CALIFORNIA AMPLIFIER INC
Form 10-Q/A
May 23, 2001

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q/A

Amendment Number 1 to

/x/ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended: November 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 Number: 012182

CALIFORNIA AMPLIFIER, INC.

(Exact name of registrant's specified in its charter)

Delaware (State or Other jurisdiction of incorporation or organization)	**95-3647070** (IRS Employer Identification No.)
460 Calle San Pablo **Camarillo, California** (Address of principal executive offices)	**93012** (Zip Code)

(805) 987-9000
(Registrant's telephone number including area code)

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 the number of shares outstanding of each of the issuer's classes of common stock, as of the close of the period covered by this report.

Common Stock Outstanding as of November 27, 1999: 12,153,447

Number of pages in this Form 10-Q/A: 19

PART I FINANCIAL INFORMATION

ITEM 1: Financial Statements

CONSOLIDATED CONDENSED BALANCE SHEETS
(in thousands, except par value)

	Nov. 27, 1999	Feb. 27, 1999
	(Unaudited) ***(As Restated, see Note 1)***	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 4,256	$ 9,312
Accounts receivable, net	12,684	5,002
Inventories	10,010	3,974
Deferred tax asset	1,524	1,597
Prepaid expenses and other current assets	503	446
Total current assets	28,977	20,331
Property and equipment, at cost, net of accumulated depreciation and amortization	8,418	4,498
Goodwill, net of accumulated amortization	3,903	
Other assets	894	720
	$ 42,192	$ 25,549
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 12,447	$ 2,644
Accrued liabilities	2,533	1,613
Short-term debt and current portion of long-term debt	3,595	597
Total current liabilities	18,575	4,854
Long-term debt	1,672	516
Minority interest share in net assets of Micro Pulse, Inc.	220	114
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, 3,000 shares authorized; no shares issued and outstanding		
Common stock, $.01 par value; 30,000 shares authorized; 12,153 shares outstanding in November 1999 and 11,785 shares outstanding in February 1999	122	118
Additional paid-in capital	15,209	14,050
Accumulated other comprehensive loss	(272)	(170)
Retained earnings	6,666	6,067
Total stockholders' equity	21,725	20,065

	Nov. 27, 1999	Feb. 27, 1999
	$ 42,192	$ 25,549

See Notes to Unaudited Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited; in thousands, except per share data)

	Three Months Ended		Nine Months Ended	
	Nov. 27, 1999	Nov. 28, 1998	Nov. 27, 1999	Nov. 28, 1998
	(As Restated, see Note 1)		*(As Restated, see Note 1)*	
Sales	$ 26,577	$ 9,681	$ 58,162	$ 27,063
Cost of sales	23,341	6,905	46,031	19,555
Gross profit	3,236	2,776	12,131	7,508
Research and development	1,388	1,147	3,915	3,634
Selling	1,254	1,059	3,477	3,460
General and administrative	1,354	989	3,587	3,017
Income (loss) from operations	(760)	(419)	1,152	(2,603)
Interest and other income (expense), net	(40)	4	(79)	(13)
Minority interest share in (income) loss, of Micro Pulse	(96)	120	(138)	255
Income (loss) before income taxes	(896)	(295)	935	(2,361)
(Provision for) benefit from income taxes	324	90	(336)	834
Net income (loss)	$ (572)	$ (205)	$ 599	$ (1,527)
Net income (loss) per share				
Basic	$ (0.05)	$ (0.02)	$ 0.05	$ (0.13)
Diluted	$ (0.05)	$ (0.02)	$ 0.05	$ (0.13)
Shares used in per share calculations				
Basic	12,087	11,778	11,939	11,774
Diluted	12,087	11,778	13,147	11,774

See Notes to Unaudited Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited, in thousands)

	Nine Months Ended	
	Nov. 27, 1999	Nov. 28, 1998
	(As Restated, see Note 1)	
Cash flows from operating activities:		
Net income (loss)	$ 599	$ (1,527)
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities:		
Provision for doubtful accounts	37	
Depreciation and amortization	2,223	2,365
Loss on sale of property and equipment	9	902
Minority interest share in income (loss) of Micro Pulse, net of tax	106	(179)
Deferred Tax Asset	(73)	244
Change in assets and liabilities, net of effect of Gardiner acquisition in fiscal year 2000:		
Accounts receivable	(7,719)	956
Inventories	(3,384)	1,997
Prepaid expenses and other assets	35	(149)
Accounts payable	9,803	682
Accrued liabilities	595	(558)
Net cash provided by operating activities	2,377	4,733
Cash flows from investing activities:		
Purchase of property and equipment	(3,349)	(931)
Net assets acquired from Gardiner	(6,199)	
Net cash used in investing activities	(9,548)	(931)
Cash flows from financing activities:		
Debt borrowings	1,500	
Debt repayments	(446)	(588)
Issuances of common stock	1,163	26
Net cash provided by (used in) financing activities	2,217	(562)
Effect of foreign exchange rates	(102)	
Net (decrease) increase in cash and cash equivalents	(5,056)	3,240
Cash and cash equivalents at the beginning of period	9,312	4,422
Cash and cash equivalents at end of period	$ 4,256	$ 7,662

See Notes to Unaudited Consolidated Financial Statements

CALIFORNIA AMPLIFIER, INC.

