Pacific Green Technologies Inc.
Form 10-K/A
February 06, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K/A
Amendment #1

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended **March 31, 2014**

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from [ ] to [ ]

Commission file number **000-54756**

PACIFIC GREEN TECHNOLOGIES INC.
(Exact name of registrant as specified in its charter)

Delaware **N/A**

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

5205 Prospect Road, Suite 135-226, San Jose, CA	**95129**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: **(408) 538-3373**

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange On Which Registered
N/A	**N/A**

Securities registered pursuant to Section 12(g) of the Act:

Shares of Common Stock, par value $0.001

(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 the Securities Act.

Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act .

Yes No

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 last 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-K (§229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	Accelerated filer
Non-accelerated filer	Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

The aggregate market value of Common Stock held by non-affiliates of the Registrant on September 30, 2013 was $57,425,170.14 based on a $6.62 average bid and asked price of such common equity, as of the last business day of the registrant’s most recently completed second fiscal quarter.

Indicate the number of shares outstanding of each of the registrant’s classes of common stock as of the latest practicable date.

16,321,681 common shares as of June 25, 2014.

DOCUMENTS INCORPORATED BY REFERENCE

None.

Explanatory Note

Our company is filing this Amendment No. 1 on Form 10-K/A (the "Amendment") to our Annual Report on Form 10-K for the period ended March 31, 2014 (the "Form 10-K"), filed with the Securities and Exchange Commission on July 15, 2014 (the "Original Filing Date") to include an audit opinion for the fiscal year ended March 31, 2013 in accordance with Rule 8-02 of Regulation S-X, to revise the disclosure in Item 9 - Changes in and Disagreements With Accountants on Accounting and Financial Disclosure to this Form 10-K/A, and certain other incidental changes. This Amendment speaks as of the Original Filing Date, does not reflect events that may have occurred subsequent to the Original Filing Date, and does not modify or update in any way any other disclosures made in the Form 10-K, as amended.

Pursuant to Rule 12b-15 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the certifications required pursuant to the rules promulgated under the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, which were included as exhibits to the Original Report, have been amended, restated and re-executed as of the date of this Amendment No. 1 and are included as Exhibits 31.1 and 32.1 hereto.

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Item 1. Business

This annual report contains forward-looking statements. These statements relate to future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such as “may”, “should”, “expects”, “plans”, “anticipates”, “believes”, “estimates”, “predicts”, “potential” or “continue” or the negative of the other comparable terminology. These statements are only predictions and involve known and unknown risks, uncertainties and other factors, including the risks in the section entitled “Risk Factors”, that may cause our or our industry’s actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Except as required by applicable law, including the securities laws of the United States, we do not intend to update any of the forward-looking statements to conform these statements to actual results.

Our financial statements are stated in United States Dollars (US$) and are prepared in accordance with United States Generally Accepted Accounting Principles.

In this annual report, unless otherwise specified, all dollar amounts are expressed in United States dollars and all references to “common shares” refer to the common shares in our capital stock.

As used in this annual report and unless otherwise indicated, the terms “we”, “us”, “our” and “our company” mean Pacific Green Technologies Inc., a Delaware corporation, and our wholly owned subsidiaries, Pacific Green Technologies Limited, a United Kingdom corporation, Pacific Green Energy Parks Limited, a British Virgin Islands corporation, and its wholly owned subsidiary, Energy Park Sutton Bridge, a United Kingdom corporation, unless otherwise indicated.

Corporate History

Our company was incorporated in Delaware on March 10, 1994, under the name of Beta Acquisition Corp. In September 1995, we changed our name to In-Sports International, Inc. In August 2002, we changed our name from In-Sports International, Inc. to ECash, Inc. In 2007, due to limited financial resources, we discontinued our operations. Over the course of the last five years, we have sought new business opportunities.

On June 13, 2012, we changed our name to Pacific Green Technologies Inc. and effected a reverse split of our common stock following which we had 27,002 shares of common stock outstanding with $0.001 par value.

Effective December 4, 2012, we filed with the Delaware Secretary of State a Certificate of Amendment of Certificate of Incorporation, wherein we increased our authorized share capital to 510,000,000 shares of stock as follows:

500,000,000 shares of common stock with a par value of $0.001; and

10,000,000 shares of preferred stock with a par value of $0.001.

The increase of authorized capital was approved by our board of directors on July 1, 2012 and by a majority of our stockholders by a resolution dated July 1, 2012.

Historical Business Overview

On May 1, 2010 we entered into a consulting agreement with Sichel Limited. Sichel has investigated new opportunities for us and has subscribed for new shares of our company's common stock. The consulting agreement entitles Sichel to $20,000 per calendar month. With an effective date of March 31, 2013, the consulting agreement, along with all amounts owed to Sichel, were assigned to Pacific Green Group Limited ("PGG"). As at our year ended March 31, 2014, we owed Sichel $Nil and we owed PGG $3,746,351. Pursuant to the terms of the consulting agreement, if we are unable to pay the monthly consulting fee, PGG may elect to be paid in shares of stock, and if we are unable to make payments for more than six months in any 12 month period, PGG has the right to appoint an officer or director to the board, which right has not been exercised at this time.

New Strategy

Management, assisted by PGG, has identified an opportunity to build a business focused on marketing, developing and acquiring technologies designed to improve the environment by reducing pollution. To this end we entered into and closed an assignment and share transfer agreement, on June 14, 2012, for the assignment of a representation agreement and the acquisition of a company involved in the environmental technology industry.

The assignment and share transfer agreement provided for the acquisition of 100% of the issued and outstanding shares of Pacific Green Technologies Limited, formerly PGG's subsidiary in the United Kingdom. Additionally, PGG has assigned to our company a ten year exclusive worldwide representation agreement with EnviroTechnologies Inc., (formerly EnviroResolutions, Inc.), a Delaware corporation, to market and sell EnviroTechnologies' current and future environmental technologies. The representation agreement entitles PGG to a commission of 20% of all sales (net of taxes) generated by EnviroTechnologies. Pursuant to the terms of the assignment and share transfer agreement, all rights and obligations under the representation agreement have been transferred to our company. We currently anticipate that sales under the representation agreement will be our sole source of revenue for the foreseeable future. We had intended to complete an acquisition of EnviroTechnologies, as this would have been a logical step in our development. However, as discussed herein, we have settled with EnviroTechnologies as an alternative.

Both Sichel and PGG are wholly owned subsidiaries of the Hookipia Trust. PGG's wholly owned subsidiary was Pacific Green Technologies Limited. As a result, we acquired Pacific Green Technologies Limited from PGG. Sichel is a significant shareholder of our company and also provides us with consulting services. The sole director of Sichel is also the sole director of PGG. Further, PGG is a significant shareholder of EnviroTechnologies.

The assignment and share transfer agreement closed on June 14, 2012 via the issuance of 5,000,000 shares of our common stock as well as a $5,000,000 promissory note to PGG. We have consequently undertaken the operations of

Pacific Green Technologies Limited and PGG's obligations under the representation agreement.

Full consideration contemplated by the assignment and share transfer agreement was $25,000,000 satisfied through the issue of 5,000,000 new shares of our common stock at a price of $4 per share with the balance of $5,000,000 structured as a promissory note over the next five years as follows:

June 12, 2013, $1,000,000 (which amount remains outstanding and has been rolled over to the following payment date);

June 12, 2014, $1,000,000 (this amount remains unpaid);

June 12, 2015, $1,000,000;

June 12, 2016, $1,000,000; and

June 12, 2017, $1,000,000.

Under the terms of the promissory note, the loan repayments specified above shall not exceed the amount we earn under the terms of the representation agreement. If we are unable to meet the repayment schedule set out above, PGG will have the option to either roll over any unpaid portion to the following payment date or to convert the outstanding amount into new shares of our common stock. However, the entire amount of the promissory note is due upon the maturity date on the fifth anniversary. The promissory note is unsecured.

The total consideration of $25,000,000 was a purchase price not determined under U.S. GAAP, and both the $25,000,000 total price and the deemed price of $4 per share does not represent the fair value of the stock issued or a value used in accounting for the acquisition. The number of shares issued and the terms of the promissory note were negotiated between the parties and are intended to represent full consideration for the acquisition of Pacific Green Technologies Limited and the representation agreement.

Information on EnviroTechnologies

EnviroTechnologies, a company incorporated in Delaware, has protected intellectual property rights throughout most of the world for its ENVI-Clean™ Emissions System (“ENVI-Clean™”). The ENVI-Clean™ system removes most of the sulphur dioxide, particulate matter, greenhouse gases and other hazardous air pollutants from the flue gases produced by the combustion of coal, biomass, municipal solid waste, diesel and other fuels.

The ENVI-Clean™ system is comprised of five components:

an induced draft fan (“ID fan”);

a gas conditioning chamber;

the ENVI-Clean™ unit;

a demister; and

settling tanks.

The ID fan creates the pressure differential required to force the gas through the scrubbing fluid suspended on each head and move it through the other components in the system. The gas conditioning chamber cools the hot flue gas prior to entering the ENVI-Clean™ System. The ENVI-Clean™ System contains the heads and the demister pads at the exhaust exit. The neutralizing fluid is constantly circulated and cleaned by mechanical means with the contaminated component of the separation going to a settling tank prior to dewatering. The settled solids are disposed of with the bottom ash produced by the combustion process.

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The ENVI-CES™ technology forces 100% of the polluted exhaust flue gas into the neutralizing fluid to produce a highly turbulent interaction between the target pollutants and the fluid. The aggressive mixing produces small bubbles which create a very high surface contact area between the exhaust gas and fluid to enhance the transfer of particulate and targeted gaseous and hazardous pollutants from the exhaust to the fluid.

Schematic of the ENVI-Clean™ Emission's System as installed for Biomass applications

Unique to the ENVI approach is the introduction of the gas in the lower section of the ENVI-Clean™ unit which makes the greatest portion of its cross section available for fluid–gas interaction. This permits a smaller and highly flexible footprint. Furthermore, the system design allows for multiple heads each containing different neutralizing fluids to remove various pollutants from the flue gas. The ordered removal of acid and greenhouse gases within a single unit makes the system highly desirable by industries whose fuels contain multiple contaminants. The resulting ENVI-Clean™ unit has high efficiency and is very simple to operate.

