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 25, 2000

OR

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

For the transition period from _______ to _______

Commission File 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 25, 2000: 13,563,334

Number of pages in this Form 10-Q: 19

PART I FINANCIAL INFORMATION

ITEM 1: Financial Statements

CONSOLIDATED CONDENSED BALANCE SHEETS

(in thousands, except par value)

	Nov. 25, 2000	Feb. 26, 2000
	(Unaudited) ***(As Restated, see Note 1)***	***(As Restated, see Note 1)***
ASSETS		
Current assets:		
Cash and cash equivalents	$ 5,205	$ 2,791
Accounts receivable, net	16,403	16,038
Inventories	17,148	12,893
Deferred tax asset	2,522	4,864
Prepaid expenses and other current assets	553	615
Total current assets	41,831	37,201
Property and equipment, at cost, net of accumulated depreciation and amortization	10,547	9,736
Goodwill, net of accumulated amortization	3,625	3,827
Other assets	329	733
	$ 56,332	$ 51,497
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 13,390	$ 14,658
Accrued liabilities	7,835	13,099
Current portion of long-term obligations	342	4,972
Total current liabilities	21,567	32,729
Long-term obligations, net of current portion	4,847	145
Minority interest share in net assets of Micro Pulse, Inc.	558	342
Stockholders' equity:		
Preferred stock, 3,000 shares authorized; no shares issued and outstanding		
Common stock, $.01 par value; 30,000 shares authorized; 13,563 shares outstanding at November 25, 2000 and 12,658 shares outstanding at February 26, 2000	136	127
Additional paid-in capital	23,635	17,377
Accumulated other comprehensive loss	(223)	(226)
Retained earnings	5,812	1,003
Total stockholders' equity	29,360	18,281

	Nov. 25, 2000	Feb. 26, 2000
	$ 56,332	$ 51,497

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. 25, 2000	Nov. 27, 1999	Nov. 25, 2000	Nov. 27, 1999
	(As Restated, see Note 1)		*(As Restated, see Note 1)*	
Sales	$ 32,582	$ 26,577	$ 98,162	$ 58,162
Cost of sales	25,188	23,341	77,142	46,031
Gross profit	7,394	3,236	21,020	12,131
Research and development	1,656	1,388	5,121	3,915
Selling	911	1,254	3,159	3,477
General and administrative	1,854	1,354	4,788	3,587
Income (loss) from operations	2,973	(760)	7,952	1,152
Interest and other, net	(39)	(40)	(152)	(79)
Minority interest share in income of Micro Pulse	(44)	(96)	(287)	(138)
Income (loss) before provision for income taxes	2,890	(896)	7,513	935
(Provision for) benefit from income taxes	(1,040)	324	(2,704)	(336)
Net income (loss)	$ 1,850	$ (572)	$ 4,809	$ 599
Net income (loss) per share				
Basic	$ 0.14	$ (0.05)	$ 0.36	$ 0.05
Diluted	$ 0.13	$ (0.05)	$ 0.34	$ 0.05
Shares used in per share calculations				
Basic	13,549	12,087	13,279	11,939
Diluted	14,298	12,087	14,237	13,147

See Notes to Unaudited Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited, in thousands)

	Nine Months Ended	
	Nov. 25, 2000	Nov. 27, 1999
	(As Restated, see Note 1)	*(As Restated, see Note 1)*
Cash flows from operating activities:		
Net income	$ 4,809	$ 599
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Provision for doubtful accounts	(35)	37
Depreciation and amortization	2,765	2,223
Loss on sale of property and equipment	23	9
Minority interest share in net income of Micro Pulse, net of tax	216	106
Deferred Tax Asset	2,342	73
Change in assets and liabilities, net of effect of Gardiner acquisition in fiscal year 2000:		
Accounts receivable	(330)	(7,179)
Inventories	(4,255)	(3,384)
Prepaid expenses and other assets	466	35
Accounts payable	(1,268)	9,803
Accrued liabilities	(3,098)	595
Net cash provided by operating activities	1,635	2,377
Cash flows from investing activities:		
Purchase of property and equipment	(3,397)	(3,349)
Net assets acquired from Gardiner		(6,199)
Net cash used in investing activities	(3,397)	(9,548)
Cash flows from financing activities:		
Debt borrowings	5,000	1,500
Debt repayments	(2,697)	(446)
Issuances of common stock	1,870	1,163
Net cash provided by financing activities	4,173	2,217
Effect of foreign exchange rates	3	(102)
Net increase (decrease) in cash and cash equivalents	2,414	(5,056)
Cash and cash equivalents at the beginning of period	2,791	9,312
Cash and cash equivalents at end of period	$ 5,205	$ 4,256

