,285,000 in 1997. In 1999, the losses by operations were the significant reason for the increase in use of cash by operations. In 1998, the increase in product development costs of $1,619,000 and the merger transaction costs of $643,000 were the significant reasons for the use of cash by operations. Cash provided by operations in 1997 is attributed to operating income in the year and reductions in accounts receivable.

The Company continues to maintain a strong financial position, with working capital at year end of $18,021,000 compared to $23,484,000 and $22,692,000 in 1998 and 1997, respectively. The Company's current ratio of 3.3 decreased from the 1998 and 1997 current ratio of 5.1 and 4.3, respectively. The decrease in working capital and current ratio is primarily a result of the Microsource acquisition.

Additions to property and equipment were $953,000 in 1999, compared to $779,000 and $1,166,000 in 1998 and 1997, respectively. This spending reflects continuing investments to support new product development, increased productivity, and improved product quality. Other cash outflows for 1999 were payments on credit lines and notes payable of the acquired Microsource subsidiary of $4,042,000. Other cash inflows in 1999 were $89,000 of common stock in connection with the exercise of stock options, $1,291,000 from the sale of the Company's building and $5,742,000 from maturities of investments, net of purchases, which are principally marketable securities classified as available for sale.

Management believes that the Company has adequate resources to meet its operating and capital expenditure needs for the foreseeable future. The Company has a seven million dollar unsecured line of credit, none of which has been used. The Company may continue to increase product development expenditures in the near term for the purpose of broadening its product base, especially in Giga-tronics Instruments. It has been the Company's intention to broaden its product lines and expand its market, both by internal development of new products and through the acquisition of other business entities.

YEAR 2000 (Y2K) ISSUES

The Company is aware of and is addressing the issues associated with the programming code in existing computer systems as the year 2000 approaches. The Year 2000 problem is pervasive and complex, as many computer systems, manufacturing equipment and industrial control systems will be affected in some way by the rollover of the two-digit year value to 00. Systems that do not properly recognize such data could generate erroneous information or cause a system to fail. The Year 2000 issue creates risk for the Company from unforeseen problems in its own systems and from third parties with which the Company deals on financial transactions worldwide. Failures of the Company's and/or third parties' computer systems, manufacturing equipment and industrial control systems could have a material adverse impact on the Company's ability to conduct its business.

The Company is in the process of analyzing internal systems as well as all external systems (such as vendor, customer, banking systems, etc.) upon which the Company is dependent, to identify and evaluate any potential Year 2000 issues. The Company is committed to achieving Year 2000 compliance; however, with a significant portion of the problem external and therefore outside the direct control of the Company, there can be no assurances that the Company will be fully or even significantly Year 2000 compliant at the critical juncture. In addition, as full testing of Year 2000 functionality must occur in a simulated environment, the Company will not be able to test full system Year 2000 interfaces and capabilities prior to the Year 2000.

The Company has completed an inventory of internal systems, hardware, software, manufacturing equipment and embedded chips in industrial control instruments. Each of these items was identified as mission critical, mission essential, mission impaired or mission non-critical. The Company is in the process of prioritizing and evaluating mission critical and mission essential items, identifying fixes and resources as appropriate, and performing and testing corrective measures. While the Company believes that its evaluation has been comprehensive, there can be no assurance that all systems critical to Year 2000 compliance have been identified, or that the corrective actions identified will be completed on time.

The Company has upgraded 4 of the 5 packaged financial systems it currently uses to vendor certified Year 2000 compliant versions. The Company is in the process of evaluating the plans regarding the last financial system that is not Year 2000 compliant.

The Company has completed an inventory of current products and their hardware, software, and embedded chips. Each of the Company's products was evaluated as to whether it maintained the date and if the date handling was Year 2000 compliant. All of the Company's current products, which maintained the date, were found to be Year 2000 compliant. Several of the Company's non-current products were found not to be Year 2000 compliant but the Company has determined either a manual work around or has an upgrade path to resolve the Year 2000 problem for such non-current products.

Currently, the Company is inventorying key suppliers of goods and services to the Company, and considering the potential impact on the Company and its customers of Year 2000 compliance by these suppliers. The Giga-tronics Instruments division has mailed surveys to more than 600 of its suppliers, and is in the process of evaluating responses and sending follow-up letters. The ASCOR subsidiary has mailed surveys to more than 50 of its suppliers, and is in the process of evaluating responses and sending follow-up letters. The Microsource subsidiary has mailed surveys to more than 450 of its suppliers, and is in the process of evaluating responses and sending follow-up letters. Surveys to the suppliers of the Company's other subsidiaries and divisions are scheduled to go out during the next fiscal quarter. The Company plans to determine if its suppliers pose a threat to it for non compliance. If these suppliers pose a threat, the Company plans to disqualify the non-complaint suppliers, look for alternative sources and re-qualify new suppliers to help mediate potential business disruptions. While the Company believes that it will be able to qualify alternative suppliers as needed, until all supplier and customer survey responses have been received and evaluated, the Company can not fully evaluate the extent of potential problems and the costs associated with corrective actions.

To date, the Company has not incurred significant costs associated with Year 2000 compliance. The Company estimates the cost to complete its current compliance program will not be significant. Of these costs, less than $50,000 is associated with the upgrade of packaged software systems used by the Company's subsidiaries most of which has been expended. These are systems that would not otherwise have been replaced or upgraded at this time. The Company may incur significant additional costs depending largely on the response from the Company's suppliers and the extent to which supplier re-qualification is needed. Cost estimates will also be evaluated as the status of the overall compliance program is updated. Currently, the Company has no other contingency plan for Year 2000 compliance. There can be no assurance that actual costs will not be materially higher than currently anticipated. Most of these costs are not likely to be incremental costs to the Company, but rather will represent the re-deployment of existing information technology resources. The Company is unable to determine what effect the failure of systems because of Year 2000 issues by the Company or its suppliers or customers will have, but any significant failures could have an adverse material effect on the Company's results of operations and financial condition.

FACTORS THAT MAY AFFECT FUTURE RESULTS OF OPERATIONS

With the addition of Microsource, Inc. the Company's defense-related orders have become more important. If the defense market should soften, shipments in the current year could fall short of plan with a concurrent decline in earnings. Current softness in the market for the Company's commercial products has resulted in a leveling of the commercial backlog. If this trend cannot be reversed in the near term, shipments in the current year could fall short of plan with a continued decline in earnings.