Notes to Unaudited Consolidated Financial Statements

(As Restated)

1. **Basis of Presentation** The accompanying unaudited consolidated financial statements have been prepared in accordance with the requirements of Form 10-Q and, therefore, do not include all information and footnotes which would be presented were such financial statements prepared in accordance with generally accepted accounting principles. These statements should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended February 27, 1999. In the opinion of management, these interim financial statements reflect all adjustments necessary for a fair presentation of the financial position and results of operations for each of the periods presented. The results of operations and cash flows for such periods are not necessarily indicative of results to be expected for the full fiscal year.

Restatement of the Three and Nine Months Ended November 27, 1999 On March 29, 2001, the Company announced that during preparation for the Company's fiscal 2001 audit, the corporate controller abruptly resigned and advised management by letter that he had made certain improper adjustments to the Company's accounting records that caused a reduction in recorded expenses. The Company began an investigation into the circumstances reported by the controller and determined that expenses had been inappropriately reduced. As part of its investigation, the Company reviewed substantially all of the journal entries input by the controller and reviewed the general ledger closings for each period in fiscal 2000. The investigation revealed that the controller had reduced reported expenses through the posting of improper journal entries and irregularities in the consolidation of its Hong Kong subsidiary. All of these improper journal entries and irregularities were previously unknown to the Company's management.

The Company has determined the effect of these irregularities on its previously issued financial statements and has restated the accompanying financial statements as of November 27, 1999 and for the three and nine month periods ended November 27, 1999. The improper journal entries have been reversed, and the general ledger closings for each period within the fiscal year have been re-performed and properly consolidated with the accounts of the Company's Hong Kong subsidiary.

As a result of the cumulative effect of the increase in net loss in fiscal year 2000 and the reduction in net income for the first nine months of fiscal 2001 in connection with the restatement, the Company reassessed the realizability of the deferred tax asset. The Company concluded that the deferred tax asset, specifically as it relates to the future tax deductibility for the exercise of non-qualified stock options, would be reduced for amounts previously recognized in fiscal years 2000 and 2001. Accordingly, deferred taxes and stockholders' equity were reduced by $800,000 for the nine months ended November 27, 1999.

In the process of reclosing interim financial statements, the Company identified minor discrepancies which are corrected in the accompanying interim financial statements.

The Company's investigation determined that there has been no misappropriation of cash or other assets.

Statement of Operations Data

(in thousands)

	Three Months Ended Nov. 27, 1999		
	As Originally Reported	Restatement Adjustments	As Restated
Sales	$ 26,251	$ 326	$ 26,577
Cost of sales	19,531	3,810	23,341
Gross profit	6,720	(3,484)	3,236
Operating expenses	4,116	(120)	3,996
Other income (expense), net	(127)	9	(136)
(Provision for) benefit from income taxes	(892)	(1,216)	324
Net income (loss)	1,585	(2,157)	(572)
Net loss per share			
Basic	$ 0.13	$ (0.18)	$ (0.05)
Diluted	$ 0.12	$ (0.17)	$ (0.05)

	Nine Months Ended Nov. 27, 1999		
	As Originally Reported	Restatement Adjustments	As Restated
Sales	$ 57,919	$ 243	$ 58,162
Cost of sales	42,042	3,989	46,031
Gross profit	15,877	(3,746)	12,131
Operating expenses	11,216	(237)	10,979
Other income (expense), net	(217)	-0-	(217)
Provision for income taxes	(1,600)	(1,264)	(336)
Net income	2,844	(2,245)	599
Net income per share			
Basic	$ 0.24	$ (0.19)	$ 0.05
Diluted	$ 0.22	$ (0.17)	$ 0.05

Balance Sheet Data

(in thousands)

	As of Nov. 27, 1999		
	As Originally Reported	Restatement Adjustments	As Restated
Cash and cash equivalents	$ 4,221	$ 35	$ 4,256
Accounts receivable, net	12,708	(24)	12,684
Inventories	9,797	213	10,010
Deferred tax asset	971	553	1,524
Prepaid expenses and other current assets	504	(1)	503
Property and equipment, net	8,579	(161)	8,418
Other assets	735	159	894
Accounts payable	8,987	3,460	12,447
Accrued liabilities	2,174	359	2,533
Stockholders' equity	24,770	(3,045)	21,725

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2. **Inventories** Inventories include the cost of material, labor and manufacturing overhead and are stated at the lower of cost (first-in, first-out) or market and consist of the following (in thousands):