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 26, 2000. 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 Financial Statements 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 and for the interim periods of fiscal year 2001. 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 and other errors on its previously issued financial statements and has restated the accompanying financial statements as of February 26, 2000 and November 25, 2000 and for the three and nine months ended November 25, 2000 and November 27, 1999. The improper journal entries have been reversed, and the general ledger closings for each period presented 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 $5,800,000 in fiscal year 2000 and by an additional $3,775,000 for the nine months ended November 25, 2000.

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. 25, 2000			Nov. 27, 1999		
	Originally Reported	Restatement Adjustments	Restated	Originally Reported	Restatement Adjustments	Restated
Sales	$ 32,634	$ (52)	$ 32,582	$ 26,251	$ 326	$ 26,577
Cost of sales	24,556	632	25,188	19,531	3,810	23,341
Gross profit	8,078	(684)	7,394	6,720	(3,484)	3,236
Operating expenses	4,412	9	4,421	4,116	(120)	3,996
Other income (expense), net	(88)	(5)	(83)	(127)	9	(136)
(Provision for) benefit from income taxes	(1,288)	(248)	(1,040)	(892)	(1,216)	324
Net income (loss)	2,290	(440)	1,850	1,585	(2,157)	(572)
Net income (loss) per share						
Basic	$ 0.17	$ (0.03)	$ 0.14	$ 0.13	$ (0.18)	$ (0.05)

	Three Months Ended					
Diluted	$ 0.16	$ (0.03)	$ 0.13	$ 0.12	$ (0.17)	$ (0.05)

	Nine Months Ended					
	Nov. 25, 2000			Nov. 27, 1999		
	Originally Reported	Restatement Adjustments	Restated	Originally Reported	Restatement Adjustments	Restated
Sales	$ 98,950	$ (788)	$ 98,162	$ 57,919	$ 243	$ 58,162
Cost of sales	74,957	2,185	77,142	42,042	3,989	46,031
Gross profit	23,993	(2,973)	21,020	15,877	(3,746)	12,131
Operating expenses	13,068	-0-	13,068	11,216	(237)	10,979
Other income (expense), net	(532)	(93)	(439)	(217)	-0-	(217)
(Provision for) benefit from income taxes	(3,741)	(1,037)	(2,704)	(1,600)	(1,264)	(336)
Net income	6,652	(1,843)	4,809	2,844	(2,245)	599
Net income per share						
Basic	$ 0.50	$ (0.14)	$ 0.36	$ 0.24	$ (0.19)	$ 0.05
Diluted	$ 0.47	$ (0.13)	$ 0.34	$ 0.22	$ (0.17)	$ 0.05

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Balance Sheet Data
(in thousands)

	As of					
	Nov. 25, 2000			Feb. 26, 2000		
	Originally Reported	Restatement Adjustments	Restated	Originally Reported	Restatement Adjustments	Restated
Cash and cash equivalents	$ 6,173	$ (968)	$ 5,205	$ 3,074	$ (283)	$ 2,791
Accounts receivable, net	16,582	(179)	16,403	16,038	-0-	16,038
Inventories	16,724	424	17,148	12,948	(55)	12,893
Deferred tax asset	8,842	(6,320)	2,522	8,487	(3,623)	4,864
Prepaid expenses and other current assets	553	-0-	553	685	(70)	615
Property and equipment, net	11,037	(490)	10,547	9,731	5	9,736
Other assets	452	(123)	329	762	(29)	733
Accounts payable	6,280	7,110	13,390	9,242	5,416	14,658
Accrued liabilities	7,513	322	7,835	13,099	-0-	13,099
Stockholders' equity	44,449	(15,089)	29,360	27,752	(9,471)	18,281

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 000's):

	Nov. 25, 2000	Feb. 26, 2000
Raw materials	$ 13,147	$ 10,147
Work in process	707	1,073
Finished goods	3,294	1,673
	$ 17,148	$ 12,893

3. **Net Income Per Share** Basic income per share is computed by dividing reported earnings available to common stockholders by weighted average shares outstanding. Diluted income per share increases the weighted average shares outstanding for the dilutive effect of stock options, warrants, and convertible debt arrangements.