As part of its business strategy, the Company intends to broaden its product lines and expand its markets, in part through the acquisition of other business entities. The Company had acquired Viking Semiconductor Equipment, Inc. and Ultracision, Inc. in fiscal 1998 in transactions accounted for as a pooling-of-interests and Microsource, Inc. in fiscal 1999 in a transaction accounted for as a purchase. The Company is subject to various risks in connection with these and any future acquisitions. Such risks include, among other things, the difficulty of assimilating the operations and personnel of the acquired companies, the potential disruption of the Company's business, the inability of the Company's management to maximize the financial and strategic position of the Company by the successful incorporation of acquired technology and rights into the Company's product offerings, the maintenance of uniform standards, controls, procedures and policies, and the potential loss of key employees of acquired companies. No assurance can be given that any acquisition by the Company will or will not occur, that if an acquisition does occur, that it will not materially and adversely affect the Company or that any such acquisition will be successful in enhancing the Company's business. The Company currently contemplates that future acquisitions may involve the issuance of additional shares of the Company's common stock. Any such issuance may result in dilution to all shareholders of the Company, and sales of such shares in significant volume by the shareholders of acquired companies may depress the price of the Company's common stock.

Management's Discussion and Analysis of Financial Condition and Results of Operations and other sections of this 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 differences include, but are not limited to, those discussed herein and in the Company's 1999 Report 10-K under "Item 1. Business" as filed with the Securities and Exchange Commission.

CONSOLIDATED BALANCE SHEETS

<TABLE>
<CAPTION>

	March 27, 1999	March 28, 1998
	(In thousands except share data)	
<S>	<C>	<C>
ASSETS		
Current assets		
Cash and cash equivalents	$ 2,686	$ 4,611
Investments	--	5,724
Notes receivable	--	860
Trade accounts receivable, net of allowance of $435 and $293 respectively	6,434	6,924
Inventories, net	13,249	8,064
Income tax receivable	725	732
Prepaid expenses	383	265
Deferred income taxes	2,309	2,092
TOTAL CURRENT ASSETS	25,786	29,272
Property and equipment		
Land	--	279
Building and leasehold improvements	311	782
Machinery and equipment	13,460	8,880
Office furniture and fixtures	1,060	689
Property and equipment, gross cost	14,831	10,630
Less accumulated depreciation and amortization	9,179	7,885
PROPERTY AND EQUIPMENT, NET	5,652	2,745
PATENTS AND LICENSES	349	577
GOODWILL, NET	1,194	--
DEFERRED INCOME TAXES	169	--
OTHER ASSETS	109	78
TOTAL ASSETS	$ 33,259	$ 32,672
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 3,022	$ 2,659
Accrued commissions	369	516
Accrued payroll and benefits	1,346	939
Accrued warranty	467	673
Customer advances	1,648	612
Obligation under capital lease	112	27
Other current liabilities	801	362
TOTAL CURRENT LIABILITIES	7,765	5,788
OBLIGATIONS UNDER CAPITAL LEASE	210	24
DEFERRED INCOME TAXES	--	57
DEFERRED RENT	574	342
TOTAL LIABILITIES	8,549	6,211
SHAREHOLDERS' EQUITY		
Preferred stock of no par value		
Authorized 1,000,000 shares; no shares outstanding at March 27, 1999 and March 28, 1998	--	--
Common stock of no par value;		
Authorized 40,000,000 shares; 4,361,902 shares at March 27, 1999 and 4,326,299 shares at March 28, 1998 issued and outstanding	11,621	11,532
Accumulated other comprehensive income	--	(18)
Retained earnings	13,089	14,947
TOTAL SHAREHOLDERS' EQUITY	24,710	26,461
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 33,259	$ 32,672

</TABLE>

See Accompanying Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF OPERATIONS

<TABLE>
<CAPTION>

	Years ended		
	March 27, 1999	March 28, 1998	March 29, 1997
	(In thousands except share data)		
<S>	<C>	<C>	<C>
NET SALES	$ 37,636	$ 36,813	$ 38,031
Cost of sales	26,102	21,024	23,404
GROSS PROFIT	11,534	15,789	14,627
Product development	5,313	6,200	4,581
Selling, general and administrative	9,418	8,537	7,956
Amortization of intangibles	562	435	559
Operating expenses	15,293	15,172	13,096
OPERATING INCOME (LOSS)	(3,759)	617	1,531
Other income (expense)	632	22	(16)
Interest income, net	121	457	533
EARNINGS (LOSS) BEFORE INCOME TAXES	(3,006)	1,096	2,048
Provision (benefit) for income taxes	(1,148)	329	539
NET EARNINGS (LOSS)	$ (1,858)	$ 767	$ 1,509
EARNINGS (LOSS) PER COMMON SHARE - BASIC	$ (0.43)	$ 0.18	$ 0.35
EARNINGS (LOSS) PER COMMON SHARE - DILUTED	$ (0.43)	$ 0.18	$ 0.34
WEIGHTED AVERAGE BASIC COMMON SHARES OUTSTANDING	4,338	4,319	4,300
WEIGHTED AVERAGE DILUTED COMMON SHARES OUTSTANDING	4,338	4,377	4,376

</TABLE>

See Accompanying Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

<TABLE>
<CAPTION>

	Common Stock			Accumulated Other		
	Shares	Amount	Comprehensive Income (Loss)	Comprehensive Income (Loss)	Retained Earnings	Total
	(In thousands except share data)					
<S>	<C>	<C>	<C>	<C>	<C>	<C>
BALANCE AT MARCH 30, 1996	4,259,965	$ 11,059	$ --	$ (47)	$ 12,463	$ 23,475
Comprehensive Income						
Net earnings	--	--	1,509	--	1,509	1,509
Unrealized gain on investments, net of income tax expenses of $31	--	--	58	58	--	58
Comprehensive Income	--	--	1,567	--	--	--
Stock issuance under stock option plans	81,857	345	--	--	--	345
Stock repurchase	(25,634)	(42)	--	--	(19)	(61)
Dividends declared	--	--	--	--	(27)	(27)
Tax benefit associated with exercise of stock options	--	101	--	--	--	101
Adjustment to conform year-end of subsidiary	--	--	--	--	254	254