The neutralizing solution is selected to remove targeted pollutants: limestone and hydrated lime are used to neutralize the scrubbing solution for the removal of acid gases such as sulphur dioxide, hydrogen chloride and hydrogen fluoride. The unique design of the ENVI system allows for the sequential removal of pollutants by stacking heads and utilizing different neutralizing chemistry in each operating unit. This provides industry with a system that fulfills multiple applications.

The ENVI-Clean™ system has numerous new and retrofit applications:

coal and coal waste fuelled CFBC boilers;

pulverized coal and stoker-grate boilers;

heavy oil fired boilers;

biomass and waste to energy boilers;

lime kilns, dryers, shredders and foundries;

industrial exhaust scrubbing of particulates and acid gases;

diesel engines, large marine and stationary engines; and

sewage sludge, hazardous waste and MSW incinerators.

Our management believes that the ENVI-Clean™ system has significant competitive advantages in the market for emission control systems including:

1. *Efficiency*: tests performed at an 84MW coal power plant in West Virginia (USA) indicate that the ENVI-Clean™ system removed on average 99.3% of sulfur dioxide over a three day period from the plant's emissions;

2. *Low Capital Cost*: the system has a compact and flexible footprint relative to competitive products. For electricity generation applications, EnviroTechnologies' system is priced for market at approximately $90 per kilowatt of electricity generation. In comparison, industry consultants state that comparable systems in North America are typically priced at $300-500 per kilowatt (Source: High Energy Services/Babcock & Wilson-wet scrubber systems for S02 removal in North America);

3. *Low Ongoing Operating Cost*: the ENVI-Clean™ system is more affordable in the long term for customers compared to competitor products;

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4. *New and Retrofit Applications*: for retrofit applications in particular (as required by the 2011 EPA Boiler MACT Requirements), the system is considered by management to be more compact and adaptable than rival systems;

5. *Scalability*: the ENVI-Clean™ system can be adapted for the largest power stations but also smaller applications such as diesel marine engines. It can also remove multiple pollutants in a single system, unlike much of the competition.

On October 5, 2011, EnviroResolutions, a British Columbia corporation, signed a contract to supply the ENVI-Clean™ system to a new waste to energy plant being built in Peterborough, United Kingdom (the "Peterborough Contract"). The initial material term and condition of the contract was that EnviroResolutions demonstrate testing of the system that achieved the performance levels represented in regards to emissions by March 31, 2012. This condition was successfully satisfied and confirmed with Peterborough Renewable Energy Limited ("PREL") prior to the required date. The Peterborough Contract entitles us, as the holder of the representation agreement, to a commission of approximately $4,600,000 before third party agency fees.

Effective March 5, 2013, we entered into a supplemental agreement with EnviroTechnologies and EnviroResolutions. The supplemental agreement amends the representation agreement between PGG and EnviroTechnologies dated June 7, 2010, which was later assigned to us from PGG in connection with an assignment and share transfer agreement dated June 14, 2012. The supplemental agreement entitles our company to a commission of equal to 50% (previously 20%) of any licensing revenue that may be generated by EnviroTechnologies Inc. in respect of its existing and future technologies.

In addition, pursuant to the supplemental agreement, we will receive from EnviroResolutions an amount equal to 50% of any assets or consideration received as compensation from PREL for PREL's failure to perform under a contingent sale agreement dated October 5, 2011 between EnviroResolutions and PREL. We will receive the fee for our assistance to EnviroResolutions during their negotiations with PREL regarding PREL's failure to perform. The fee, if any, provided to us will not constitute any repayment of our loans that were made to EnviroResolutions.

The supplemental agreement supplements the Peterborough Contract dated October 5, 2011 entered into among EnviroResolutions, PREL and GEPL. Pursuant to the Peterborough Contract, EnviroResolutions was to supply PREL with a wet scrubbing emission control system to a new waste to energy plant being built in Peterborough, United Kingdom.

Information on Pacific Green Technologies Limited

Pacific Green Technologies Limited is a limited liability company incorporated under the laws of England and Wales on April 5, 2011 ("PGT"). The director of PGT is Mr. Joseph Grigor Kelly. On November 7, 2012, Mr. Joseph Grigor

Kelly tendered his resignation to the board of directors. PGT has no employees. Concurrently, Neil Carmichael consented to and was appointed as the sole director and chief executive and financial officer of PGT.

The purpose of incorporating PGT was to utilize local knowledge and contacts to build a platform for sales in the following regions: Western Europe, Eastern Europe, Russian Federation, Turkey, Middle East, Azerbaijan, Kazakhstan and Africa. However, our company has found that the cost to have physical presence in England far out weights the benefit. As a result, PGT is now in the process of being dissolved as of the date of the filing of this annual report.

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Information on Pacific Green Energy Parks Limited

Pacific Green Energy Parks Limited ("PGEP") sees an opportunity to develop renewable power stations with capacities up to 50MW in the biomass and waste to energy sectors. In addition to their positive impact on the world's environment, these projects have the potential to deliver a sustainable post-tax equity IRR and may provide our company with an opportunity to deploy its technologies. To this end our company has been identifying and investigating appropriate projects worldwide.

On March 26, 2012, PGEP reached an agreement with the shareholders of Energy Park Sutton Bridge Limited ("EPSB"), whereby PGEP would fund a planning application for the development of a biomass energy plant in return for a 75% shareholding in EPSB. EPSB was incorporated in the UK in 2009 to develop a 49 MW biomass energy plant in Sutton Bridge, Lincolnshire, UK. A planning application for EPSB was submitted to South Holland District Council ("**SHDC**") on September 4, 2012.

On March 5, 2013, PGEP acquired the remaining 25% of EPSB. On May 8, 2013, EPSB secured planning permission for a 49MW biomass power plant at Sutton Bridge, Lincolnshire.

The facility will have an installed energy capacity of 49MW. The export capacity of the facility will be circa 44MW. The electricity will be supplied to the National Grid. Heat from the operation will be used within the facility and the ancillary buildings whilst off-take points will be provided for future combined heat and power needs in the area. The location of the plant alongside an existing industrial estate and in proximity of an area proposed for future industrial expansion makes the realization of the potential for combined heat and power more likely than in other possible locations. EPSB has secured options to purchase the freehold of the Energy Park site from the land owners.

Biomass is considered to be carbon neutral because the quantity of CO_2 released during combustion is the same as that absorbed by plants as a result of photosynthesis during their growth. This differs from fossil fuels in that, although both originating from organic matter, the carbon in fossil fuels has been locked away for millions of years, and when released during combustion, results in a net increase in CO_2 levels in the atmosphere.

Biomass is also considered environmentally sustainable as in many cases it is derived from by-products of other industries such as agriculture and forestry management. This contains a closed carbon cycle with no net increase in atmospheric CO_2 levels. As a result, EPSB will be entitled to renewables obligation certificates ("**ROCs**") under the UK's Renewable Obligation regime. As of April 2016, pure biomass will be afforded 1.4 ROCs/MWh of electricity produced, for a 20 year tariff period. EPSB's forecasts assume:

EPSB will recover energy from virgin wood using steam turbine technology. The plant will require approximately 325,000 tonnes of virgin wood per annum (“**Feedstock**”).

Following discussions with industry experts, engineers, consultants and financiers, our company estimates that EPSB should cost approximately £165,000,000 to construct. Once the project is “spade ready”, construction should take 2 years. Previously, we anticipated that the project would be “spade ready” by March 2014. However, our company’s application for planning consent was not accepted by council and we resubmitted our application on June 20, 2014. The EPC contractor will provide a fixed cost turnkey completion guarantee.

A detailed carbon assessment has been submitted within the EIA presenting the carbon savings offered by the operation of the facility.

The project will deliver combined heat and power (“**CHP**”) infrastructure. Our company is investigating potential opportunities for supplying local heat customers at both existing and potential new developments off site. EPSB will maintain an open dialogue with the local authority and will ensure that an appropriate boiler and turbine design is selected to facilitate the distribution of heat.

A debt information memorandum has been produced by PwC for raising funding for the EPSB project.

Currently our company is identifying and assessing further renewable power plant developments that are complimentary to the use of ENVI-Emissions Systems where possible.

Current Business

Since signing the representation agreement, PGG has secured a worldwide network of agents to market the ENVI-Clean™ system. In Europe there are four agents, in North America there are five agents, in Asia and Australia there are two agents, and in the Middle East there is one agent. We have assumed these relationships as part of the assignment and continue to pursue the following main areas of focus.

i) Waste to Energy Plants across Europe

Increasing legislation relating to landfill of municipal solid waste has led to the emergence of increasing numbers of waste to energy plants (“**WtE**”). A WtE plant obviates the need for landfill, burning municipal waste for conversion to electricity. A WtE plant is typically 45-100MW. The ENVI-Clean™ system is particularly suited to WtE as it cleans multiple pollutants in a single system. The contract secured by EnviroResolutions in Peterborough (UK) relates to a WtE plant and the ENVI-Clean™ system was successfully tested at a WtE plant in Edmonton (UK) in March 2012.

ii) Coal fired power stations in North America and Asia

EnviroResolutions has successfully conducted sulphur dioxide demonstration tests at the American Bituminous Coal Partners power plant in Grant Town, West Virginia. The testing achieved a three test average of 99.3% removal efficiency. The implementation of US Clean Air regulations in July 2010 has created additional demand for sulphur dioxide removal in all industries emitting sulphur pollution. Furthermore, China consumes approximately one half of the world’s coal, but introduced measures designed to reduce energy and carbon intensity in its 12th Five Year Plan.

iii) Biomass

Applications include regional power facilities and heating for commercial buildings and greenhouses. Typical applications range in size from 1 to 20 megawatts (MW) with power generation occupying the larger end of the range. ENVI has operated a pilot ENVI-clean™ scrubber designed to remove particulate from a 6MW boiler used to heat a large scale, greenhouse facility. The optimization and testing took place in late 2009 through to March 2010 at the

Katatheon Farms in Langley, British Columbia. The full scale system was purchased by the farm and installed in 2010.

iv) Land and marine diesel

Diesel exhaust includes ash and soot as particulate components and sulphur dioxide as an acid gas. The ENVI-Clean™ system is applicable for land power generation systems and marine engines. Diesel power has particular relevance in remote settings such as mining, oil and gas exploration camps in emerging nations.