For the three and nine months ended November 25, 2000 there were 489,900 and 398,000 options, respectively, not considered in the diluted weighted average shares calculation because their inclusion would be anti-dilutive. For the three and nine months ended November 27, 1999 there were 1,046,000 and 171,500 options and 525,000 and 0 shares relating to the convertible debt, respectively, not

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considered in the diluted weighted average shares calculation because their inclusion would be anti-dilutive.

	Three Months Ended (in 000's)	
	Nov. 25, 2000	**Nov. 27, 1999**
Weighted average shares outstanding Basic	13,549	12,087
Effect of dilutive securities		
Options	621	
Litigation settlement	128	
Convertible debt		
Weighted average shares outstanding Diluted	14,298	12,087

	Nine Months Ended (in 000's)	
	Nov. 25, 2000	**Nov. 27, 1999**
Weighted average shares outstanding Basic	13,279	11,939
Effect of dilutive securities		
Options	708	778
Litigation settlement	144	
Convertible debt	106	430
Weighted average shares outstanding Diluted	14,237	13,147

4. **Comprehensive Income** 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 for the three and nine months ended November 25, 2000 and November 27, 1999 (in 000's):

	Quarter Ended	
	Nov. 25, 2000	**Nov. 27, 1999**
Net income (loss)	$ 1,850	$ (572)
Foreign currency translation adjustment		(27)
Comprehensive income (loss)	$ 1,850	$ (599)

	Quarter Ended	
	Nine Months Ended	
	Nov. 25, 2000	Nov. 27, 1999
Net income	$ 4,809	$ 599
Foreign currency translation adjustment	3	(102)
Comprehensive income	$ 4,812	$ 497

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5. **Concentration of Risk** The following table summarizes sales to customers, which accounted for greater than 10% of consolidated sales for each of the following periods:

	Three Months Ended		Nine Months Ended	
Customer	**Nov. 25, 2000**	**Nov. 27, 1999**	**Nov. 25, 2000**	**Nov. 27, 1999**
A	22%	12%	22%	*
B	17%	20%	23%	*
C	12%	*	*	*
D	*	11%	*	11%

The following table summarizes accounts receivable due from customers that are greater than 10% of consolidated accounts receivable:

	Balances as of	
Customer	**Nov. 25, 2000**	**Feb. 26, 2000**
A	12%	15%
B	15%	28%
E	*	10%
F	10%	*
G	10%	*

Customers A through E are Satellite Product customers, and customer F and G are Wireless Access customers.

** Less than 10% of consolidated sales and/or accounts receivable.*

6. **Statement of Cash Flows** In fiscal year 2001, the Company issued 525,000 shares of its common stock for retirement of $2,231,000 of debt. These amounts were excluded from the 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. **Segments** The Company currently manages its business under three identifiable business segments, Satellite Products, Wireless Access Products and Antenna Products. Segment information for

the three and nine months ended November 25, 2000 and November 27, 1999 is as follows (in thousands):

	Three Months Ended November 25, 2000				
	Satellite	Wireless Access	Antenna	Corporate	Total
Sales	$ 20,631	$ 10,120	$ 1,831	$	$ 32,582
Gross Profit	3,127	3,552	715		7,394
Gross Margin	15.2%	35.1%	39.0%		22.7%
Income (Loss) Before Taxes	2,174	2,378	46	(1,708)	2,890

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

	Nine Months Ended November 25, 2000				
	Satellite	Wireless Access	Antenna	Corporate	Total
Sales	$ 69,306	$ 22,865	$ 5,991	$	$ 98,162
Gross Profit	10,723	7,902	2,395		21,020
Gross Margin	15.5%	34.6%	40.0%		21.4%
Income (Loss) Before Taxes	7,575	4,043	270	(4,375)	7,513