BALANCE AT MARCH 29, 1997	4,316,188	11,463	--	11	14,180	25,654
Comprehensive Income						
Net earnings	--	--	767	--	767	767
Unrealized loss on investments, net of income tax benefit of $16	--	--	(29)	(29)	--	(29)
Comprehensive Income	--	--	738	--	--	--
Stock issuance under stock option plans	10,111	69	--	--	--	69
BALANCE AT MARCH 28, 1998	4,326,299	11,532	--	(18)	14,947	26,461
Comprehensive Income						
Net loss	--	--	(1,858)	--	(1,858)	(1,858)
Unrealized gain on investments, net of income tax benefit of $10	--	--	18	18	--	18
Comprehensive Income	--	--	(1,840)	--	--	--
Stock issuance under stock option plans	35,603	89	--	--	--	89
BALANCE AT MARCH 27, 1999	4,361,902	$ 11,621	$ --	$ --	$ 13,089	$ 24,710

</TABLE>

See Accompanying Notes to Consolidated Financial Statements

12

CONSOLIDATED STATEMENTS OF CASH FLOWS

<TABLE>
<CAPTION>

Years ended	March 27, 1999	March 28, 1998	March 29, 1997
	(In thousands)		
<S>	<C>	<C>	<C>
CASH FLOWS PROVIDED FROM OPERATIONS:			
Net earnings (loss)	$ (1,858)	$ 767	$ 1,509
Adjustments to reconcile net earnings to net cash provided by (used in) operations:			
Provision for bad debts	142	(31)	17
Depreciation and amortization	2,208	1,407	1,599
Gain on sales of fixed assets	(521)	(3)	54
Deferred income taxes	(443)	(120)	(411)
Changes in operating assets and liabilities:			
Trade accounts receivable	1,738	(2,337)	1,698
Inventories	(1,710)	196	525
Prepaid expenses	74	(522)	(202)
Accounts payable	(622)	204	(732)
Accrued commissions	(180)	206	(51)
Accrued payroll and benefits	67	(118)	133
Accrued warranty	(269)	(67)	10
Accrued other expenses	(209)	(212)	(347)
Customer advances	(968)	(469)	(401)
Income taxes payable	186	--	(116)
NET CASH PROVIDED BY (USED IN) OPERATIONS	(2,365)	(1,099)	3,285
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of investments	(2,268)	(36,294)	(28,105)
Maturities of investments	8,010	37,751	26,266
Proceeds from sale of property and equipment	1,291	--	--
Additions to property and equipment	(953)	(779)	(1,166)
Payment for purchase of Microsource, including transaction costs	(605)	--	--
Advances to Microsource	(940)	--	--
Issuance of notes receivable	--	(860)	--
Other assets	(17)	57	120
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	4,518	(125)	(2,885)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Issuance of common stock	89	69	446
Repurchase of common stock	--	--	(61)
Dividends paid	--	(27)	(21)
Payment on line of credit	(1,500)	(189)	(66)
Payment on notes payable and long term debt	(2,497)	(985)	(414)
Payments on capital lease and other long term obligations	(170)	(32)	20
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(4,078)	(1,164)	(96)
CHANGE IN SUBSIDIARY FISCAL YEAR END	--	--	254
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,925)	(2,388)	558

BEGINNING CASH AND CASH EQUIVALENTS	4,611	6,999	6,441
ENDING CASH AND CASH EQUIVALENTS	2,686	4,611	6,999
	========	========	========
Supplementary disclosure of cash flow information:			
Cash paid for income taxes	$ 7	$ 951	$ 1,123
Cash paid for interest	--	58	131
Non-cash investing and financing activities:			
Purchases under capital lease obligations	--	--	36
Dividends declared	--	--	27

</TABLE>

See Accompanying Notes to Consolidated Financial Statements

NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS

1 BUSINESS COMBINATIONS

In June 1997, Giga-tronics Incorporated (Giga-tronics) completed a merger with Viking Semiconductor Equipment, Inc. (Viking) by issuing approximately 420,000 shares of the Company's common stock in exchange for all of the common stock of Viking. The merger has been accounted for using the pooling-of-interests method of accounting and accordingly, the consolidated financial statements for periods prior to the combination have been restated to include the accounts and results of operations of Viking. Viking 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 equipment, and wafer inspection equipment.

Prior to the combination, Viking's fiscal year ended May 31. In recording the pooling-of-interests combination, Viking's financial statements for the twelve months ended March 31, 1997 were combined with Giga-tronics' financial statements for the year ended March 29, 1997, and Viking's financial statements for the year ended May 31, 1996 were combined with Giga-tronics' financial statements for the year ended March 30, 1996. An adjustment has been made to retained earnings as of March 29, 1997 to eliminate the effect of including Viking's results of operations for the two month period ended May 31, 1996, in both the years ended March 29, 1997 and March 30, 1996. Viking's unaudited results of operations for the two month period ended May 31, 1996 included sales of $323,000 and a net loss of $254,000.

In December 1997, Giga-tronics completed a merger with Ultracision, Inc. (Ultracision) by issuing approximately 517,000 shares of the Company's common stock in exchange for all of the common stock of Ultracision. Ultracision is a manufacturer of automation equipment for the test and inspection of silicon wafers. Ultracision additionally produces a line of probers for the testing and inspection of silicon devices. The merger has been accounted for using the pooling-of-interests method of accounting and accordingly, the consolidated financial statements for periods prior to the combination have been restated to include the accounts and results of operations of Ultracision. Prior to the combination, Ultracision's fiscal year ended March 31.

On May 18, 1998, Giga-tronics Incorporated acquired Microsource, Inc. (Microsource) of Santa Rosa, California. Microsource develops and manufactures a broad line of YIG tuned oscillators, filters, and microwave synthesizers. The acquisition was accounted for using the purchase method of accounting, and accordingly, the results of operations of Microsource have been included in the Company's consolidated financial statements from May 18, 1998. The purchase price consisted of $1,500,000 plus contingent payments based upon future net income of Microsource during the two fiscal years after the effective time of the merger. The excess of the purchase price over the fair value of the net identifiable assets of $1,509,000 was recorded as goodwill and other intangibles (primarily, patents) and is being amortized on a straight-line basis over five years. The additional payments, if any, over the next two years contingent on future net income of Microsource will be accounted for as additional goodwill.