	Nov. 27, 1999	Feb. 27, 1999
Raw materials	$ 8,467	$ 2,441
Work in process	427	40
Finished goods	1,116	1,493
	$ 10,010	$ 3,974

3. **Comprehensive Income (Loss)** Effective March 1, 1998 the Company adopted the provisions of SFAS No. 130, "Reporting Comprehensive Income" which establishes standards for reporting and display of comprehensive income and its components in a full set of general-purpose financial statements. Comprehensive income is defined as the total of net income and all non-owner changes in equity. The following table details the components of comprehensive income (loss) for the three and nine months ended November 27, 1999 and November 28, 1998 (in thousands):

	Three Months Ended	
	Nov. 27, 1999	Nov. 28, 1998

	Three Months Ended	
Net loss	$ (572)	$ (205)
Foreign currency translation adjustment	(27)	61
Comprehensive loss	$ (599)	$ (144)

	Nine Months Ended	
	Nov. 27, 1999	Nov. 28, 1998
Net income (loss)	$ 599	$ (1,527)
Foreign currency translation adjustment	(102)	49
Comprehensive income (loss)	$ 497	$ (1,478)

4. **Segments**

In June 1997, the FASB introduced SFAS No. 131 "Disclosures About Segments of an Enterprise and Related Information." In conjunction with the Company's reorganization into business units in January 1998, the Company adopted SFAS No. 131 in fiscal year 1999, and it will be applied as required to interim periods thereafter. The adoption of this standard had no effect on the Company's financial position or results of operations, but did change the presentation of segment information as presented below (in thousands):

	Three Months Ended November 27, 1999				
	Satellite	Wireless	Antenna	Corporate	Total
Sales	$ 19,299	$ 5,302	$ 1,976	$	$ 26,577
Gross Profit	849	1,657	730		3,236
Gross Margins	4.4%	31.3%	36.9%		12.2%
Income (Loss) Before Taxes	(72)	316	96	(1,236)	(896)

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	Three Months Ended November 28, 1998				
	Satellite	Wireless	Antenna	Corporate	Total
Sales	$ 3,479	$ 5,318	$ 884	$	$ 9,681
Gross Profit	1,224	1,327	225		2,776
Gross Margins	35.2%	25.0%	25.5%		28.7%
Income (Loss) Before Taxes	533	140	(226)	(742)	(295)

	Nine Months Ended November 27, 1999				
	Satellite	Wireless	Antenna	Corporate	Total
Sales	$ 39,247	$ 14,255	$ 4,660	$	$ 58,162
Gross Profit	6,040	4,357	1,734		12,131
Gross Margins	15.4%	30.6%	37.2%		20.9%
Income (Loss) Before Taxes	3,357	672	141	(3,235)	935

Nine Months Ended November 28, 1998

	Nine Months Ended November 28, 1998				
	Satellite	Wireless	Antenna	Corporate	Total
Sales	$ 8,780	$ 15,080	$ 3,203	$	$ 27,063
Gross Profit	2,758	3,767	983		7,508
Gross Margins	31.4%	25.0%	30.7%		27.7%
Income (Loss) Before Taxes	533	(16)	(459)	(2,419)	(2,361)

5. **Acquisition and Pro Forma Results of Operations**

On April 19, 1999, the Company acquired the technology and product rights to substantially all of Gardiner Communications Corp.'s ("Gardiner") products, inventory, and manufacturing and development related equipment. The total purchase price, including assumption of certain liabilities and certain costs incurred in connection with the acquisition, was approximately $9.3 million. The Company paid approximately $2.8 million in cash on closing, and an additional $3.4 million in cash for additional inventory and equipment in the Company's third fiscal quarter. Gardiner received a $3.1 million, 8% one year promissory note due April 19, 2000. A portion of the debt can be converted into 525,000 shares of the Company's common stock at the lower per share conversion price equal to $4.25 or the average closing sales price of the Company's common stock for the immediate twenty trading days prior to conversion. As part of the purchase, the Company recorded Goodwill of $4.1 million which is being amortized over 15 years.

The following pro forma combines the operations of the Company and Gardiner as if the acquisition had occurred at the beginning of each of the respective periods (in thousands, except per share data):

	9 Months November 27, 1999		9 Months November 28, 1998	
	As Reported	Pro forma	As Reported	Pro forma
Sales	$ 58,162	$ 60,162	$ 27,063	$ 40,142
Net Income (Loss)	$ 599	$ 759	$ (1,527)	$ (261)
Net Income (Loss) Per Diluted Share	$ .05	$ .06	$ (.13)	$ (.02)

6. **Statement of Cash Flows** In fiscal year 2000, the Company recorded goodwill of $4.1 million in conjunction with the acquisition of certain assets from Gardiner Communications and issued a note

payable for $3.1 million. The non-cash portion of this acquisition was excluded from the statement of cash flows.