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

8. **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 and inventory from Gardiner to support these product lines. 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 September and October 1999, the Company's third fiscal quarter. Gardiner received a $3.1 million, 8% one year promissory note due April 19, 2000. On April 22, 2000, approximately $2.2 million of the debt was converted into 525,000 shares of the Company's common stock at $4.25 per share and the remainder of the debt was paid in cash. 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	
	As Reported	Pro forma
Sales	$ 58,162	$ 60,162
Net Income	$ 599	$ 759
Net Income Per Diluted Share	$ .05	$ .05

9. **Subsequent Events**

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.

In September 2000 the Company finalized a new banking arrangement with U.S. Bank. Under the agreement the Company borrowed a $5.0 million term loan interest only at Libor plus 2.2% until September 2001 at which time the loan converts to a five-year term loan. In addition, the Company obtained an $8.0 million working capital credit facility. The credit facility contains certain financial covenants and ratios the Company is required to maintain. At May 21, 2001, the Company was in default with certain covenants but they were waived by the bank.

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

RESULTS OF OPERATIONS

Three Months Ended November 25, 2000 and November 27, 1999

Sales

Total sales increased by $6.0 million from $26.6 million for the three months ended November 27, 1999 to $32.6 for the three months ended November 25, 2000. Sales of Satellite Products increased $1.3 million from $19.3 million to $20.6 million. Sales of Wireless Access Products increased $4.8 million from $5.3 million to $10.1 million. Sales of Antenna Products by Micro Pulse decreased $145,000 from $2.0 million to $1.8 million.

The 6.9% increase in Satellite Product sales is primarily attributable to a sales mix change to higher priced units, offset by lower unit volume shipments. Despite the year-over-year sales growth, sequential fiscal year 2001 quarterly growth has slowed considerably due to the flattening of satellite subscriber additions in the United States. As a result, the Company is experiencing a significant reduction in ordering patterns by customers as they reduce inventory levels to accommodate slower subscriber growth.

The 91% increase in the sale of Wireless Access Products resulted from higher unit shipments of two-way MMDS transceivers, primarily to North American customers as they introduce Wireless Internet in certain cities. The Company's ability to continue sequential sales growth in Wireless Access Products in the fourth quarter, due to the order cancellations by Look Communications, is highly dependent upon domestic operators' equipment requirements.

The decrease in the sale of Antenna Products by Micro Pulse resulted primarily from reduced product requirements from the Company's equipment customers. The impact, if any, of such slowing on future sales growth has not yet been determined.

Gross Profits and Gross Margins

Gross profits increased $4.2 million, or 128% from $3.2 million for the three months ended November 27, 1999 to $7.4 million for the three months ended November 25, 2000. Gross margins increased from 12.2% to 22.7%. The improvement in gross margins from period to period relates primarily to factors which negatively impacted the prior year period product gross margins. Product gross margins for satellite products in the third quarter of fiscal year 2000 were 4.4% as a result of the following: the Company initiated the assembly of DBS products in two different locations, incurred significant start-up costs in its Camarillo facility, and electronic component shortages which caused significant labor inefficiencies and material expediting costs. Satellite gross margins in the current quarter continue to be under pressure at about 15% due to competitive pricing, timing of cost reductions and operating multiple factories. Wireless Access Product gross margins for the three months ended November 25, 2000 were 35.1% as compared to 31.3% for the comparable three month period of the prior year. The increase on gross margins is a result of higher volume shipments of two-way transceiver products.

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Gross margins in the fourth quarter is expected to be lower due to lower volume shipments of Satellite Products while two factories remain staffed for higher volume production. The Company is currently addressing production and factory requirements for its fiscal year 2002 beginning March 4, 2001.

See also Note 7 Segments included elsewhere herein.

Operating Expenses

Research and development expenses increased $268,000 from $1.4 million to $1.7 million. The increase results from increased personnel, higher salaries and related expenses, and higher development expenditures relating to new product design, primarily fixed wireless products.