The total purchase price of $1,500,000 has been allocated to the net assets acquired based on the estimated fair value as follows (in thousands):

<TABLE>

<S>	<C>
Current assets	$ 5,119
Property and equipment	4,370
Goodwill and other intangibles	1,509
Current liabilities	(7,018)
Capital lease and other long term obligations, net	(517)

	3,463

Less advances to Microsource, net, and transaction costs	(1,963)

	$ 1,500
	=======

</TABLE>

Results of operations previously reported by the separate entities prior to the mergers and the pro-forma combined amounts are summarized below.

<TABLE>
<CAPTION>

Year ended March 28, 1998 (unaudited)	Giga-tronics	Microsource	Pro-forma Adjustments	Pro-forma Combined
<S>	<C>	<C>	<C>	<C>
Net sales	$ 36,813	$ 6,262	$ --	$ 43,075
Net earnings (loss)	767	(4,531)	(390)	(4,154)
Net earnings (loss) per share	$ 0.18	$ --	$ --	$ (0.96)

</TABLE>

Pro-forma adjustment represents increased depreciation on the step-up basis (to fair market value) on property, plant and equipment, the amortization of goodwill created as a result of the acquisition of Microsource, and interest accrued by Microsource on the notes due to Giga-tronics for which no income had previously been recorded by Giga-tronics.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

THE COMPANY The accompanying consolidated financial statements include the accounts of Giga-tronics and its wholly owned subsidiaries. Giga-tronics and its subsidiary companies design, manufacture and market a broad line of test and measurement equipment used in the development, test, and maintenance of wireless communications products and systems, flight navigational equipment, electronic defense systems, and automatic testing systems. The Company also manufactures and markets a line of test, measurement, and handling equipment used in the manufacturing of semiconductor devices. The Company's products are sold worldwide to customers in the test and measurement and semiconductor industries. The Company has no foreign operations, and all non-U.S. sales are made in U.S. dollars.

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

USE OF ESTIMATES The preparation of financial statements in conformity with 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 last Saturday of the month of March. Fiscal years 1999, 1998 and 1997 each contained 52 weeks, and fiscal year 1996 contained 53 weeks.

REVENUE RECOGNITION Revenues are recognized when products are shipped. Upon shipment, the Company also provides for the estimated cost that may be incurred for product warranties.

CASH EQUIVALENTS 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.

INVESTMENTS The Company's investments in debt securities are classified as available-for-sale securities and are reported at fair value. Unrealized gains and losses are reported as a separate component of shareholders' equity. The cost of securities sold is determined based on the specific identification method.

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

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

Recoverability of property and equipment is measured by comparison of its carrying amount, including the unamortized portion of goodwill allocated to property and equipment to future cash flows the property and equipment are expected to generate. The Company assesses the recoverability of enterprise level goodwill by determining whether the unamortized goodwill balance can be recovered through undiscounted future cash flows of the acquired operation. To date, the Company has made no adjustments to the carrying value of its property and equipment or goodwill due to asset impairment.

DEFERRED RENT Rent expense is recognized in an amount equal to the minimum guaranteed base rent plus future rental increases amortized on the straight-line basis over the terms of the lease, including free rent periods. Included in other long-term liabilities is the excess of rent expense over required rental payments.

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 27, 1999 and March 28, 1998 accumulated amortization on patents and licenses was $3,329,000 and $2,735,000, respectively.

PRODUCT DEVELOPMENT COSTS Product development costs are charged to operations in the year incurred.

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

STOCK-BASED COMPENSATION The Company uses the intrinsic value method to account for stock-based compensation.

EARNINGS (LOSS) PER SHARE Basic earnings (loss) per share are computed using the weighted average number of common shares outstanding during the period. Diluted earnings per share incorporate the incremental shares issuable upon the assumed exercise of stock options. Antidilutive options are not included in the computation of diluted earnings per share.

FINANCIAL INSTRUMENTS AND CONCENTRATION OF CREDIT RISK Financial instruments, which potentially subject the Company to credit risk as of March 27, 1999, consist principally of cash, cash equivalents and trade accounts receivable. The Company's cash equivalents consist principally of money market funds and the cash deposits are held in recognized depository institutions. Concentration of credit risk in trade accounts receivable results primarily from sales to major customers. The Company individually evaluates the creditworthiness of its customers and generally does not require collateral or other security. Historically, the Company has not incurred any significant credit related losses.

FAIR MARKET VALUE OF FINANCIAL INSTRUMENTS The carrying amount for the Company's cash equivalents, trade accounts receivable, notes receivable, notes payable, accounts payable and other accrued expenses approximates fair market value because of the short maturity of these financial instruments.

COMPREHENSIVE INCOME The Company has adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 130, "Reporting Comprehensive Income," which established standards for reporting and disclosures of comprehensive income and its components (revenues, expenses, gains, and losses) in a full set of general purpose financial statements. Financial statements for earlier periods have been reclassified for comparative purposes.

SEGMENT REPORTING The Company has adopted SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information" which supersedes SFAS 14, "Financial Reporting for Segments of a Business Enterprise."

RECENT ACCOUNTING PRONOUNCEMENTS The Financial Accounting Standards Board (FASB) issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives), and for hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. For a derivative not designated as a hedging instrument, changes in the fair value of the derivative are recognized in earnings in the period of change. The Company must adopt SFAS No. 133 by July 1, 1999. Management does not believe the adoption of SFAS No. 133 will have a material effect on the financial position or operations of the Company.

RECLASSIFICATIONS Certain amounts in the accompanying 1998 financial statements have been reclassified in order to conform to the presentation of the 1999 financial statements.