Testing has been conducted on diesel shipping to confirm the application of seawater as a neutralizing agent for sulphur emissions. In addition to marine application these tests showed applicability of the system for large displacement engines such as stationary generators, compressors, container handling, heavy construction and mining equipment.

Our company continues to analyze new business opportunities under each of the categories stated above. As of the date of this annual report and with the exception of the agreements disclosed in this document, we have not entered into any definitive agreement with any party, nor have there been any specific discussions with any potential business combination candidates regarding business opportunities for us. We have unrestricted flexibility in seeking, analyzing and participating in potential business opportunities.

In accordance with our business purpose and strategy outlined above, our efforts to analyze potential business opportunities will consider the following factors:

potential for growth, indicated by new technology, anticipated market expansion or new products;

competitive position as compared to other firms of similar size and experience within the industry segment as well as within the industry as a whole;

strength and diversity of management, either in place or scheduled for recruitment;

capital requirements and anticipated availability of required funds, to be provided by us or from operations, through the sale of additional securities, through joint ventures or similar arrangements or from other sources;

: 10pt">The Company believes that its facilities are adequate for its business activities.

ITEM 3. LEGAL PROCEEDINGS

As of March 31, 2012, the Company has no material pending legal proceedings. From time to time, Giga-tronics is involved in various disputes and litigation matters that arise in the ordinary course of business.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable

PART II

ITEM 5. MARKET FOR COMMON EQUITY, RELATED SHAREHOLDER MATTERS AND ISSUER REPURCHASES OF EQUITY SECURITIES

Common Stock Market Prices

Giga-tronics' common stock is traded on the NASDAQ Capital Market (formerly the NASDAQ Small Cap Market) using the symbol 'GIGA'. The number of record holders of the Company's common stock as of March 31, 2012 was approximately 1,700. The table below shows the high and low closing bid quotations for the common stock during the indicated fiscal periods. These quotations reflect inter-dealer prices without retain mark-ups, mark-downs, or commission and may not reflect actual transactions.

	2012	High	Low	2011	High	Low
First Quarter	(3/27 - 6/25)	$2.88	$2.02	(3/28 - 6/26)	$2.54	$2.15
Second Quarter	(6/26 - 9/24)	2.30	1.28	(6/27 - 9/25)	2.36	2.11
Third Quarter	(9/25 - 12/31)	1.60	1.26	(9/26 - 12/25)	2.76	2.11
Fourth Quarter	(1/1 - 3/31)	1.70	1.17	(12/26 - 3/26)	2.88	2.33

Giga-tronics has not paid cash dividends in the past and has no plans to do so in the future, believing the best use of its available capital is in the enhancement of its product position.

In fiscal year 2012 Giga-tronics issued 9,997 shares of Series B convertible preferred stock at no par value to Alara Capital AVI II, LLC for $220 per share. Other than the shares issued to Alara Capital AVI II, LLC, Giga-tronics has not issued any unregistered securities or repurchased any of its securities during the past fiscal year.

Equity Compensation Plan Information

The following table provides information on options and other equity rights outstanding and available at March 31, 2012.

Equity Compensation Plan Information

Plan Category	No. of securities to be issued upon exercise of outstanding option, warrants and rights (1) (a)	Weighted average exercise price of outstanding option, warrants and rights (b)	No. of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	2,153,496	$2.3548	225,867
Equity compensation plans not approved by security holders	n/a	n/a	n/a
Total	2,153,496	$2.3548	225,867

(1) Includes 313,002 shares issuable under the 2000 Stock Option Plan, 991,810 shares issuable under the 2005 Equity Incentive Plan, and 848,684 warrants.

Issuer Repurchases

The Company did not repurchase any of its equity securities during the fiscal year ended March 31, 2012.

ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth selected financial data for the Company's last five fiscal years. This information is derived from the Company's audited consolidated financial statements, unless otherwise stated. This data should be read in conjunction with the consolidated financial statements, related notes, and other financial information included elsewhere in this report.

SELECTED CONSOLIDATED FINANCIAL DATA

Summary of Operations:

(Dollars in thousands except per share date)	March 31, 2012	March 26, 2011	March 27, 2010	March 28, 2009	March 29, 2008
			Years Ended		
Net sales	$13,116	$21,029	$19,057	$17,421	$18,331
Gross margin	3,130	8,929	8,435	7,504	7,748
Operating expenses	8,978	8,086	7,117	7,914	7,939
Interest (expense) income, net	(2)	4	(16)	7	36
Pre-tax (loss) income from continuing operations	(5,850)	847	1,302	(403)	(201)
Provision for income taxes	2	31	2	2	2
(Loss) income from continuing operations	(5,852)	816	1,300	(405)	(203)
(Loss) income on discontinued operations, net of income taxes	-	-	-	75	(31)
Net (loss) income	$(5,852)	$816	$1,300	$(330)	$(234)
Basic (loss) earnings per share:					
From continuing operations	$(1.17)	$0.17	$0.27	$(0.08)	$(0.04)
On discontinued operations	-	-	-	0.01	(0.01)
Net (loss) earnings per share - basic	$(1.17)	$0.17	$0.27	$(0.07)	$(0.05)
Diluted (loss) earnings per share:					
From continuing operations	$(1.17)	$0.16	$0.26	$(0.08)	$(0.04)
On discontinued operations	-	-	-	0.01	(0.01)
Net earnings (loss) per share - dilutive	$(1.17)	$0.16	$0.26	$(0.07)	$(0.05)
Shares of common stock - basic	5,012	4,935	4,846	4,824	4,813
Shares of common stock - dilutive	5,012	5,040	4,907	4,824	4,813

Financial Position:

(Dollars in thousands)	March 31, 2012	March 26, 2011	March 27, 2010	March 28, 2009	March 29, 2008
			Years Ended		
Current ratio	4.14	4.75	2.77	3.14	3.68
Working Capital	$6,568	$10,142	$8,683	$7,131	$7,231
Total assets	$9,290	$13,392	$13,919	$10,789	$10,361
Shareholders' equity	$6,747	$10,265	$8,943	$7,332	$7,392

Percentage Data:

(Percentage of net sales)	March 31, 2012	March 26, 2011	March 27, 2010	March 28, 2009	March 29, 2008
			Years Ended		
Gross margin	23.9 %	42.5 %	44.3 %	43.1 %	42.3 %
Operating expenses	68.5 %	38.5 %	37.3 %	45.4 %	43.3 %
Interest (expense) income, net	(0.0 %)	0.0 %	(0.1 %)	0.0 %	0.2 %
Pre-tax (loss) income from continuing operations	(44.6 %)	4.0 %	6.8 %	(2.3 %)	(1.1 %)
Income (loss) on discontinued operations, net of income taxes	0.0 %	0.0 %	0.0 %	0.4 %	(0.2 %)
Net (loss) income	(44.6 %)	3.9 %	6.8 %	(1.9 %)	(1.3 %)

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SELECTED CONSOLIDATED FINANCIAL DATA

The following is a summary of unaudited quarterly results of operations for the fiscal years ended March 31, 2012 and March 26, 2011.

Quarterly Financial Information (Unaudited)			2012		
(In thousands except per share data)	First	Second	Third	Fourth	Year
Net sales	$3,497	$4,086	$2,799	$2,734	$13,116
Gross margin	1,443	1,532	(470)	625	3,130
Operating expenses	2,114	2,197	2,142	2,525	8,978
Interest expense, net	-	(1)	(1)	-	(2)
Pre-tax loss from continuing operations	(671)	(666)	(2,613)	(1,900)	(5,850)
Provision (benefit) for income taxes	3	(1)	-	-	2
Net loss	$(674)	$(665)	$(2,613)	$(1,900)	$(5,852)
Net loss per share - basic	$(0.13)	$(0.13)	$(0.52)	$(0.38)	$(1.17)
Net loss per share - diluted	$(0.13)	$(0.13)	$(0.52)	$(0.38)	$(1.17)
Shares of common stock - basic	4,995	5,006	5,024	5,024	5,012
Shares of common stock - diluted	4,995	5,006	5,024	5,024	5,012

Quarterly Financial Information (Unaudited)			2011		
(In thousands except per share data)	First	Second	Third	Fourth	Year
Net sales	$4,701	$4,749	$4,640	$6,939	$21,029
Gross margin	1,933	1,910	2,066	3,020	8,929
Operating expenses	1,876	2,086	2,052	2,072	8,086
Interest (expense) income, net	(1)	1	4	-	4
Pre-tax income (loss) from continuing operations	56	(175)	18	948	847
Provision for income taxes	-	-	-	31	31
Net Income / (loss)	$56	$(175)	$18	$917	$816
Net earnings (loss) per share - basic	$0.01	$(0.04)	$0.00	$0.18	$0.17
Net earnings (loss) per share - diluted	$0.01	$(0.04)	$0.00	$0.18	$0.16
Shares of common stock - basic	4,901	4,913	4,946	4,982	4,935
Shares of common stock - diluted	5,000	4,913	5,062	5,116	5,040

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

Overview

Giga-tronics produces instruments, subsystems and sophisticated microwave components that have broad applications in both defense electronics and wireless telecommunications. In fiscal years 2012 and 2011 Giga-tronics business consisted of two operating and reporting segments: Giga-tronics Division and Microsource.

Company business is highly dependent on government spending in the defense electronics sector and on the wireless telecommunications market. Commercial orders have declined on a year-to-date basis for fiscal 2012 versus fiscal 2011 whereas on a year-to-date basis, defense orders have improved in fiscal 2012 versus fiscal 2011.

The Company continues to monitor costs, including personnel, facilities and other expenses, to more appropriately align costs with revenues.

Results of Operations

New orders by segment are as follows for the fiscal years ended:

New Orders			% change	
			2012 vs.	2011 vs.
(Dollars in thousands)	2012	2011	2011	2010
Giga-tronics Division	$11,305	$14,603	(23%)	28%
Microsource	2,001	1,579	27%	(78%)
Total	$13,306	$16,182	(18%)	(12%)

New orders received in fiscal 2012 decreased 18% to $13,306,000 from the $16,182,000 received in fiscal 2011. New orders decreased primarily due to a decrease in commercial orders partially offset by an increase in military orders.

New orders received in fiscal 2011 decreased 12% to $16,182,000 from the $18,448,000 received in fiscal 2010. New orders decreased primarily due to a decrease in military orders partially offset by an increase in commercial orders.