7. **Subsequent Events**

On June 11, 1997, the Company and certain of its directors and officers had two legal actions filed against them, one in the United States District Court, Central District of California, entitled *Yourish v. California Amplifier, Inc., et al.*, Case No. 97-4293 CBM (Mcx), and the other in the Superior Court for the State of California, County of Ventura, entitled *Yourish v. California Amplifier, Inc. et al.*, Case No. CIV 173569. On June 30, 1997, another legal action was filed against the same defendants in the Superior Court for the State of California, County of Ventura, entitled *Burns, et al., v. California Amplifier, Inc., et al.*, Case No. CIV 173981. All three actions were purported class actions on behalf of purchasers of the common stock of the Company between September 12, 1995 and August 8, 1996. The actions claimed that the defendants engaged in a scheme to make false and misleading statements and omitted disclosure of material adverse facts to the public concerning the Company, allegedly causing the Company's stock price to artificially rise, and thereby allegedly allowing the individual defendants to sell stock at inflated prices. Plaintiffs claimed that the purported stockholder class was damaged when the price of the stock declined upon disclosure of the alleged adverse facts. On September 21, 1998, the Federal legal action was dismissed in the United States District Court. The dismissal was upheld by the U.S. Court of Appeals for the Ninth Circuit on October 8, 1999.

On March 27, 2000 the trial began for the lawsuit filed in the Superior Court for the State of California, County of Ventura, entitled *Yourish v. California Amplifier, Inc., et al.*, Case No. CIV 173569. On March 29, 2000 the parties reached a settlement. Under terms of the settlement the Company will issue 187,500 shares of its common stock along with a cash payment of $3.5 million, funded in part by insurance proceeds, for a total settlement of approximately $11.0 million, of which $9.5 million was accrued in the consolidated financial statements for the year ended February 26, 2000. By Order dated September 14, 2000, the court approved the terms of the settlement and dismissed the action with prejudice. As of November 25, 2000, the Company had issued 65,625 of the 187,500 shares and paid $2.5 million of the $3.5 million, with one of its insurance carriers paying the remaining $1.0 million.

In connection with the settlement of the *Yourish* action, the Company and certain of its former and current officers and directors have filed a lawsuit (*California Amplifier, Inc., et al. v. RLI Insurance Company, et al.*, Ventura County Superior Court Case No. CIV196258), against one of its insurance carriers to recover $2.0 million of coverage the insurance carrier has stated was not covered under its policy of insurance. The insurance carrier filed a Motion for Judgment on the Pleadings seeking judgment on the basis, *inter alia*, that the claims in the *Yourish* action for alleged violations of Sections 25400 and 25500 of the California Corporation Code were not insurable as a matter of law pursuant to Insurance Code Section 533. The Plaintiffs opposed the motion and a hearing was held on September 22, 2000. On October 18, 2000, the Court entered an Order on granting the motion for judgment on the pleadings. Judgment was entered on November 9, 2000, and Notice of Entry of Judgment given on November 15, 2000. California Amplifier filed a Notice of Appeal on November 21, 2000 and an Opening Brief on March 1, 2001. The Defendants filed a Response Brief on April 30, 2001. Plaintiff's Reply Brief was filed on May 21, 2001. No hearing date has been set to argue the appeal.

On March 29, 2001, the Company announced that it was investigating improper adjustments made by the corporate controller to the Company's accounting records (see Note 1). On March 29, 2001, subsequent to the Company's announcement, NASDAQ halted trading of the Company's common stock.

On April 4, 2001, the Company announced that Arthur Andersen LLP had withdrawn its opinion with respect to the Company's financial statements for the fiscal year ended February 26, 2000.

On May 3, 2001, the Company announced that it had received notification from NASDAQ that due to the Company's failure to comply with filing requirements requiring audited financial statements to be included in its annual report, NASDAQ intended to delist the shares of the Company's common stock at the opening of business on May 8, 2001. The Company appealed the notice of delisting and currently has a hearing scheduled for May 25, 2001. Until the hearing, the Company's common stock will continue to be listed on NASDAQ, although trading will continue to be halted.

On May 4, 2001, the Company announced that it had received notice from the Securities and Exchange Commission (the SEC) that the SEC is conducting an informal inquiry into the circumstances that caused the Company to restate its financial statements. The Company intends to cooperate with the SEC inquiry.

Following the announcement by the Company on March 29, 2001 of the resignation of its Controller and the possible overstatement of net income for the fiscal year ended February 26, 2000, the Company and certain of its officers and directors have been named defendants in twenty putative class actions in federal court:

(A) *John Michael Roberts and David Sciorsci, On Behalf of Themselves and All Others Similarly Situated, Plaintiffs v. California Amplifier, Inc., Defendant*, United States District Court, Central District of California, Western Division, Case No. CV-01-02988 MMM (RNBx). This action alleges violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder.

(B) *Mike Rogers, On His Own Behalf and On Behalf of All Others Similarly Situated, Plaintiff v. California Amplifier, Inc., Fred Sturm, and Michael R. Ferron, Defendants*, United States District Court, Central District of California, Western Division, Case No. CV-01-02992 ER (JWJx). This action alleges violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder.