3 CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS

Cash, cash equivalents, and short-term investments consisted of the following at March 27, 1999 and March 28, 1998:

<TABLE>
<CAPTION>

March 27, 1999 (In thousands)	Cash and Cash Equivalents		Short-term Investments	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
<S>	<C>	<C>	<C>	<C>
Cash	$1,093	$1,093	$ --	$ --
Money market funds	1,593	1,593	--	--
Municipal obligations	--	--	--	--
Total debt securities	$2,686	$2,686	$ --	$ --

</TABLE>

<TABLE>
<CAPTION>

March 28, 1998 (In thousands)	Cash and Cash Equivalents		Short-term Investments	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
<S>	<C>	<C>	<C>	<C>
Cash	$1,190	$1,190	$ --	$ --
Money market funds	1,421	1,421	214	214
Municipal obligations	2,000	2,000	5,538	5,510
Total debt securities	$4,611	$4,611	$ 5,752	$5,724

</TABLE>

There were realized gains (losses) of ($37,000) and $1,000 on sales of available-for-sale securities in fiscal 1999 and fiscal 1998, respectively. Unrealized losses on available-for-sale securities were $28,000 as of March 28, 1998, and were included, net of income taxes, as a separate component of Shareholder equity.

As of March 28, 1998, all of the Company's short-term investments had maturities within one year. These securities had interest rates that ranged from 2.3% to 6.1%.

4 INVENTORIES

<TABLE>
<CAPTION>

Years ended (In thousands)	March 27, 1999	March 28, 1998
<S>	<C>	<C>
Raw materials	$ 6,386	$ 3,943
Work-in-progress	6,124	2,999
Finished goods	739	1,122
	$13,249	$ 8,064

</TABLE>

5 NOTES RECEIVABLE

Notes receivable at March 28, 1998 consisted of $860,000 due from Microsource with interest payable at 10% per annum. Additionally, the Company received warrants equal to 10% of the face value of the note per month, at an exercise price of $0.10 per share. The note was collateralized by the fixed assets of Microsource with principal and interest due and payable on May 29, 1998. On May 18, 1998, the Company exercised the warrants and received principal and interest payments on the note as part of its acquisition of Microsource.

6 SELLING EXPENSES

Selling expenses consist primarily of commissions paid to various marketing agencies. Commission expense totaled $2,051,000, $2,155,000, and $2,014,000 in fiscal 1999, 1998, and 1997, respectively. Advertising costs, which were expensed as incurred, totaled $558,000, $431,000, and $425,000 for fiscal 1999, 1998, and 1997, respectively.

7 SIGNIFICANT CUSTOMERS AND INDUSTRY SEGMENT INFORMATION

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

The accounting policies for the segments are the same as those described in the "Summary of Significant Accounting Policies." The Company evaluates the performance of its segments and allocates resources to them based on earnings before income taxes (pre-tax income (loss)). Segment net sales includes sales to external customers. Segment pre-tax loss includes an allocation for corporate expenses, amortization of goodwill, and interest expense from borrowings from Corporate. Corporate expenses are allocated to the reportable segments based principally on full time equivalent headcount. The interest expense is charged at 3/4% over prime which is currently 8 1/2% for cash required by each segment. Goodwill associated with acquisitions are recorded as assets of the individual segments. Assets include accounts receivable, inventories, land, building and equipment, cash, deferred income taxes, prepaid expenses, goodwill and other long-term assets. The Company accounts for inter-segment sales and transfers at terms that allow a reasonable profit to the seller. During the periods reported there were no inter-segment sales or transfers.

The Company's reportable operating segments are strategic business units that offer different products and services. They are managed separately because each business utilizes different technology and requires different marketing strategies. All of the businesses except for Giga-tronics Instruments were acquired. The Company's chief operating decision maker is considered to be the Company's Chief Executive Officer ("CEO"). The CEO reviews financial information presented on a consolidated basis accompanied by disaggregated information about revenues and pre-tax income by operating segment. The tables below present information for the fiscal years ended in 1999, 1998 and 1997:

March 27, 1999 (In thousands):

<TABLE>
<CAPTION>

	Giga-tronics Instruments	ASCOR	Microsource	Semiconductor Group	Corporate	Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Revenue	$ 17,061	$ 6,484	$ 8,984	$ 5,107	$ --	$ 37,636
Interest income	35	10	--	2	120	167
Interest expense	--	31	455	287	(727)	46
Amortization & depreciation	924	152	1,004	128	--	2,208
Pre-tax income (loss)	(805)	546	(777)	(2,791)	821	(3,006)
Assets	10,130	4,426	11,495	5,763	1,445	33,259

</TABLE>

March 28, 1998 (In thousands):

<TABLE>
<CAPTION>

	Giga-tronics Instruments	ASCOR	Microsource	Semiconductor Group	Corporate	Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Revenue	$ 20,441	$ 5,070	$ --	$ 11,302	$ --	$ 36,813
Interest income	--	40	--	5	470	515

	Giga-tronics Instruments	ASCOR	Microsource	Semiconductor Group	Corporate	Total
Interest expense	5	--	--	183	(130)	58
Amortization & depreciation	1,110	163	--	134	--	1,407
Pre-tax income (loss)	1,626	62	--	(1,192)	600	1,096
Assets	12,778	3,425	--	7,326	9,143	32,672

</TABLE>

March 29, 1997 (In thousands):

<TABLE>
<CAPTION>

<S>	Giga-tronics Instruments <C>	ASCOR <C>	Microsource <C>	Semiconductor Group <C>	Corporate <C>	Total <C>
Revenue	$ 22,149	$ 6,740	$ --	$ 9,145	$ --	$ 38,034
Interest income	--	42	--	28	571	641
Interest expense	--	31	--	81	(4)	108
Amortization & depreciation	1,307	137	--	155	--	1,599
Pre-tax income (loss)	820	795	--	(142)	575	2,048
Assets	10,575	3,694	--	6,597	12,752	33,618

</TABLE>

Sales to agencies of the U.S. Government and defense-related customers accounted for 24%, 12%, and 28% of the Company's sales in fiscal 1999, 1998, and 1997, respectively. Export sales accounted for 20%, 28%, and 31% of the Company's sales in fiscal 1999, 1998, and 1997, respectively. Export sales by geographical area are shown below:

<TABLE>
<CAPTION>

<S> Years ended (In thousands)	March 27, 1999 <C>	March 28, 1998 <C>	March 29, 1997 <C>
Americas	$ 445	$ 345	$ 422
Europe	3,446	3,990	3,467
Asia	3,371	5,747	7,547
Rest of world	403	328	460
	$ 7,665	$10,410	$11,896