In fiscal 2012, orders at Giga-tronics Division decreased primarily due to a decrease in commercial demand for its products whereas orders at Microsource increased primarily due to a shifting of military orders from fiscal 2011 to fiscal 2012.

In fiscal 2011, orders at Giga-tronics Division increased primarily due to an increase in commercial demand for its products whereas orders at Microsource decreased primarily due to a shifting of military orders from fiscal 2011 to fiscal 2012.

The following table shows order backlog and related information at fiscal year-end:

Backlog			% change	
			2012 vs.	2011 vs.
(Dollars in thousands)	2012	2011	2011	2010
Backlog of unfilled orders	$3,839	$3,649	5%	(57%)
	3,839	3,333	15%	(56%)

Backlog of unfilled orders shippable within one year				
Long term backlog reclassified during year as shippable within one year	1,648	1,123	47 %	(53 %)
Net cancellations during year of previous FYE one-year backlog	-	-	-	-

The increase in backlog at year-end 2012 of 5% was primarily due to orders received from switch and component customers.

The decrease in backlog at year-end 2011 of 57% was primarily due to receiving only the first year order release of a four-year contract for products installed on military planes.

The allocation of net sales was as follows for the fiscal years shown:

Allocation of Net Sales			% change	
(Dollars in thousands)	2012	2011	2012 vs. 2011	2011 vs. 2010
Commercial	$5,673	$11,600	(51%)	72%
Government / Defense	7,443	9,429	(21%)	(23%)
Total	$13,116	$21,029	(38%)	10%

The allocation of net sales by segment was as follows for the fiscal years shown:

Allocation of Net Sales by Segment			% change	
(Dollars in thousands)	2012	2011	2012 vs. 2011	2011 vs. 2010
Giga-tronics Division				
Commercial	$5,355	$10,281	(48%)	111%
Government / Defense	5,148	3,665	40%	(49%)
Total	$10,503	$13,946	(25%)	16%
Microsource				
Commercial	$318	$1,319	(76%)	(29%)
Government / Defense	2,295	5,764	(60%)	11%
Total	$2,613	$7,083	(63%)	0%

Fiscal 2012 net sales were $13,116,000, a 38% decrease from the $21,029,000 of net sales in 2011. The decrease in sales was primarily due to a decrease in commercial shipments. Sales at Giga-tronics Division decreased 25% or $3,443,000. Microsource sales decreased by $4,470,000. The decrease in sales has two main factors: sales to a major consumer electronics manufacturer contributed heavily to total sales in fiscal year 2011; however, additional orders from that manufacturer were not received in fiscal year 2012. Secondly, there was a delay in a large defense contract for Microsource components.

Fiscal 2011 net sales were $21,029,000, a 10% increase from the $19,057,000 of net sales in 2010. The increase in sales was primarily due to an increase in commercial shipments. Sales at Giga-tronics Division increased 16% or $1,945,000. Microsource sales increased by $27,000.

The allocation of cost of sales by segment was as follows for the fiscal years shown:

Allocation of Cost of Sales by Segment			% change	
(Dollars in thousands)	2012	2011	2012 vs. 2011	2011 vs. 2010
Giga-tronics Division	$6,990	$7,734	(10%)	8%
Microsource	2,996	4,366	(31%)	26%
Total	$9,986	$12,100	(17%)	14%

In fiscal 2012, cost of sales decreased 17% to $9,986,000 from $12,100,000 in fiscal 2011, driven primarily by lower sales volume at both Giga-tronics Division and Microsource, which was partially offset by increases in cost of sales at both Giga-tronics Division and Microsource from $1,549,000 in excess and obsolete inventory reserves including reserves placed on products that reached the end of their life.

In fiscal 2011, cost of sales increased 14% to $12,100,000 from $10,622,000 in fiscal 2010, driven primarily by an increase in sales.

Operating expenses were as follows for the fiscal years shown:

Operating Expenses			% change 2012 vs. 2011	% change 2011 vs. 2010
(Dollars in thousands)	2012	2011		
Engineering	$2,893	$2,159	34 %	42 %
Selling, general and administrative	6,085	5,927	3 %	6 %
Total	$8,978	$8,086	11 %	14 %

Operating expenses increased $892,000 in fiscal 2012 over 2011 due to an increase of $734,000 in product development expenses excluding NRE costs and an increase of $158,000 in selling, general and administrative expense. The increase in product development expenses is due to a more aggressive investment in instrument products. In fiscal year 2012 Giga-tronics strengthened marketing activities with a new Vice President of Marketing along with increased travel and spending on advertising. The increase in selling, general and administrative expense is a result of higher marketing expense of $255,000, higher commission expense of $96,000 offset by lower administrative expense of $193,000. The Company recorded $289,000 of share based compensation expense in fiscal 2012.

Net interest income in 2012 was not materially different than 2011.

Net interest income in 2011 increased by $20,000 due to improved cash management procedures.

Giga-tronics recorded a pretax loss of $5,850,000 for fiscal year 2012 versus pretax income of $847,000 for the same period last year. The loss before income taxes in fiscal 2012 was primarily due to a decrease in sales volume and an increase in operating expenses primarily associated with an increase in R&D efforts in fiscal 2012. Giga-tronics recorded net loss of $5,852,000 or $1.16 per fully diluted share for fiscal 2012 versus net income of $816,000 or $0.17 per fully diluted share in fiscal 2011.

Inventories consist of the following:

Net Inventories			% change 2012 vs. 2011
(Dollars in thousands)	2012	2011	
Raw materials	$2,313	$3,518	(34 %)
Work-in-progress	1,651	1,349	22 %
Finished goods	241	134	80 %
Demonstration inventory	495	385	29 %
Total	$4,700	$5,386	(13 %)

Inventories decreased by $686,000 at the end of fiscal year 2012 compared to the prior fiscal year end, primarily due to inventory reserve adjustments of $1,549,000 for excess and obsolete inventories offset by purchase of new inventory. Giga-tronics began a shift in strategy where future product offerings will not compete directly with similar product offerings from substantially larger competitor companies. To this end existing product lines were pruned and excess inventories were written off. Items deemed at end of life amounted to $150,000 at Giga-tronics and $697,000 at Microsource.

Financial Condition and Liquidity

As of March 31, 2012, Giga-tronics had $2,365,000 in cash and cash-equivalents, compared to $1,408,000 as of March 26, 2011.

Working capital at the end of fiscal year 2012 is $6,568,000 as compared to $10,142,000 at the end of fiscal year 2011. The current ratio (current assets divided by current liabilities) at March 31, 2012 is 4.14 as compared to 4.75 at March 26, 2011. The decrease in working capital was due primarily to operating losses for fiscal year 2012, with the cash received from collection of accounts receivable funding operating expenses and the volume of sales not sufficient to replenish accounts receivable balances. While overall working capital decreased, cash and cash equivalents at year end increased $957,000 from the prior year. The increase in cash is largely due to investment in the Company by Alara Capital.

Cash used in operations amounted to $806,000 in 2012 and $1,503,000 in 2011. Cash used in fiscal year 2012 operations is primarily attributed to the loss for the year. Cash used in fiscal year 2011 operations is primarily attributed to the increase in accounts receivable and a reduction in deferred revenue.

Additions to property and equipment were $214,000 in 2012 compared to $368,000 in 2011 Capital equipment spending in fiscal 2012 and 2011included upgraded computer network infrastructure and electronic document scanning equipment. .

Other cash inflows in fiscal year 2012 are due to the $1.997 million investment by Alara Capital in exchange for convertible preferred stock shares and from the sale of common stock in connection with the exercise of stock options. In fiscal year 2011 other cash inflow was mainly from the sale of common stock in connection with the exercise of stock options.

We believe the funds generated by the collection of our accounts receivable, the anticipated revenues of our operations and reductions in operating expenses, continued management of our supply chain, and potential funds available to us through debt or equity financing, are adequate to fund our anticipated cash needs through the next twelve months. Although our line of credit expires in September 2012, we expect to renew the line of credit at maturity. Additionally, we do not have any outstanding balances on the line of credit. We anticipate that we will retain all earnings, if any, to fund future growth in the business. We believe we have effectively implemented cash management controls to meet ongoing obligations and as such believe that we will have sufficient liquidity to continue to operate over the next twelve months.

Should unforeseen circumstances occur, there are no assurances that we will not be required to seek additional working capital through debt or equity offerings. If such additional working capital is required, there are no assurances that such financing will be available on favorable terms to the Company, if at all, though we have been successful in the past in obtaining the levels of capital needed to continue operations and believe that we would be able to do so if necessary for the foreseeable future

Contractual Obligations

The Company leases various facilities under operating leases that expire through December 2016. Total future minimum lease payments under these leases amount to approximately $3,550,000.

The Company leases equipment under capital leases that expire through July 2014. The future minimum lease payments under these leases amount to approximately $26,000.

The Company is committed to purchase certain inventory under non-cancelable purchase orders. As of March 31, 2012, total non–cancelable purchase orders were approximately $887,000 through fiscal 2013 and are scheduled to be delivered to the Company at various dates through January 2013.

Critical Accounting Policies

The Company’s discussion and analysis of its financial condition and the results of operations are based upon the consolidated financial statements included in this report and the data used to prepare them. The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and management is required to make judgments, estimates and assumptions in the course of such preparation. The Summary of Significant Accounting Policies included with the consolidated financial statements describes the significant accounting policies and methods used in the preparation of the consolidated financial statements. On an ongoing basis, the Company re-evaluates its judgments, estimates and assumptions, including those related to revenue recognition, product warranties, allowance for doubtful accounts, valuation of inventories, valuation allowance on deferred tax assets, product development costs and share based compensation. The Company bases its judgment and estimates on historical experience, knowledge of current conditions, and its beliefs of what could occur in the future considering available information. Actual results may differ from these estimates under different assumptions or conditions. Management of Giga-tronics has identified the following as the Company's critical accounting policies:

Revenue Recognition

Revenues are recognized when there is evidence of an arrangement, delivery has occurred, the price is fixed or determinable, and collectability is reasonably assured. This generally occurs when products are shipped and the risk of loss has passed. Revenue related to products shipped subject to customers' evaluation is recognized upon final acceptance.

Product Warranties

The Company's warranty policy generally provides one to three years of coverage depending on the product. The Company records a liability for estimated warranty obligations at the date products are sold. The estimated cost of warranty coverage is based on the Company's actual historical experience with its current products or similar products. For new products, the required reserve is based on historical experience of similar products until sufficient historical data has been collected on the new product. Adjustments are made as new information becomes available.