(C) *James Leonhard, On His Own Behalf and On Behalf of All Others Similarly Situated, Plaintiff v. California Amplifier, Inc., Fred Sturm and Michael R. Ferron, Defendants*, United States District Court, Central District of California, Western Division, Case No. CV-01-03046 ER (CWx). This action alleges violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder.

(D) *Stephen W. Brock, On His Own Behalf and On Behalf of All Others Similarly Situated, Plaintiff v. California Amplifier, Inc., Fred Sturm, and Michael R. Ferron, Defendants*, United States District Court, Central District of California, Western Division, Case No. SACV-01-373 DOC (ANx). This action alleges violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder.

(E) *Edward Kall, On His Own Behalf and On Behalf of All Others Similarly Situated, Plaintiff v. California Amplifier, Inc., Fred Sturm, and Michael R. Ferron, Defendants*, United States District Court, Central District of California, Western Division, Case No. SACV-01-382 DOC (ANx). This action alleges violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder.

(F) *Richard Taylor, Individually and On Behalf of All Others Similarly Situated, Plaintiff v. California Amplifier, Inc., Fred Sturm, and Michael R. Ferron, Defendants*, United States District Court, Central District of California, Western Division, Case No. CV-01-03112 MRP (AIJx). This

action alleges violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder.

(G) *Michael Sebani, On Behalf of Himself and All Others Similarly Situated, Plaintiff v. California Amplifier, Inc., Defendant*, United States District Court, Central District of California, Western Division, Case No. CV-01-03187 FMC (CWx). This action alleges violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder.

(H) *Peter Chervin, On Behalf of Himself and All Others Similarly Situated, Plaintiff v. California Amplifier, Inc., Defendant*, United States District Court, Central District of California, Western Division, Case No. CV-01-03300 (Ex). This action alleges violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder.

(I) *Brian Abramson, On Behalf of Himself and All Others Similarly Situated, Plaintiff v. California Amplifier, Inc., Defendant*, United States District Court, Central District of California, Western Division, Case No. CV-01-03322 MRP (DNBx). This action alleges violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder.

(J) *Orlando Martinez, On Behalf of Himself and All Others Similarly Situated, Plaintiff v. California Amplifier, Inc., Defendant*, United States District Court, Central District of California, Western Division, Case No. CV-01-03329 NM (SHx). This action alleges violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder.

(K) *Charles Medalie, On Behalf of Himself and All Others Similarly Situated, Plaintiff v. California Amplifier, Inc., Defendant*, United States District Court, Central District of California, Western Division, Case No. CV-01-03379 CBM (BQRx). This action alleges violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder.

(L) *Dennis M. McCarthy, On Behalf of Himself and All Others Similarly Situated, Plaintiff v. California Amplifier, Inc., Defendant*, United States District Court, Central District of California, Western Division, Case No. CV-01-03441 WJR (MANx). This action alleges violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder.

(M) *Ronald E. Beard, On Behalf of Himself and All Others Similarly Situated, Plaintiff v. California Amplifier, Inc., Defendant*, United States District Court, Central District of California, Western Division, Case No. CV-01-03507 GAF (CTx). This action alleges violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder.

(N) *David G. Hess, Individually and On Behalf of All Others Similarly Situated, Plaintiff v. California Amplifier, Inc., Fred Sturm, Michael R. Ferron, and John Doe Defendants*, United States District Court, Central District of California, Western Division, Case No. CV-01-03508 DT (CWx). This action alleges violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder.

(O) *Richard Bradford Brewer, On His Own Behalf and On Behalf of All Others Similarly Situated, Plaintiff v. California Amplifier, Inc., Fred Sturm, and Michael R. Ferron, Defendants*, United States District Court, Central District of California, Western Division, Case No. CV-01-03511 AHM (RZ). This action alleges violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder.

(P) *Yousef Machour, On Behalf of Himself and All Others Similarly Situated, Plaintiff v. California Amplifier, Inc., Defendant*, United States District Court, Central District of California, Western Division, Case No. CV-01-03587 CM (BQRx). This action alleges violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder.

(Q) *James Welch, On Behalf of Himself and All Others Similarly Situated, Plaintiff v. California Amplifier, Inc., Defendant*, United States District Court, Central District of California, Western Division, Case No. CV-01-03758 SVW (MANx). This action alleges violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder.

(R) *James S. Thomas, On Behalf of Himself and All Others Similarly Situated, Plaintiff v. California Amplifier, Inc., Fred Sturm, and Michael R. Ferron, Defendants*, United States District Court, Central District of California, Western Division, Case No. CV-01-03774 TJH (MANx). This action alleges violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder.

(S) *Greg Moccia, On Behalf of Himself and All Others Similarly Situated, Plaintiff v. California Amplifier, Inc., Defendant*, United States District Court, Central District of California, Western Division, Case No. CV-01-03776 FMC (MANx). This action alleges violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder.