</TABLE>

8 EARNINGS (LOSS) PER SHARE

Shares used in per share computations for the years ended March 27, 1999, March 28, 1998 and March 29, 1997 are as follows:

<TABLE>
<CAPTION>

<S> Years ended (In thousands except per share data)	March 27, 1999 <C>	March 28, 1998 <C>	March 29, 1997 <C>
Net earnings (loss)	$ (1,858)	$ 767	$1,509
Weighted average:			
Common shares outstanding	4,338	4,319	4,300
Common share equivalents	--	58	76
Common shares assuming dilution	4,338	4,377	4,376
Net earnings per share of common stock	$ (0.43)	$ 0.18	$ 0.35
Net earnings per share of common stock assuming dilution	$ (0.43)	$ 0.18	$ 0.34
Stock options not included in computation	537	177	38

</TABLE>

The number of stock options not included in the computation of diluted EPS for the period ended March 27, 1999 is a result of the Company's loss from continuing operations and therefore the options are antidilutive. The number of stock options not included in the computation of diluted EPS for the periods ending March 28, 1998 and March 29, 1997 reflects stock options where the exercise prices were greater than the average market price of the common shares and are therefore antidilutive.

Dividends declared in fiscal year 1997 were $27,000. These dividends were associated with Ultracision prior to the merger. Dividends paid were $27,000 and $21,000 in 1998 and 1997, respectively, to Ultracision shareholders.

9 INCOME TAXES

Following are the components of the provision (benefit) for income taxes:

<TABLE>
<CAPTION>

Years ended (In thousands)	March 27, 1999	March 28, 1998	March 29, 1997
<S>	<C>	<C>	<C>
Current:			
Federal	$ (720)	$ 413	$ 761
State	4	20	239
	(716)	433	1,000
Deferred:			
Federal	(205)	50	(325)
State	(227)	(154)	(136)
	(432)	(104)	(461)
Provision (benefit) for income taxes	$(1,148)	$ 329	$ 539

</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 27, 1999	March 28, 1998
<S>	<C>	<C>
Current tax assets, net	$ 2,309	$ 2,092
Noncurrent tax asset (liabilities), net	169	(57)
Net deferred taxes	$ 2,478	$ 2,035
Future state tax effect	(238)	(138)
Allowance for doubtful accounts	187	125
Fixed asset depreciation	188	(57)
Inventory reserves and additional costs capitalized	2,797	1,598
Deferred revenue	52	53
Accrued vacation	251	153
Accrued warranty	162	249
Other accrued liabilities	269	143
Net operating loss carryforward	6,576	--
Unrealized loss (gain) on equity securities	(18)	9
Valuation allowances	(7,748)	(100)
	$ 2,478	$ 2,035

</TABLE>

Income tax expense (benefit) 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 (In thousands except percentages)	March 27, 1999		March 28, 1998		March 29, 1997	
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Statutory federal income tax (benefit)	$(1,022)	34.0%	$ 372	34.0%	$ 697	34.0%
Beginning of year change in deferred tax asset valuation allowance	--	--	(85)	(7.8)	(272)	(13.3)
State income tax, net of federal benefit	(146)	4.9	(87)	(8.0)	67	3.3
Nontax deductible expenses	14	(0.4)	210	19.2	64	3.1
Interest income exempt from federal tax	(19)	0.6	(83)	(7.5)	(23)	(1.1)
Tax credits	(58)	1.9	(24)	(2.2)	(95)	(4.6)
Goodwill and patent amortization	84	(2.8)	--	--	--	--
Other	(1)	--	26	2.3	101	4.9
Effective income tax (benefit)	$(1,148)	38.2%	$ 329	30.0%	$ 539	26.3%

</TABLE>

The change in valuation allowance from March 28, 1998 to March 27, 1999 was $7,648,000. The change in valuation allowance from March 29, 1997 to March 28, 1998 was $272,000. The change from March 30, 1996 to March 29, 1997 was $453,000.

The Company has recorded a valuation allowance to reflect the estimated amount of deferred tax assets which may not be realized. The ultimate realization of deferred tax assets is dependent upon generation of future taxable income during the periods in which those temporary differences became deductible. Management considers projected future taxable income and tax planning strategies in making this assessment. Based on the historical taxable income and projections for future taxable income over the periods in which the deferred tax assets become deductible, management believes it is more likely than not that the Company will realize the benefits of these deductible differences, net of valuation allowances as of March 27, 1999.

From the acquisition of Microsource, the Company acquired approximately $7,600,000 of deferred tax assets which were fully offset by a valuation allowance. Subsequent recognition of tax benefits relating to the valuation allowance for deferred tax assets of Microsource will be allocated to goodwill and the remainder will be allocated to income tax benefit.

10 STOCK OPTIONS AND EMPLOYEE BENEFIT PLANS

STOCK OPTION PLAN The Company has established a stock option plan which provides for the granting of up to 700,000 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. During fiscal 1999, the Company offered options holders the opportunity to have outstanding options repriced to current fair value, with the related vesting period starting over. The Company cancelled and reissued (repriced) 405,250 options pursuant to the repricing. Holders of options may be granted stock appreciation rights (SAR's), which entitle them to surrender outstanding options for a cash distribution under certain changes in ownership of the Company, as defined in the stock option plan. As of March 27, 1999, no SAR's have been granted under the option plan. As of March 27, 1999, the total number of shares of common stock available for issuance is 623,500. All outstanding options have a term of five years. With the merger of Ultracision, the Company also assumed 56,370 options granted under the Ultracision option plans. These options vest 100% after two years and have a term of five years.