Selling expenses decreased $343,000 from $1.3 million to $912,000. The decrease in selling expense relates primarily to the timing of tradeshows and certain discretionary marketing expenses.

General and administrative expenses increased $500,000 from $1.4 million to $1.9 million. The increase relates primarily to increased salaries and legal related expenses.

Income from Operations

Income from operations, for the reasons noted above, increased by $3.7 million from a loss of $760,000 to income of $3.0 million.

Minority Interest Share in Income of Micro Pulse

The Company consolidates 100% of the sales and expenses of Micro Pulse. The minority interest share in income of Micro Pulse eliminates the 49.5% of the income of Micro Pulse relating to the minority stockholders' share in Micro Pulse.

Provision for Income Taxes

The provision for income taxes for the three months ended November 25, 2000 is based upon an estimated annualized tax rate of 36%, the same tax rate as fiscal year 2000. This tax rate assumes savings from benefits allowed for export sales through a foreign sales corporation and research and development tax credits.

Net Income

Net income, for reasons outlined above, increased by $2.5 million from a loss of $572,000 for the three months ended November 27, 1999 to net income of $1.9 million for the three months ended November 25, 2000.

Nine Months Ended November 25, 2000 and November 27, 1999

Sales

Total sales increased by $40.0 million from $58.2 million for the nine months ended November 27, 1999 to $98.2 million for the nine months ended November 25, 2000. Sales of Satellite Products increased $30.1 million from $39.2 million to $69.3 million. Sales of Wireless Access Products increased $8.6 million from $14.3 million to $22.9 million. Sales of Antenna Products by Micro Pulse increased $1.3 million from $4.7 million to $6.0 million.

The 77% increase in sales of Satellite Products is primarily attributable to significantly higher unit shipments of U.S. DBS products as a result of the satellite service providers' significant subscriber additions year-over-year, and the Company's increase in market share since its acquisition of these products in April 1999.

The increase in the sale of Wireless Access Products resulted from higher unit shipments of two-way MMDS transceivers primarily to North American customers.

The increase in the sale of Antenna Products by Micro Pulse resulted primarily from a broadening of the Company's products and customer base.

It should be noted that the year-over-year sales growth for Satellite and Antenna Products occurred primarily in the Company's first and second quarters of fiscal year 2001. In the Company's third fiscal quarter of fiscal year 2001 sales of Satellite Products increased approximately 7% when compared to the prior year quarter, but decreased 15% sequentially over the prior quarter, while Antenna Products decreased nominally when compared to the prior year quarter or the preceding quarter. Currently the Company anticipates sales of both Satellite and Antenna Products to be lower in the fourth quarter when compared to the preceding third quarter

See also Results of Operations for the three months ended November 25, 2000 and November 27, 1999 included elsewhere herein.

Gross Profits and Gross Margins

Gross profits increased by $8.9 million from $12.1 million for the nine months ended November 27, 1999 to $21.0 million for the nine months ended November 25, 2000, and gross margins increased from 20.9% to 21.4%. The increase in gross profits resulted from the increase in sales and slightly improved product gross margins.

The Satellite Products gross margins for the nine months ended November 25, 2000 were 15.5% as compared to 15.4% for the prior year period. In fiscal year 2000 the Company was able to achieve higher gross margins during the period April 1999 to September 1999 when it acquired DBS finished goods under a subcontract arrangement rather than in house assembly. In the fiscal year 2001 nine month period, Satellite Product gross margins have been less than optimal due to electronic component shortages that affect assembly efficiencies, timing of product cost reductions, and under-absorption of excess capacity at two factories.

Wireless Access Products gross margins for the nine months ended November 25, 2000 were 34.6% as compared to 30.6% for the prior year period. The improvement in gross margins for Wireless Access Products relates to significantly higher volume shipments of the Company's two-way transceiver products and higher levels of factory overhead absorption because of higher volumes.

See also Gross Profit and Gross Margin for the three months ended November 25, 2000 and November 27, 1999 and Note 7 Segments included elsewhere herein.

Operating Expenses

Research and development expenses increased $1.2 million from $3.9 million to $5.1 million. The increase resulted from increased personnel, higher salaries and related expenses, and higher development expenditures relating to new product design, primarily fixed wireless products.