(T) *Chadrakant Itchhaporia, On Behalf of Himself and All Others Similarly Situated, Plaintiff v. California Amplifier, Inc., Defendant*, United States District Court, Central District of California, Western Division, Case No. CV-01-03896 DDP (Mcx). This action alleges violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder.

Sixteen of the class actions seek to represent a class of purchasers of the Company's common stock for the period between April 6 or 7, 2000 to March 28, 2001. Four of the class actions seek to represent a class of purchasers of the Company's common stock for the period between June 10 or 11, 1999 to March 28 or 29, 2001 (*Taylor, Welch, Moccia, and Itchhaporia*). All of the complaints cite to the Company's March 29, 2001 announcement regarding the resignation of the Company's corporate controller and statement that net income for the fiscal year ended February 26, 2000 may have been overstated by as much as $2.2 million. The complaints generally allege that the defendants artificially inflated the price of the Company's stock during the class period by allegedly making false representations about the Company's financial results or failing to disclose adverse facts about its financial results. The complaints also allege without specific facts that the individual defendants knew or were reckless in making the alleged false statements about the Company's financial results.

The twenty actions are expected to be consolidated into a single action pursuant to stipulation of the parties. The Company expects to move to dismiss the complaints after they are consolidated and a lead plaintiffs' counsel appointed, and intends to defend the actions vigorously. At this time it is not possible to determine the outcome of these actions.

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

RESULTS OF OPERATIONS

Three Months Ended November 27, 1999 and November 28, 1998

Sales

Sales increased by $16.9 million, from $9.7 million for the three months ended November 28, 1998, to $26.6 million for the three months ended November 27, 1999. Sales of Satellite Products increased $15.8 million from $3.5 million to $19.3 million. Sales of Wireless Cable Products decreased by $16,000 from $5.32 million to $5.30 million. Sales of Antenna Products by Micro Pulse increased $1.1 million from $884,000 to $2.0 million.

The increase in sales of Satellite Products resulted primarily from the Company's entry into the U.S. DBS satellite television market as a result of its acquisition of certain satellite television products from Gardiner Communications in April 1999.

Sales of Wireless Products were relatively flat on a quarter-to-quarter comparison. The international wireless cable analog video market continued to decline as capital for subscriber expansion remains difficult to obtain for many operators. Domestically and in Canada the Company continues to supply the major Wireless Cable digital video systems, which offset some of the international sales declines. In addition, the Company began to ship two-way transceivers to certain customers in the U.S. who are initiating two-way Internet services to businesses and consumers. The Company does not anticipate significant improvement in Wireless product sales, however, until Sprint and MCI/WorldCom finalize their fixed wireless access strategy.

The increase in the sale of Antenna Products by Micro Pulse resulted primarily from sales of Antenna Products into new wireless markets as the Company focuses on antenna applications outside the GPS market.

Gross Profits and Gross Margins

Gross profits increased 16.6% from $2.8 million to $3.2 million. Gross margins decreased from 28.7% to 12.2%. The increase in gross profit resulted from a 175% increase in sales offset by the significantly lower product gross margins. The decrease in gross margins resulted primarily from a significant shift in sales mix to lower product margin Satellite DBS Products and significant manufacturing related cost overruns for Satellite DBS products. From April 1999 to September 1999, the Company subcontracted the assembly of DBS from Gardiner Communications, the company from whom the DBS products were acquired. In September 1999, the Company assumed the assembly operations for DBS products in Texas. In addition, in the later half of this period the Company also added capacity for assembly of DBS products in its Camarillo facility. The Company incurred significant start-up costs in both locations as well as significant inefficiencies in labor due to assembly shut-downs because of electronic component shortages, in addition to material cost increases for expediting, and labor overtime to meet customer demand. As a result Satellite products gross margins decreased to 4.4% during the three months ended November 27, 1999 as compared to 26.0% for the immediately preceding quarter ended August 28, 1999. The Company expects these costs to continue in the fourth quarter until the Company can better balance production between facilities, and its suppliers can meet material schedule requirements. The Company is currently on product allocation from certain of its suppliers, which is impacting the Company's ability to optimize production and meet certain shipment deadlines.

Gross Margins for Wireless Access products remain under pressure due to the worldwide wireless cable video market slowdown as operators evaluate two-way data alternatives.

See also Note 4 Segments included elsewhere herein.

Operating Expenses

Research and development expenses increased $241,000 from $1.1 million to $1.4 million. The increase resulted primarily from increased development costs, primarily headcount and related costs, to meet increased new product design.

Selling expenses increased $195,000 from $1.1 million to $1.3 million. The increase in selling expense relates primarily to direct selling expenses such as headcount and commissions, associated with the significant increase in sales.

General and administrative expenses increased $365,000 from $1.0 million to $1.4 million. The increase relates primarily to increased legal expenses relating to the class action lawsuit, incentive bonus accruals, and the amortization of goodwill relating to the Gardiner acquisition.