Accounts Receivable

Accounts receivable are stated at their net realizable value. The Company has estimated an allowance for uncollectible accounts based on analysis of specifically identified problem accounts, outstanding receivables, consideration of the age of those receivables, and the Company's historical collection experience.

Inventory

Inventories are stated at the lower of cost or market. Cost is determined on a first-in, first-out basis. The Company periodically reviews inventory on hand to identify and write down excess and obsolete inventory based on estimated product demand.

Income Taxes

Income taxes are accounted for using the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Future tax benefits are subject to a valuation allowance when management is unable to conclude that its deferred tax assets will more likely than not be realized. The ultimate realization of deferred tax assets is dependent upon generation of future taxable income during the periods in which those temporary differences become deductible. Management considers both positive and negative evidence and tax planning strategies in making this assessment.

The Company considers all tax positions recognized in the consolidated financial statements for the likelihood of realization. When tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the positions taken or the amounts of the positions that would be ultimately sustained. The benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50 percent likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above, if any, would be reflected as unrecognized tax benefits, as applicable, in the accompanying consolidated balance sheets along with any associated interest and penalties that would be payable to the taxing authorities upon examination. The Company recognizes accrued interest and penalties, if any, related to unrecognized tax benefits as a component of the provision for income taxes in the consolidated statements of income.

Product Development Costs

The Company incurs pre-production costs on certain long-term supply arrangements. The costs, which represent non-recurring engineering and tooling costs, are capitalized as other assets and amortized over their useful lives when reimbursable by the customer. All other pre-production and product development costs are expensed as incurred.

Share Based Compensation

The Company has a stock incentive plan that provides for the issuance of stock options and restricted stock to employees and directors. The Company calculates share based compensation expense using a Black-Scholes-Merton option pricing model and records the fair value of awards expected to vest over the requisite service period. In so doing, the Company makes certain key assumptions in making estimates used in the model. The Company believes the estimates used, which are presented in Note 1 of Notes to Consolidated Financial Statements, are appropriate and reasonable.

Off-Balance-Sheet Arrangements

The Company has no other off-balance-sheet arrangements (including standby letters of credit, guaranties, contingent interests in transferred assets, contingent obligations indexed to its own stock or any obligation arising out of a variable interest in an unconsolidated entity that provides credit or other support to the Company), that have or are likely to have a material effect on its financial conditions, changes in financial conditions, revenue, expense, results of operations, liquidity, capital expenditures or capital resources.

Management believes that the Company has adequate resources to meet its anticipated operating and capital expenditure needs for the foreseeable future. Giga-tronics intends to maintain research and development expenditures for the purpose of broadening its product base. From time to time, Giga-tronics considers a variety of acquisition opportunities to also broaden its product lines and expand its markets. Such acquisition activity could also increase the Company's operating expenses and require the additional use of capital resources.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Index To Financial Statements And Schedules

CONSOLIDATED BALANCE SHEETS

(In thousands except share data)	March 31, 2012	March 26, 2011
Assets		
Current Assets		
Cash and cash equivalents	$2,365	$1,408
Trade accounts receivable, net of allowance of $96 and $248, respectively	1,270	5,632
Inventories, net	4,700	5,386
Prepaid expenses and other current assets	328	420
Total current assets	8,663	12,846
Property and equipment		
Leasehold improvements	583	490
Machinery and equipment	15,578	15,565
Office furniture and fixtures	786	786
Total property and equipment	16,947	16,841
Less accumulated depreciation and amortization	16,336	16,311
Property and equipment, net	611	530
Other assets	16	16
Total assets	$9,290	$13,392
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable	$613	$972
Accrued commission	129	139
Accrued payroll and benefits	739	455
Accrued warranty	210	200
Income taxes payable	-	30
Deferred revenue	7	586
Deferred rent	59	36
Capital lease obligations	20	93
Other current liabilities	318	193
Total current liabilities	2,095	2,704
Long term obligation - Deferred rent	433	413
Long term obligation - Capital lease	15	10
Total liabilities	2,543	3,127
Commitments and contingencies	-	-
Shareholders' equity:		
Convertible Preferred stock of no par value;		
Authorized - 1,000,000 shares		
Series A - designated 250,000 shares; 0 shares at March 31, 2012 and March 26, 2011 issued and outstanding	-	-
Series B - designated 10,000 shares; 9,997 shares at March 31, 2012 and 0 shares at March 26, 2011 issued and outstanding; (liquidation preference of $2,309)	1,997	-
Common stock of no par value;		

Authorized - 40,000,000 shares; 5,029,747 shares at March 31, 2012 and 4,994,157 shares at March 26, 2011 issued and outstanding	14,822	14,485
Accumulated deficit	(10,072)	(4,220)
Total shareholders' equity	6,747	10,265
Total liabilities and shareholders' equity	$9,290	$13,392

See Accompanying Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands except per-share data)	Years Ended March 31, 2012	March 26, 2011
Net sales	$13,116	$21,029
Cost of sales	9,986	12,100
Gross margin	3,130	8,929
Engineering	2,893	2,159
Selling, general and administrative	6,085	5,927
Total operating expenses	8,978	8,086
Operating (loss) income	(5,848)	843
Interest (expense) income, net	(2)	4
(Loss) income before income taxes	(5,850)	847
Provision for income taxes	2	31
Net (loss) income	$(5,852)	$816
(Loss) earnings per share - basic	$(1.17)	$0.17
(Loss) earnings per share - diluted	$(1.17)	$0.16
Shares used in per share calculation:		
Basic	5,012	4,935
Diluted	5,012	5,040

See Accompanying Notes to Consolidated Financial Statements

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CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Common Stock		Preferred Stock		Accumulated	
(In thousands except share data)	Shares	Amount	Shares	Amount	Deficit	Total
Balance at March 27, 2010	4,891,394	$13,979	-	$-	$ (5,036)	$8,943
Net income					816	816
Share based compensation	-	311	-	-	-	311
Stock issuance under stock options plans	102,763	195	-	-	-	195
Balance at March 26, 2011	4,994,157	14,485	-	-	(4,220)	10,265
Net (loss)					(5,852)	(5,852)
Share based compensation	-	289	-	-	-	289
Stock issuance under stock options plans	35,590	48	-	-	-	48
Preferred stock issuance, net of offering costs of $202	-	-	9,997	1,997	-	1,997
Balance at March 31, 2012	5,029,747	$14,822	9,997	$1,997	$ (10,072)	$6,747

See Accompanying Notes to Consolidated Financial Statements

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CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands except share data)	Years Ended March 31, 2012	March 26, 2011
Cash flows from operating activities:		
Net (loss) income	$(5,852)	$816
Adjustments to reconcile net (loss) income to net cash used in operations:		
Net provision for doubtful accounts	(148)	154
Net provision for excess and obsolete inventory	1,549	80
Depreciation and amortization	133	149
Share based compensation	289	311
Change in deferred rent	43	418
Changes in operating assets and liabilities:		
Trade accounts receivable	4,510	(1,454)
Inventories	(863)	337
Prepaid expenses and other assets	92	(37)
Accounts payable	(359)	91
Accrued commissions	(10)	(88)
Accrued payroll and benefits	284	(243)
Accrued warranty	10	61
Income taxes payable	(30)	30
Deferred revenue	(579)	(2,096)
Other current liabilities	125	(32)
Net cash used in operating activities	(806)	(1,503)
Cash flows from investing activities:		
Purchases of property and equipment	(214)	(368)
Net cash used in investing activities	(214)	(368)
Cash flows from financing activities:		
(Payments) proceeds on capital leases	(68)	10
Proceeds from exercise of stock options	48	195
Proceeds from issuance of preferred stock, net of stock offering costs	1,997	-
Net cash provided by financing activities	1,977	205
Increase (decrease) in cash and cash equivalents	957	(1,666)
Beginning cash and cash equivalents	1,408	3,074
Ending cash and cash equivalents	$2,365	$1,408
Supplementary disclosure of cash flow information:		
Cash paid for income taxes	$2	$2
Cash paid for interest	$2	$4

See Accompanying Notes to Consolidated Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 Summary of Significant Accounting Policies

The Company The accompanying consolidated financial statements include the accounts of Giga-tronics Incorporated ("Giga-tronics") and its wholly-owned subsidiary, Microsource Incorporated ("Microsource"), collectively the "Company". The Company's corporate office and manufacturing facilities are located in Northern California. Giga-tronics and its subsidiary company design, manufacture and market a broad line of test and measurement equipment used in the development, test, and maintenance of wireless communications products and systems, flight navigational equipment, electronic defense systems, and automatic testing systems. The Company also manufactures and markets a line of test, measurement, and handling equipment used in the manufacturing of semiconductor devices. The Company's products are sold worldwide to customers in the test and measurement and semiconductor industries. The Company currently has no foreign-based operations or material amounts of identifiable assets in foreign countries. Its gross margins on foreign and domestic sales are similar, and all non-U.S. sales are made in U.S. dollars.

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

Use of Estimates The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The allowance for doubtful accounts, inventory reserves, warranty reserves, share-based compensation and income taxes are particularly subject to change.

Fiscal Year The Company's financial reporting year consists of either a 52 week or 53 week period ending on the last Saturday of the month of March. Fiscal year 2012, ended on March 31, 2012 was a 53 week year, while fiscal year 2011, ended on March 26, 2011 was a 52 week year. All references to years in the consolidated financial statements relate to fiscal years rather than calendar years.

Reclassifications Certain reclassifications, none of which affected the prior year's net income or shareholders' equity, have been made to prior year balances in order to conform to the current year presentation.

Revenue Recognition The Company records revenue when there is persuasive evidence of an arrangement, delivery has occurred, the price is fixed and determinable, and collectability is reasonably assured. This occurs when products are shipped or the customer accepts title transfer. If the arrangement involves acceptance terms, the Company defers revenue until product acceptance is received. On certain large development contracts, revenue is recognized upon achievement of substantive milestones. Determining whether a milestone is substantive is a matter of judgment and that assessment is performed only at the inception of the arrangement. The consideration earned from the achievement of a milestone must meet all of the following for the milestone to be considered substantive:

a. It is commensurate with either of the following:

1. The Company's performance to achieve the milestone
2. The enhancement of the value of the delivered item or items as a result of a specific outcome resulting from the Company's performance to achieve the milestone.

b. It relates solely to past performance.

c. It is reasonable relative to all of the deliverables and payment terms (including other potential milestone consideration) within the arrangement.