Following is a summary of stock option activity:

<TABLE>
<CAPTION>

<S>	Per Share Weighted Average Fair Value of Options Granted <C>	Options Exercisable <C>	Shares <C>	Weighted Average Exercise Price <C>
Outstanding as of March 30, 1996		48,350	172,932	$4.885
Exercised			(55,550)	4.945
Forfeited			(51,750)	4.874
Granted	$ 3.426		253,238	7.628
Outstanding as of March 29, 1997		12,150	318,870	7.058
Exercised			(950)	4.000
Forfeited			(16,250)	4.115
Granted	$ 3.822		89,000	7.410
Outstanding as of March 28, 1998		106,682	390,670	7.268
Exercised			(1,400)	2.660
Forfeited			(561,456)	6.399
Granted	$ 2.914		807,750	2.818
Outstanding as of March 27, 1999		48,814	635,564	$2.391

</TABLE>

In accordance with SFAS No. 123, "Accounting for Stock-Based Compensation", the Company is required to disclose the effects on net earnings and earnings per share as if it had elected to use the fair value method to account for employee stock-based compensation plans. Had the Company recorded a charge for the fair value of options granted consistent with SFAS No. 123, net earnings (loss) and net earnings (loss) per share would have changed to the pro-forma amounts shown below:

<TABLE>
<CAPTION>

Years ended (In thousands except per share data)	March 27, 1999	March 28, 1998	March 29, 1997
<S>	<C>	<C>	<C>
Net earnings (loss)			
As reported	$ (1,858)	$ 767	$ 1,509
Pro-forma	(2,234)	404	1,361
Net earnings (loss) per share - basic			
As reported	(0.43)	0.18	0.35
Pro-forma	(0.52)	0.09	0.32
Net earnings (loss) per share - diluted			
As reported	(0.43)	0.18	0.34
Pro-forma	(0.52)	0.09	0.31

</TABLE>

Pro-forma net earnings (loss) reflects only options granted in 1999, 1998, 1997 and 1996. 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 April 1, 1995 is not considered.

For purposes of computing pro-forma net earnings (loss), the fair value of each option grant and Employee Stock Purchase Plan purchase right is estimated on the date of grant using the Black Scholes option pricing model. The assumptions used to value the option grants and purchase rights are stated below:

<TABLE>
<CAPTION>

Years ended	March 27, 1999	March 28, 1998	March 29, 1997
<S>	<C>	<C>	<C> <C>
Expected life of options	4 years	4 years	3 to 4 years
Expected life of purchase rights	6 mos	6 mos	6 mos
Volatility	60%	60%	56%
Risk-free interest rate	4.53 to 5.66	5.50 to 6.25	5.11 to 6.60
Dividend yield	zero	zero	zero

</TABLE>

<TABLE>
<CAPTION>

Options Outstanding and Exercisable as of March 27, 1999, by Price Range

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>
$2.09	522,250	4.70	$ 2.094	--	$ --
From $2.12 to $4.00	89,314	3.75	2.686	30,814	2.693
$7.75	24,000	1.79	7.750	18,000	7.750
	-------	-------	-------	-------	-------
From $2.09 to $7.75	635,564	4.46	$ 2.391	48,814	$ 4.558
	=======	=======	=======	=======	=======

</TABLE>

EMPLOYEE STOCK PURCHASE PLAN Under the Company's Employee Stock Purchase Plan (the Purchase Plan), employees meeting specific employment qualifications are eligible to participate and can purchase shares semi-annually through payroll deductions at the lower of 85% of the fair market value of the stock at the commencement or end of the offering period. The Purchase Plan permits eligible employees to purchase common stock through payroll deductions for up to 10% of qualified compensation. As of March 27, 1999, 86,636 shares remain available for issuance under the Purchase Plan. The weighted average fair value of the purchase rights granted in 1999 was $2.495.

401(K) PLAN The Company has established 401(k) plans which cover 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. Participants vest ratably in Company contributions over a four-year period. Company contributions to the plans for fiscal 1999, 1998, and 1997 were approximately $153,000, $151,000, and $148,000, respectively.

11 COMMITMENTS

The Company leases a 47,300 square foot facility located in San Ramon, California, under a twelve-year lease (as amended) that commenced in

April 1994. The Company leased a 12,160 square foot facility located in Fremont, California, under an operating lease agreement, which expired on January 31, 1999. The Company will continue to rent this facility on a month to month basis until the completion of a new facility. The new facility will be approximately 18,600 square feet in Fremont, California with a lease commencing upon completion of the building and expiring five years thereafter. The Company leases a 20,400 square foot facility located in Santa Clara, California, under a seven-year lease that commenced in July 1995. The Company leases a 35,000 square foot facility located in Santa Rosa, California, under a ten-year lease that commenced in July 1993. These facilities accommodate all of the Company's present operations. The Company also has acquired equipment under capital and operating leases. The future minimum lease payments for equipment leases and facilities are shown below and assume the new facility lease will commence on July 1, 1999:

<TABLE>
<CAPTION>

Fiscal years (In thousands)	
<S>	<C>
2000	$1,408
2001	1,595
2002	1,646
2003	1,218
2004	954
Thereafter	1,889

</TABLE>

The aggregate rental expense was $1,462,000, $959,000, and $937,000, in fiscal 1999, 1998, and 1997, respectively.

As of March 27, 1999, Property and Equipment includes equipment under capital lease of $502,000 and related accumulated depreciation of $111,000. As of March 28, 1998 and March 29, 1997, equipment under capital lease was not significant. The future minimum lease payments for capital equipment leases are shown below.

<TABLE>
<CAPTION>

Fiscal years (In thousands)	
<S>	<C>
2000	$178
2001	150
2002	105
2003	10

Total	443
Less interest costs	121

Present value of minimum lease payments	322
Less current portion	112

Long term portion of capital lease obligations	$210
	====

</TABLE>

12 LINE OF CREDIT

The Company signed an agreement with a bank for an unsecured revolving line of credit loan for $7,000,000 with interest payable at prime rate or at LIBOR plus 1 1/2 percent. This credit line has not been utilized by the Company and expires July 31, 1999. The line of credit requires the Company be in compliance with certain financial covenants as of March 29, 1999. The Company was in violation of one such covenant, which such violation has subsequently been waived by the bank.

I N D E P E N D E N T   A U D I T O R S'   R E P O R T

The Board of Directors and Shareholders
Giga-tronics Incorporated:

We have audited the accompanying consolidated balance sheets of Giga-tronics Incorporated and subsidiaries as of March 27, 1999 and March 28, 1998, and the related consolidated statements of operations, shareholders' equity and cash flows for years ended March 27, 1999, March 28, 1998, and March 29, 1997. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Giga-tronics Incorporated and subsidiaries as of March 27, 1999, and March 28, 1998, and the results of their operations and their cash flows for the years ended March 27, 1999, March 28, 1998, and March 29, 1997, in conformity with generally accepted accounting principles.