Loss from Operations

Loss from operations, for the reasons noted above, increased by $341,000 from $419,000 to a loss of $760,000.

Minority Interest Share in (Income) Loss of Micro Pulse

The minority interest share in (income) loss of Micro Pulse represents the 49.5% ownership interest's share of the consolidated (income) loss before tax of Micro Pulse. Because the Company owns a 50.5% controlling interest, 100% of Micro Pulse's sales and expenses are consolidated in the Company's consolidated statements of operations and the minority interest share of the (income) loss is reflected as a single line item in the statements of operations.

Benefit from Income Taxes

The benefit from income taxes for the three months ended November 27, 1999 is based upon an annualized tax rate of 36%, as compared to 31% in fiscal year 1999. This tax rate assumes savings from benefits allowed for export sales through a foreign sales corporation and research and development tax credits

Net Loss

Net loss, for reasons outlined above, increased by $367,000 from a net loss of $205,000 to a net loss of $572,000.

Nine Months Ended November 27, 1999 and November 28, 1998

Sales

Sales increased by $31.1 million, from $27.1 million for the nine months ended November 28, 1998, to $58.2 million for the nine months ended November 27, 1999. Sales of Satellite Products increased $30.5 million from $8.8 million to $39.2 million. Sales of Wireless Cable Products decreased $825,000 from $15.1 million to $14.3 million. Sales of Antenna Products by Micro Pulse increased $1.5 million from $3.2 million to $4.7 million.

The increase in sales of Satellite Products resulted primarily from the Company's entry into the U.S. DBS satellite television market as a result of its acquisition of certain satellite television products from Gardiner Communications in April 1999.

The decrease in the sale of Wireless Products resulted from continued softness in both domestic and international Wireless Cable video markets. Domestically, wireless cable operators are currently not purchasing significant amounts of one-way video equipment as they finalize a deployment strategy for two-way wireless voice and Internet applications. Internationally, there continues to be a lack of capital available for system expansion, thereby significantly reducing the demand for subscriber equipment. The Company has offset some decline in sales of Wireless Cable video equipment with shipments of

two-way Internet access products. The Company, however, does not anticipate Wireless access products to increase until Sprint and MCI/WorldCom finalize their fixed wireless access strategy.

The increase in the sale of Antenna Products by Micro Pulse resulted primarily from sales of Antenna Products into new wireless markets as the Company focuses on antenna applications outside the GPS market.

Gross Profits and Gross Margins

Gross profits increased by $4.6 million from $7.5 million to $12.1 million, and gross margins decreased from 27.7% to 20.9%. The 61.6% increase in gross profit resulted from the 115% increase in total sales offset by lower product gross margins. When comparing periods, the decrease of gross margins is primarily a result of a shift in sales mix toward lower margin Satellite Products and excess costs incurred in the Company's Texas and Camarillo facilities in the three months ended November 27, 1999 with respect to direct labor and variable overhead, including expediting costs associated with the significant increase in satellite products production in Texas where the Company assumed control of the assembly operations in September 1999. The gross margins for the nine months ended November 27, 1999 were also negatively affected by significant start-up costs late in the period to add additional DBS production capacity in Camarillo. The significant decrease in gross margins in the third quarter, with sales from that period accounting for 46% of year-to-date sales, significantly affects the gross margins for the nine months ended November 27, 1999.

Gross Margins for Wireless Access products remain under pressure due to the worldwide wireless cable video market slowdown as operators evaluate two-way data alternatives, however, increased to 30.6% in the current nine month period from 25.0% for the comparable period of the prior year.

See also Gross Profits and Gross Margins for the three months ended November 27, 1999 and November 28, 1998, and Note 4 Segments both included elsewhere herein.

Operating Expenses

Research and development expenses increased $281,000 from $3.6 million to $3.9 million. The increase resulted primarily from headcount additions and related costs.

Selling expenses increased $17,000 from $3.46 million to $3.48 million. The increase is primarily a result of increased selling related expenses associated with the increase in sales offset by reductions in certain discretionary marketing expenses.

General and Administrative expenses increased $570,000 from $3.0 million to $3.6 million. The increase relates primarily to increased legal expenses relating to the class action lawsuit, incentive bonus accruals, and the amortization of goodwill relating to the Gardiner acquisition.

Income (Loss) from Operations

Income (loss) from operations, for the reasons outlined above, increased $3.8 million, from a loss of $2.6 million to income of $1.2 million.

Minority Interest Share in (Income) Loss of Micro Pulse

The minority interest share in (income) loss of Micro Pulse represents the 49.5% ownership interest's share of the consolidated (income) loss before tax of Micro Pulse. Because the Company owns a 50.5% controlling interest, 100% of Micro Pulse's sales and expenses are consolidated in the Company's consolidated statements of operations and the minority interest share of the (income) loss is reflected as a single line item in the statements of operations.