Selling expenses decreased $318,000 from $3.5 million to $3.2 million. The decrease is primarily a result of monitoring certain discretionary marketing spending.

General and Administrative expenses increased $1.2 million from $3.6 million to $4.8 million. The increase relates primarily to increased salaries and related expenses, increased legal and other miscellaneous corporate expenses.

Income from Operations

Income from operations, for the reasons outlined above, increased $6.8 million from $1.2 million for the nine months ended November 27, 1999 to $8.0 million for the nine months ended November 25, 2000.

Minority Interest Share in Income of Micro Pulse

The Company consolidates 100% of the sales and expenses of Micro Pulse. The minority interest share in income of Micro Pulse eliminates the 49.5% of the income of Micro Pulse relating to the minority stockholders' share in Micro Pulse.

Provision for Income Taxes

The provision for income taxes for the first nine months of fiscal 2001 is based upon an estimated annualized tax rate of 36%, the same tax rate as fiscal year 2000. This tax rate assumes savings from benefits allowed for export sales through a foreign sales corporation and research and development tax credits.

Net Income

Net income, for reasons outlined above, increased by $4.2 million from $599,000 for the nine months ended November 27, 1999 to $4.8 million for the nine months ended November 25, 2000.

LIQUIDITY AND CAPITAL RESOURCES

In September 2000, the Company finalized a new banking arrangement with U.S. Bank. Under the agreement the Company borrowed a $5.0 million term loan interest only at Libor plus 2.2%, until September 2001 at which time the loan converts to a five-year term loan. In addition, the Company obtained an $8.0 million working capital credit facility. The credit facility contains certain financial covenants and ratios the Company is required to maintain. At March 3, 2001, the Company was in default with certain debt covenants which were waived by the bank. In addition, U.S. Bank agreed to amend the credit facility's covenants for fiscal 2002.

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 and foreign currency exchange rates have not had a material effect on its operations. The Company believes that the remainder of fiscal year 2001 will not be impacted significantly by foreign exchange rate fluctuations since a significant portion of the Company's fiscal year 2001 projected sales are to U.S. markets, or to international markets where its sales are

negotiated in U.S. dollars. Import tariffs in countries such as Brazil and China have made it more difficult to compete with in-country manufacturers.

A significant percentage of the Company's sales are generated by a limited number of customers who order product under short-term purchase orders. A change in their ordering pattern could adversely affect future sales.

SAFE HARBOR STATEMENT

Forward looking statements in this 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.

NEW AUTHORATATIVE PRONOUNCEMENTS

In June 1998 and June 1999, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Investments and Hedging Activities," and SFAS No. 137, which delayed the effective date of SFAS No. 133. The Company will adopt the standard in March 2001. Management does not expect the adoption of this standard to have a material impact on the Company's financial position or results of operations.

In December 1999, the SEC staff released Staff Accounting Bulletin (SAB) No. 101, Revenue Recognition in financial statements, to provide guidance on the recognition, presentation and disclosure of revenue in financial statements. The application of SAB No. 101 has not had a material effect on the Company's revenue recognition and results of operations.

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.

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. This represents a total settlement of approximately $11.0 million of which $9.5 million was accrued in the accompanying consolidated financial statements for the year ended February 26, 2000. The Company has filed a lawsuit against one of its insurance carriers seeking $2.0 million of coverage in connection with this settlement that the insurer has refused to provide. 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. As of November 25, 2000, the remaining litigation settlement accrual amounted to $4.8 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 grating 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 7, 2000, the Company announced it had received a complaint of patent infringement from Andrew Corporation. The complaint, filed against California Amplifier in the U.S. District Court for the Eastern District of Texas but not served, alleges that California Amplifier has infringed Andrew Corporation's patent in the design of certain products. California Amplifier believes that the allegations

are unfounded and without merit and will vigorously defend any attempt by the plaintiff to prosecute this action.

From March 29, 2001 to May 21, 2001, the Company and certain officers were named in twenty putative class actions in Federal Court.

See also Note 9 Subsequent Events in the Notes to Consolidated Financial Statements 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 25, 2000.

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 21, 2001

/s/ MICHAEL R. FERRON

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

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