/s/
KPMG LLP

Mountain View, California
May 4, 1999

SELECTED FINANCIAL DATA

<TABLE>
<CAPTION>
SUMMARY OF OPERATIONS:

(In thousands except per share data)	March 27, 1999	March 28, 1998	March 29, 1997	March 30, 1996	March 25, 1995
<S>	<C>	<C>	<C>	<C>	<C>
Net sales	$ 37,636	$ 36,813	$ 38,031	$ 40,804	$ 33,980
Gross profit	11,534	15,789	14,627	15,916	11,988
Operating expenses	15,293	15,172	13,096	13,714	13,336
Interest income, net	121	457	533	221	157
Earnings (loss) before income taxes	(3,006)	1,096	2,048	2,623	(1,170)
Net earnings (loss)	(1,858)	767	1,509	2,193	(695)
Net earnings (loss) per share - basic	$ (0.43)	$ 0.18	$ 0.35	$ 0.52	$ (0.16)
Net earnings (loss) per share - diluted	$ (0.43)	$ 0.18	$ 0.34	$ 0.51	$ (0.16)

</TABLE>

<TABLE>
<CAPTION>
FINANCIAL POSITION:

(In thousands except ratio)	March 27, 1999	March 28, 1998	March 29, 1997	March 30, 1996	March 25, 1995
<S>	<C>	<C>	<C>	<C>	<C>
Current ratio	3.32	5.06	4.32	3.15	2.75
Working capital	$ 18,021	$ 23,484	$ 22,692	$ 19,638	$ 16,080
Total assets	33,259	32,672	33,618	33,448	30,981
Shareholders' equity	$ 24,710	$ 26,461	$ 25,654	$ 23,475	$ 21,131
Shares of common stock - basic	4,338	4,319	4,300	4,232	4,249
Shares of common stock - diluted	4,338	4,377	4,376	4,297	4,249

</TABLE>

<TABLE>
<CAPTION>
PERCENTAGE DATA:

	March 27, 1999	March 28, 1998	March 29, 1997	March 30, 1996	March 25, 1995
<S>	<C>	<C>	<C>	<C>	<C>
Percent of net sales					
Gross profit	30.6	42.9	38.5	39.0	35.3
Operating expenses	40.6	41.2	34.4	33.6	39.2
Interest income, net	0.3	1.2	1.4	0.5	0.5
Earnings (loss) before income taxes	(8.0)	3.0	5.4	6.4	(3.4)
Net earnings (loss)	(4.9)	2.1	4.0	5.4	(2.0)

</TABLE>

SELECTED FINANCIAL DATA

QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

<TABLE>
<CAPTION>

(In thousands except per share data)	1999				
	First	Second	Third	Fourth	Year
<S>	<C>	<C>	<C>	<C>	<C>
Net sales	$ 8,677	$ 9,030	$ 11,343	$ 8,586	$ 37,636
Gross profit	3,313	2,834	3,690	1,697	11,534
Operating expenses	3,806	3,950	3,672	3,865	15,293
Interest income, net	112	6	2	1	121
Earnings (loss) before income taxes	(377)	(1,076)	47	(1,600)	(3,006)
Net earnings (loss)	(264)	(753)	34	(875)	(1,858)
Net earnings (loss) per share - basic	$ (0.06)	$ (0.17)	$ 0.01	$ (0.20)	$ (0.43)
Net earnings (loss) per share - diluted	$ (0.06)	$ (0.17)	$ 0.01	$ (0.20)	$ (0.43)
Equivalent shares of common stock - basic	4,326	4,331	4,344	4,350	4,338
Equivalent shares of common stock - diluted	4,326	4,331	4,362	4,350	4,338

</TABLE>

QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

<TABLE>
<CAPTION>

(In thousands except per share data)	1998				
	First	Second	Third	Fourth	Year
<S>	<C>	<C>	<C>	<C>	<C>
Net sales	$ 9,081	$ 9,574	$ 9,514	$ 8,644	$ 36,813
Gross profit	4,177	4,342	3,916	3,354	15,789
Operating expenses	3,659	3,913	3,913	3,687	15,172
Interest income, net	124	98	97	138	457
Earnings (loss) before income taxes	664	530	107	(205)	1,096
Net earnings (loss)	465	371	72	(141)	767
Net earnings (loss) per share - basic	$ 0.11	$ 0.09	$ 0.02	$ (0.03)	$ 0.18
Net earnings (loss) per share - diluted	$ 0.11	$ 0.08	$ 0.02	$ (0.03)	$ 0.18
Equivalent shares of common stock - basic	4,316	4,318	4,320	4,322	4,319
Equivalent shares of common stock - diluted	4,359	4,378	4,413	4,322	4,377

</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 28, 1998 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>

	1999	High	Low	1998	High	Low
<S>	<C>	<C>	<C>	<C>	<C>	<C>
First quarter	(3/29-6/27)	7	4 3/4	(3/30-6/28)	8 1/2	6 9/16
Second quarter	(6/28-9/26)	5	2 13/32	(6/29-9/27)	10	6 7/8
Third quarter	(9/27-12/28)	3 1/4	2	(9/28-12/27)	11 3/8	7 3/4
Fourth quarter	(12/29-3/27)	3 7/16	2 1/8	(12/28-3/28)	9 3/4	6 1/4

</TABLE>

<TABLE> <S> <C>

<ARTICLE> 5
<CIK> 0000719274
<NAME> GIGA-TRONICS INCORPORATED

<S> <C>
<PERIOD-TYPE> 12-MOS
<FISCAL-YEAR-END> MAR-27-1999
<PERIOD-START> MAR-29-1998
<PERIOD-END> MAR-27-1999
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<INVENTORY> 13,249
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<PP&E> 14,831
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<COMMON> 11,621
<OTHER-SE> 13,089
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<SALES> 37,636
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<CGS> 26,102
<TOTAL-COSTS> 41,395
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<LOSS-PROVISION> 0
<INTEREST-EXPENSE> (121)
<INCOME-PRETAX> (3,006)
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