(Provision for) Benefit from Income Taxes

The (provision for) benefit from income taxes for the nine months of fiscal year 2000 is based upon an annualized tax rate of 36%, versus an annualized rate of 35% for fiscal year 1999. This tax

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rate assumes savings from benefits allowed for export sales through a foreign sales corporation and research and development tax credits.

Net Income (Loss)

For the reasons outlined above, net income increased $2.1 million from a net loss of $1.5 million to net income of $599,000.

LIQUIDITY AND CAPITAL RESOURCES

The Company has a $6.0 million working capital facility with Santa Monica Bank at the bank's prime rate (8.5% at November 27, 1999). As of November 27, 1999, $1.5 million was outstanding under the credit facility. The credit facility expires in June 2001.

The Company believes that cash flow from operations, together with the funds available under its credit facility, are sufficient to support operations and capital equipment requirements over the next twelve months.

The Company believes that inflation has not had a material effect on its operations.

YEAR 2000 COMPLIANCE

The Company's satellite, wireless cable, voice and data, and antenna microwave reception and transceiver products do not contain time or date code applications and are therefore, not impacted by the Year 2000 century change. The Company's wireless cable scrambling and conditional access system, MultiCipher, does have date and time characteristics in microprocessor embedded software and in its software interface applications. Upgrades to address certain date input issues in the year 2000 are now available to customers on a fee basis. All current shipments of MultiCipher system head-ends are year 2000 compliant.

The Company's internal operations were not significantly impacted by the Year 2000 century change. As of January 10, 2000 the Company had not been informed by any customers or suppliers that the Year 2000 century change significantly impacted their operations.

SAFE HARBOR STATEMENT

Forward looking statements in this Form 10-Q/A which include, without limitation, statements relating to the Company's plans, strategies, objectives, expectations, intentions, projections and other information regarding future performance, are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. The words "believes," "anticipates," "expects," and similar expressions are intended to identify forward-looking statements. These forward-looking statements reflect the Company's current views with respect to future events and financial performance and are subject to certain risks and uncertainties, including, without limitation, product demand, market growth, new competition, competitive pricing and continued pricing declines in the DBS market, supplier constraints, manufacturing yields, meeting demand with multiple facilities, timing and market acceptance of new product introductions, new technologies, the financial investigation announced on March 29, 2001, litigation and related matters and other risks and uncertainties that are detailed from time to time in the Company's periodic reports filed with the Securities and Exchange Commission, copies of which may be obtained from the Company upon request. Such risks and uncertainties could cause actual results to differ materially from historical results or those anticipated. Although the Company believes the expectations reflected in such forward-looking statements are based upon reasonable assumptions, it can give no assurance that its expectations will be attained. The Company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

PART II OTHER INFORMATION

ITEM 1. Legal Proceedings.

On June 11, 1997, the Company and certain of its directors and officers had two legal actions filed against them, one in the United States District Court, Central District of California, entitled *Yourish v. California Amplifier, Inc., et al.*, Case No. 97-4293 CBM (Mcx), and the other in the Superior Court for the State of California, County of Ventura, entitled *Yourish v. California Amplifier, Inc. et al.*, Case No. CIV 173569. On June 30, 1997, another legal action was filed against the same defendants in the Superior Court for the State of California, County of Ventura, entitled *Burns, et al., v. California Amplifier, Inc., et al.*, Case No. CIV 173981. All three actions are purported class actions on behalf of purchasers of the common stock of the Company between September 12, 1995 and August 8, 1996. The actions claim that the defendants engaged in a scheme to make false and misleading statements and omitted disclosure of material adverse facts to the public concerning the Company, allegedly causing the Company's stock price to artificially rise, and thereby allegedly allowing the individual defendants to sell stock at inflated prices. Plaintiffs claim that the purported stockholder class was damaged when the price of the stock declined upon disclosure of the alleged adverse facts. On September 21, 1998, the Federal legal action was dismissed in the United States District Court. The dismissal was upheld by the U.S. Court of Appeals for the Ninth Circuit on October 8, 1999. The State legal action remains in the Superior Court for the State of California. The current trial date is March 21, 2000. The Company and its legal counsel are currently evaluating the claims. Based upon the analysis performed to date, the Company, its directors and officers, plan to vigorously defend themselves against these claims in State court.

See also Note 6, Subsequent Events included elsewhere herein.

ITEM 2. Changes in Securities

None.

ITEM 3. Defaults upon Senior Securities

None.

ITEM 4. Submission of Matters to a Vote of Security Holders

None.

ITEM 5. Other Information

None.

ITEM 6. Exhibits and Reports on Form 8-K

No reports on Form 8-K were filed during the quarter ended November 27, 1999.

SIGNATURES

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

CALIFORNIA AMPLIFIER, INC.

(Registrant)

May 22, 2001

/s/ MICHAEL R. FERRON

Michael R. Ferron
Vice President, Finance and
Chief Accounting Officer

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