Milestones for revenue recognition are agreed upon with the customer prior to the start of the contract and some milestones will be tied to product shipping while others will be tied to design review.

Accounts receivable are stated at their net realizable value. The Company has estimated an allowance for uncollectable accounts based on analysis of specifically identified accounts, outstanding receivables, consideration of the age of those receivables and the Company's historical collection experience. The activity in the reserve account is as follows:

(Dollars in thousands)	March 31, 2012	March 26, 2011
Beginning balance	$248	$95
Provision for doubtful accounts	(148)	154
Recoveries of doubtful accounts	-	-
Write-off of doubtful accounts	(4)	(1)
Ending balance	$96	$248

Accrued Warranty The Company's warranty policy generally provides one to three years of coverage depending on the product. The Company records a liability for estimated warranty obligations at the date products are sold. The estimated cost of warranty coverage is based on the Company's actual historical experience with its current products or similar products. For new products, the required reserve is based on historical experience of similar products until such time as sufficient historical data has been collected on the new product. Adjustments are made as new information becomes available.

Inventories Inventories are stated at the lower of cost or market using full absorption and standard costing. Cost is determined on a first-in, first-out basis. Standard costing and overhead allocation rates are reviewed by management periodically, but not less than annually. Overhead rates are recorded to inventory based on capacity management expects for the period the inventory will be held. Reserves are recorded within cost of sales for impaired or obsolete inventory when the cost of inventory exceeds its estimated fair value. Management evaluates the need for inventory reserves based on its estimate of the amount realizable through projected sales including an evaluation of whether a product is reaching the end of its life cycle. When inventory is discarded it is written off against the inventory reserve, as inventory generally has already been fully reserved for at the time it is discarded.

Research and Development Research and development expenditures, which include the cost of materials consumed in research and development activities, salaries, wages and other costs of personnel engaged in research and development, costs of services performed by others for research and development on the Company's behalf and indirect costs are expensed as operating expenses when incurred.

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

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If such review indicates that the carrying amount of an asset exceeds the sum of its expected future cash flows on an undiscounted basis, the asset's carrying amount would be written down to fair value. Additionally, the Company reports long-lived assets to be disposed of at the lower of carrying amount or fair value less cost to sell. As of March 31, 2012 and March 26, 2011, management believes there has been no impairment of the Company's long-lived assets.

Deferred Rent Rent expense is recognized in an amount equal to the minimum guaranteed base rent plus future rental increases amortized on the straight-line basis over the terms of the leases, including free rent periods.

Income Taxes   Income taxes are accounted for using the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Future tax benefits are subject to a valuation allowance when management is unable to conclude that its deferred tax assets will more likely than not be realized. The ultimate realization of deferred tax assets is dependent upon generation of future taxable income during the periods in which those temporary differences become deductible. Management considers both positive and negative evidence and tax planning strategies in making this assessment.

The Company considers all tax positions recognized in its financial statements for the likelihood of realization. When tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the positions taken or the amounts of the positions that would be ultimately sustained. The benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50 percent likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above, if any, would be reflected as unrecognized tax benefits, as applicable, in the accompanying consolidated balance sheets along with any associated interest and penalties that would be payable to the taxing authorities upon examination. The Company recognizes accrued interest and penalties, if any, related to unrecognized tax benefits as a component of the provision for income taxes in the consolidated statements of income.

Product Development Costs The Company incurs pre-production costs on certain long-term supply arrangements. The costs, which represent non-recurring engineering and tooling costs, are capitalized as other assets and amortized over their useful life when reimbursable by the customer. All other product development costs are charged to operations as incurred. There were no capitalized pre-production costs included in other assets as of March 31, 2012 or March 26, 2011.

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

Share-based Compensation The Company has established the 2005 Equity Incentive Plan, which provides for the granting of options for up to 1,400,000 shares of Common Stock. The Company records share-based compensation expense for the fair value of all stock options and restricted stock that are ultimately expected to vest as the requisite service is rendered.

The cash flows resulting from the tax benefits resulting from tax deductions in excess of the compensation cost recognized for those options (excess tax benefits) are classified as cash flows from financing in the statements of cash flows. These excess tax benefits were not significant for the Company for the fiscal year ended March 31, 2012. There were no excess tax benefits for the fiscal year ended March 26, 2011.

In calculating compensation related to stock option grants, the fair value of each stock option is estimated on the date of grant using the Black-Scholes-Merton option-pricing model. The computation of expected volatility used in the Black-Scholes-Merton option-pricing model is based on the historical volatility of Giga-tronics' share price. The expected term is estimated based on a review of historical employee exercise behavior with respect to option grants.

The fair value of restricted stock awards is based on the fair value of the underlying shares at the date of the grant. Management makes estimates regarding pre-vesting forfeitures that will impact timing of compensation expense recognized for stock option and restricted stock awards.

Earnings Per Share Basic earnings per share is computed using the weighted average number of common shares outstanding during the period. Diluted earnings per share incorporate the incremental shares issuable upon the assumed exercise of stock options using the treasury stock method. Anti-dilutive options are not included in the computation of diluted earnings per share.

Comprehensive Income (Loss) There are no items of comprehensive income (loss) other than net income (loss).

Financial Instruments and Concentration of Credit Risk Financial instruments that potentially subject the Company to credit risk consist of cash, cash equivalents and trade accounts receivable. The Company's cash equivalents consist of overnight deposits with federally insured financial institutions. Under Section 343 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, those funds on deposit are covered by unlimited deposit insurance until December 31, 2012. Concentration of credit risk in trade accounts receivable results primarily from sales to major customers. The Company individually evaluates the creditworthiness of its customers and generally does not require collateral or other security. At March 31, 2012, three customers combined accounted for 36% of consolidated gross accounts receivable primarily due to the timing of the receivables. At March 26, 2011, one customer comprised 64% of consolidated gross accounts receivable primarily due to the timing of the receivable.

Fair Value of Financial Instruments The carrying amount for the Company's cash-equivalents, trade accounts receivable and accounts payable approximates fair market value because of the short maturity of these financial instruments.

Recently Issued Financial Accounting Standards In September 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2011-08, Testing Goodwill for Impairment. The objective of this Update is to simplify how entities, both public and nonpublic, test goodwill for impairment. The amendments in the Update permit an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test described in Topic 350. The more-likely-than-not threshold is defined as having a likelihood of more than 50 percent. Previous guidance under Topic 350 required an entity to test goodwill for impairment, on at least an annual basis, by comparing the fair value of a reporting unit with its carrying amount, including goodwill (step one). If the fair value of a reporting unit is less than its carrying amount, then the second step of the test must be performed to measure the amount of the impairment loss, if any. Under the amendments in this Update, an entity is not required to calculate the fair value of a reporting unit unless the entity determines that it is more likely than not that its fair value is less than its carrying amount. The amendments are effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011, and early adoption is permitted. Management does not believe this Update will have a significant impact on the Company's consolidated financial condition, results of operations or cash flows.

2 Cash and Cash-Equivalents

Cash and cash-equivalents of $2,365,000 and $1,408,000 at March 31, 2012 and March 26, 2011, respectively, consist of demand deposits with a financial institution insured by the Federal Deposit Insurance Corporation.

3 Inventories

Inventories, net of reserves, consist of the following:

(Dollars in thousands)	March 31, 2012	March 26, 2011
Raw materials	$2,313	$3,518
Work-in-progress	1,651	1,349
Finished goods	241	134
Demonstration inventory	495	385
Total	$4,700	$5,386

Inventories decreased by $686,000 at the end of fiscal year 2012 compared to the prior fiscal year end, primarily due to inventory reserve adjustments of $1,549,000 for excess and obsolete inventories offset by purchase of new inventory. Giga-tronics began a shift in strategy where future product offerings will not compete directly with similar product offerings from substantially larger competitor companies. To this end existing product lines were pruned and excess inventories were written off. Items deemed at end of life amounted to $150,000 at Giga-tronics and $697,000 at Microsource.

4 Selling and Advertising Expenses

Selling expenses consist primarily of commissions paid to various marketing agencies. Commission expense totaled $661,000 and $565,000 for fiscal 2012 and 2011, respectively. Advertising costs, which are expensed as incurred, totaled $146,000 and $98,000 for fiscal 2012 and 2011, respectively.

5 Significant Customers and Industry Segment Information

The Company has two reportable segments: Giga-tronics Division and Microsource. Giga-tronics Division produces a broad line of test and measurement equipment used in the development, test and maintenance of wireless communications products and systems, flight navigational equipment, electronic defense systems and automatic testing systems and designs, manufactures, and markets a line of switching devices that link together many specific purpose instruments that comprise automatic test systems. Microsource develops and manufactures a broad line of Yttrium, Iron and Garnet (YIG) tuned oscillators, filters and microwave synthesizers, which are used in a wide variety of microwave instruments or devices.

The accounting policies for the segments are the same as those described in the "Summary of Significant Accounting Policies". The Company evaluates the performance of its segments and allocates resources to them based on earnings before income taxes. Segment net sales include sales to external customers. Inter-segment activities are eliminated in consolidation. Assets include accounts receivable, inventories, equipment, cash, deferred income taxes, prepaid expenses and other long-term assets. The Company accounts for inter-segment sales and transfers at terms that allow a reasonable profit to the seller. During the periods reported there were no significant inter-segment sales or transfers.

The Company's reportable operating segments are strategic business units that offer different products and services. They are managed separately because each business utilizes different technology and requires different accounting systems. The Company's chief operating decision maker is considered to be the Company's Chief Executive Officer ("CEO"). The CEO reviews financial information presented on a consolidated basis accompanied by disaggregated information about revenues and pre-tax income by operating segment. The tables below present information for the fiscal years ended in 2012 and 2011.

March 31, 2012 (Dollars in thousands)	Giga-tronics Division	Microsource	Total
Revenue	$10,503	$2,613	$13,116
Interest expense net	(2)	-	(2)
Depreciation and amortization	115	18	133
Capital expenditures	213	1	214
(Loss) before income taxes	(3,358)	(2,492)	(5,850)
Assets	7,336	1,954	9,290

March 26, 2011 (Dollars in thousands)	Giga-tronics Division	Microsource	Total
Revenue	$13,946	$7,083	$21,029
Interest income, net	-	4	4
Depreciation and amortization	127	22	149
Capital expenditures	357	11	368
Income (loss) before income taxes	980	(133)	847
Assets	9,917	3,475	13,392

The Company's Giga-tronics Division and Microsource segments sell to agencies of the U.S. government and U.S. defense-related customers. In fiscal 2012 and 2011, U.S. government and U.S. defense-related customers accounted for 57% and 44% of sales, respectively. During fiscal 2012, one customer accounted for 17% of the Company's consolidated revenues at March 31, 2012 and was included in the Microsource segment. A second customer accounted for 12% of the Company's consolidated revenues at March 31, 2012 and was included in the Giga-tronics Division. During fiscal 2011, one customer accounted for 27% of the Company's consolidated revenues at March 26, 2011 and was included in the Giga-tronics Division. During fiscal 2011, two customers accounted for 13% and 11% of the Company's consolidated revenues at March 26, 2011 and was included in the Microsource segment.

Export sales accounted for 20% and 40% of the Company's sales in fiscal 2012 and 2011, respectively. Export sales by geographical area are shown below:

(Dollars in thousands)	March 31, 2012	March 26, 2011
Americas	$195	$1,603
Europe	996	1,148
Asia	1,297	5,477
Rest of world	75	254
Total	$2,563	$8,482

6 Earnings per Share

Net income and shares used in per share computations for the years ended March 31, 2012 and March 26, 2011 are as follows:

(In thousands except per share data)	March 31, 2012	March 26, 2011
Net (loss) income	$(5,852)	$816
Weighted average:		
Common shares outstanding	5,012	4,935
Potential common shares	-	105
Common shares assuming dilution	5,012	5,040
Net (loss) earnings per share - basic	$(1.17)	$0.17
Net (loss) earnings per share - diluted	$(1.17)	$0.16
Stock options not included in computation that could potentially dilute EPS in the future	1,305	636
Restricted stock awards not included in computation that could potentially dilute EPS in the future	60	90
Convertible preferred stock not included in computation that could potentially dilute EPS in the future	1,000	-
Warrants not included in computation that could potentially dilute EPS in the future	849	-

The number of stock options not included in the computation of diluted earnings per share (EPS) for the period ended March 31, 2012 is a result of the Company's net loss and, therefore, the options are anti-dilutive. The number of stock options not included in the computation of diluted EPS for the period ended March 26, 2011 reflects stock options where the exercise prices were greater than the average market price of the common shares and are, therefore, anti-dilutive. The number of restricted stock awards not included in the computation of diluted EPS for the periods ended March 31, 2012 and March 26, 2011 reflect contingently issuable shares for which the performance conditions necessary for the awards to vest had not been met as of March 31, 2012 and March 26, 2011. The number of convertible preferred shares not included in the computation of diluted EPS for period ended March 31, 2012 reflects convertible preferred stock where the assumed proceeds from conversion were greater than the average market price of the common shares and are, therefore, anti-dilutive.

7 Income Taxes

Following are the components of the provision for income taxes:

Years ended (In thousands)	March 31, 2012	March 26, 2011
Current		
Federal	$-	$29
State	2	2
Total current	2	31
Deferred		
Federal	(1,964)	2,283

State	(340)	41
Total deferred	(2,304)	2,324
Change in liability for uncertain tax positions	16	714
Change in valuation allowance	2,288	(3,038)
Provision for income taxes	$2	$31

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

Year ended (In thousands)	March 31, 2012	March 26, 2011
Net operating loss carryforwards	$11,016	$9,410
Income tax credits	1,453	1,426
Inventory reserves and additional capitalized costs	2,459	1,785
Fixed asset depreciation	73	100
Accrued vacation	125	117
Accrued warranty	84	79
Deferred rent	196	179
Other accrued liabilities	-	-
Allowance for doubtful accounts	38	100
Non-qualified stock options	100	60
State taxes benefit	-	-
Total deferred tax assets	15,544	13,256
Valuation allowance	(15,544)	(13,256)
Net deferred tax assets	$-	-

Years ended (In thousands except percentages)	March 31, 2012		March 26, 2011	
Statutory federal income tax (benefit)	$(1,989)	34.0 %	$288	34.0 %
Valuation allowance	2,288	(39.1)	(3,038)	(358.7)
State income tax, net of federal benefit	(341)	5.8	49	5.8
Net operating loss expiration	-	-	2,023	238.8
Non tax-deductible expenses	78	(1.3)	72	8.5
Tax credits	(43)	0.7	(85)	(10.0)
Liability for uncertain tax positions	16	(0.3)	714	84.3
Other	(7)	0.1	8	1.0
Effective income tax	$2	(0.1)%	$31	3.7 %

The increase in valuation allowance from March 26, 2011 to March 31, 2012 was $2,288,000.

As of March 31, 2012 the Company had pre-tax federal net operating loss carryforwards of $28,234,000 and state net operating loss carryforwards of $23,440,000 available to reduce future taxable income. The federal and state net operating loss carryforwards begin to expire from fiscal 2016 through 2032 and from 2014 through 2032, respectively. Utilization of net operating loss carryforwards may be subject to annual limitations due to certain ownership change limitations as required by Internal Revenue Code Section 382. The federal income tax credits begin to expire from 2020 through 2032 and state income tax credit carryforwards are carried forward indefinitely.

The Company has recorded a valuation allowance to reflect the estimated amount of deferred tax assets, which may not be realized. The ultimate realization of deferred tax assets is dependent upon generation of future taxable income during the periods in which those temporary differences become deductible. Management considers both positive and negative evidence and tax planning strategies in making this assessment.

As of March 31, 2012, the Company has unrecognized tax benefits of $850,000 related to uncertain tax positions. The unrecognized tax benefits reduce the “Income tax credits” disclosed in the table of deferred tax assets above. The Company has not recorded a liability for any penalties or interest related to the unrecognized tax benefits.

The Company files U.S. federal and California state tax returns. The Company is generally no longer subject to tax examinations for years prior to the fiscal year 2009 for federal purposes and fiscal year 2008 for California purposes, except in certain limited circumstances. The Company does not have any tax audits or other issues pending.

A reconciliation of the beginning and ending amount of uncertain tax positions, excluding potential interest and penalties, is as follows:

	Fiscal Year 2012	Fiscal Year 2011
Balance as of beginning of year	834,000	$120,000
Additions based on current year tax positions	16,000	34,000
Reductions for prior year tax positions and lapses of applicable statute	-	(72,000)
Additions based on prior year tax positions	-	752,000
Balance as of end of year	$ 850,000	$ 834,000

The total amount of interest and penalties related to unrecognized tax benefits at March 31, 2012 and March 26, 2011 is not material. The amount of tax benefits that would impact the effective rate, if recognized, is not expected to be material. The Company does not anticipate any significant changes with respect to unrecognized tax benefits within the next twelve months.

8 Share-based Compensation and Employee Benefit Plans

Share-based Compensation The Company has established the 2005 Equity Incentive Plan, which provides for the granting of options and restricted stock for up to 1,400,000 shares of common stock at 100% of fair market value at the date of grant, with each grant requiring approval by the Board of Directors of the Company. Options granted vest in one or more installments through 2017 and must be exercised while the grantee is employed by the Company or within a certain period after termination of employment. Options granted to employees shall not have terms in excess of 10 years from the grant date. Holders of options may be granted stock appreciation rights (SAR), which entitle them to surrender outstanding options for a cash distribution under certain changes in ownership of the Company, as defined in the stock option plan. As of March 31, 2012, no SAR's have been granted under the option plan. As of March 31, 2012, the total number of shares of common stock available for issuance is 225,867. All outstanding options have either a five year or a ten year life.

The weighted average grant date fair value of stock options granted during the fiscal years ended March 31, 2012 and March 26, 2011 was $1.30and $1.60, respectively, and was calculated using the following weighted-average assumptions:

Years Ended	March 31, 2012	March 26, 2011
Dividend yield	Zero	Zero
Expected volatility	92 %	101 %
Risk-free interest rate	0.94 %	1.13 %
Expected term (years)	8.32	3.17

A summary of the changes in stock options outstanding for the years ended March 31, 2012 and March 26, 2011 is presented below:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Terms (Years)	Aggregate Intrinsic Value

Outstanding at March 27, 2010	868,027	$1.89		
Granted	140,000	2.41		
Exercised	102,763	1.90		
Forfeited / Expired	20,250	2.18		
Outstanding at March 26, 2011	885,014	$1.96		
Granted	827,500	1.58		
Exercised	35,590	1.36		
Forfeited / Expired	372,112	1.96		
Outstanding at March 31, 2012	1,304,812	$1.74	6.9	$3,041
Exercisable at March 31, 2012	319,187	$1.89	2.1	$3,041
Expected to vest at March 31, 2012	744,202	$1.69	9.5	$-

As of March 31, 2012, there was $818,341 of total unrecognized compensation cost related to non-vested options granted under the plans. That cost is expected to be recognized over a weighted average period of 2.15 years. There were 175,000 and 252,224 options vested during the years ended March 31, 2012 and March 26, 2011 respectively. The total fair value of options vested during the years ended March 31, 2012 and March 26, 2011 was $230,571 and $314,017, respectively. Cash received from stock option exercises for the years ended March 31, 2012 and March 26, 2011 was $48,000 and $195,000, respectively.

There were no restricted stock awards granted during the year ended March 31, 2012 and 90,000 restricted stock awards granted during the year ended March 26, 2011 with a weighted average grant date fair value of $2.34 per share. 30,000 of the restricted stock awards with the same weighted average grant date fair value were forfeited during the fiscal year ended March 31, 2012 and none were forfeited during fiscal 2011. The restricted stock awards are considered fixed awards as the number of shares and fair value are known at the grant date and the fair value at the grant date is amortized over the requisite service period net of estimated forfeitures. The restricted stock awards are performance-based and one-third will vest annually each year through 2013 only if certain sales and profit goals are achieved by the Company. None of the restricted stock awards were vested at March 31, 2012 or March 26, 2011 and no compensation cost was recognized for restricted stock awards during fiscal 2012 and fiscal 2011 because management believes it is more likely than not that the performance criteria will not be met.

Employee Stock Purchase Plan This plan expired in September 2006 and is no longer available.

401(k) Plans The Company has established 401(k) plans which cover substantially all employees. Participants may make voluntary contributions to the plans for up to 100% of their defined compensation. The Company matches a percentage of the participant's contributions in accordance with the plan. Participants vest ratably in Company contributions over a four-year period. Company contributions to the plans for fiscal 2012 and 2011 were approximately $37,000 and $24,000, respectively.

9 Commitments

The Company leases a 47,300 square foot facility located in San Ramon, California, under a twelve-year lease that commenced in April 1994, which was amended on April 1, 2010 and now expires December 31, 2016. The amendment resulted in a reduction of monthly lease costs. The Company leases a 33,400 square foot facility located in Santa Rosa, California, under a twenty-year lease that commenced in July 1993 and was amended in April 2003, to now expire May 31, 2013.

These facilities accommodate all of the Company's present operations. The Company also leases other equipment under operating leases.

Total future minimum lease payments under these leases amount to approximately $3,550,000 and are as follows.

Fiscal year (Dollars in thousands)	
2013	1,000
2014	696
2015	654
2016	677
2017	523
Thereafter	-
Total	$3,550

The aggregate rental expense was $1,028,000 and $1,025,000 in fiscal 2012 and 2011, respectively.

The Company leases equipment under capital leases that expire through July 2014. Capital leases with costs totaling $31,000 and $130,000 are reported net of accumulated depreciation of $3,000 and $45,000at March 31, 2012 and March 26, 2011, respectively. The future minimum lease payments under these leases amount to approximately $26,000 at March 31, 2012.

The Company is committed to purchase certain inventory under non-cancelable purchase orders. As of March 31, 2012, total non–cancelable purchase orders were approximately $887,000 through fiscal 2013 and are scheduled to be delivered to the Company at various dates through January 2013.

10 Warranty Obligations

The Company records a liability in cost of sales for estimated warranty obligations at the date products are sold. Adjustments are made as new information becomes available. The following provides a reconciliation of changes in the Company's warranty reserve. The Company provides no other guarantees.

(Dollars in thousands)	March 31, 2012	March 26, 2011
Balance at beginning of year	$200	$139
Provision, net	258	237
Warranty costs incurred	(248)	(176)
Balance at end of year	$210	$200

11 Line of Credit

Effective September 15, 2011, the Company obtained a revolving line of credit for $2,500,000, with interest payable at prime rate plus 1.5%. The line of credit expires on September 15, 2012. The borrowing capacity under this line of credit is based on the Company's accounts receivable and is secured by all of the assets of the Company. The line of credit has standard financial covenants that require the maintenance of prescribed levels of working capital and shareholders' equity of which the Company was in compliance at March 31, 2012. At March 31, 2012 and March 26, 2011 there was no balance on the line of credit.

12 Series B Convertible Voting Perpetual Preferred Stock and Warrants

On November 10, 2011, the Company received approximately $2.2 million in new capital from Alara Capital AVI II, LLC, a Delaware limited liability company (the "Investor") under the Securities Purchase Agreement entered into on October 31, 2011. Under the terms of the Securities Purchase Agreement, the Company issued 9,997 shares of its new Series B Convertible Voting Perpetual Preferred Stock to the Investor for aggregate consideration of $2,199,340, at a price of $220 per share of Series B Preferred Stock. Alara Capital Partners, LLC, a technology investment firm, is the sponsor of the Investor.

Each share of Series B Preferred Stock initially is convertible at the option of the holder into 100 shares of the Company's common stock. The conversion ratio is subject to customary adjustments for stock splits, stock dividends, recapitalizations and similar transactions. If all shares of Series B Preferred Stock were converted as of December 31, 2011, holders of such shares would acquire 999,700 shares of common stock of the Company, or 16.6% of the pro forma number of shares of common stock that would have been outstanding as of that date. Each share of Series B Preferred Stock has a liquidation preference of $231, equal to 105% of the purchase price. If the Company pays a dividend on its common stock, it is required to pay a dividend on the Series B Preferred Stock until December 31, 2013, equal to 110% and thereafter equal to 100% of the cash dividend that would be payable on the number of shares of common stock into which each share of Series B Preferred Stock is then convertible. The Series B Preferred Stock generally votes together with the common stock, on an as-converted basis, on each matter submitted to the vote or approval of the holders of common stock, and votes as a separate class with respect to certain actions that adversely affect the rights of the Series B Preferred Stock and on other matters as required by law.

The Company also issued to the Investor a Warrant to purchase up to 848,684 additional shares of common stock of the Company. The exercise price of the Warrant is $3.30 per share, subject to anti-dilution adjustments for stock splits, stock dividends, reclassifications and similar events. The Warrant will cease to be exercisable 30 months after the Shareholder Approval Date, which is defined as the date on which shareholders approve exercise of the Warrant as required by rules of NASDAQ Capital Markets relating to certain private sales of securities. The Company held a special meeting of shareholders on February 7, 2012, at which the shareholders gave the required approval for exercise of the Warrant. Therefore, February 7, 2012 is the Shareholder Approval Date, and the Warrant must be exercised, if at all, on or before August 7, 2014.

As of December 31, 2011, the Company had recorded $1,997,000 as preferred stock on the consolidated balance sheet. This amount is net of stock offering costs of approximately $202,000 and represents the value attributable to both the convertible preferred stock and warrants issued to the Investor. After considering the value of the warrants, the effective conversion rate of the preferred stock is greater than the common stock price on date of issue and therefore no beneficial conversion feature is present.

13 Restatement

Subsequent to filing the Company's annual report on Form 10-K, for the year ended March 26, 2011, the Company determined that a full valuation allowance on its deferred tax asset should have been maintained as of March 26, 2011. Management determined that it was necessary to maintain the valuation allowance against its deferred tax assets after considering information that should have been used to measure the positive and negative evidence regarding the ultimate realization of the net deferred tax assets in the original assessment.

Realization of the net deferred tax asset is dependent upon the Company's ability to generate future taxable income. In its reassessment, Management concluded that objective and verifiable negative evidence represented by historic losses outweighed more subjective positive evidence of anticipated future income. As a result, the Company determined it necessary to maintain a full valuation allowance against its net deferred tax asset as of March 26, 2011; restated its financial statements and filed an amended Form 10-K on June 19, 2012.

Additional information related to the restatement is included in Note 2 of the financial statements included in the Form 10-K/A filed on June 19, 2012.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders
Giga-tronics Incorporated
San Ramon, California

We have audited the accompanying consolidated balance sheet of Giga-tronics Incorporated (the "Company") as of March 31, 2012 and the related consolidated statements of operations, shareholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Giga-tronics Incorporated as of March 31, 2012, and the consolidated results of its operations and its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

/s/ Crowe Horwath LLP

San Francisco, California
June 19, 2012

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders
Giga-tronics Incorporated

We have audited the accompanying consolidated balance sheet of Giga-tronics Incorporated (the “Company”) as of March 26, 2011 and the related consolidated statements of operations, shareholders’ equity and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Giga-tronics Incorporated as of March 26, 2011, and the consolidated results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 13 to the consolidated financial statements, the March 26, 2011 financial statements have been restated.

/s/ Perry-Smith LLP

San Francisco, California
May 19, 2011 (June 19, 2012 as to the effects
of the restatement discussed in Note 13)

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure controls and procedures

The Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness, as of March 31, 2012, of the design and operation of the Company's disclosure controls and procedures as defined in Rule 13a-15(e) and 15d-15(e) promulgated under the Exchange Act. Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed under the Exchange Act, such as this Annual Report on Form 10-K, is recorded, processed, summarized and reported within the time periods specified by the SEC. Disclosure controls and procedures are also designed to ensure that such information is accumulated and communicated to our management, including our Chief Financial Officer and Chief Executive Officer, as appropriate to allow timely decisions regarding required disclosure.

At the time that our Annual Report on Form 10-K for the year ended March 26, 2011 was filed on May 19, 2011, our Chief Executive Officer and then Chief Financial Officer concluded that our disclosure controls and procedures were effective as of March 26, 2011. Subsequent to that evaluation, on May 17, 2012, we determined a restatement of the year ended March 26, 2011 Annual Report on Form 10-K/A was required. Accordingly, our management, including our Chief Executive Officer and current acting Chief Financial Officer, re-evaluated our disclosure controls and procedures and concluded that our disclosure controls and procedures were not effective as of March 26, 2011 and March 31, 2012 because of a material weakness in internal control over the assessment of the valuation allowance against deferred tax assets, as discussed below.

Report of Management on Internal Control over Financial Reporting

Management of Giga-tronics is responsible for establishing and maintaining adequate internal control over financial reporting for the Company, as such term is defined in Rule 13a-15(f) under the Securities Exchange Act of 1934. The Company's management, under the supervision of the Chief Executive Officer and Chief Financial Officer, has assessed the effectiveness of the Company's internal control over financial reporting as of March 31, 2012. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework. Our internal control over financial reporting includes policies and procedures designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with United States generally accepted accounting principles and that:

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Based on this assessment, management identified the following material weakness in connection with the restatement of the year ended March 26, 2011 financial statements.

The Company has not designed and implemented adequate controls over assessment of the valuation allowance against deferred tax assets in that adequate criteria have not been established to assess positive and negative evidence and that an independent review process over the inputs and conclusion in this assessment was not in place. As a result, a restatement of the financial statements for the year ended March 26, 2011, was necessary to present the financial statements in accordance with generally accepted accounting principles.

A material weakness is a control deficiency, or combination of control deficiencies, that results in a more than remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected.

The Company filed an amended annual report on Form 10K/A for the year ended March 26, 2011, and amended quarterly reports on Form 10Q/A for the three interim quarters for fiscal 2012 to reflect a full valuation allowance against our deferred tax assets, as more fully discussed in Note 13 to the Consolidated Financial Statements. In connection with the restatement, our management, including our Chief Executive Officer and Chief Financial Officer, has determined that the lack of adequate controls over the assessment of the valuation allowance against deferred tax assets constituted a material weakness in internal control over financial reporting.

Controls relating to the material weakness identified in connection with the restatement of our consolidated financial statements have not been put in place as of March 31, 2012 and Management has thus concluded that the Company did not maintain effective internal control over financial reporting as of March 31, 2012, based on the criteria described in the COSO Internal Control — Integrated Framework.

Management's assessment of the effectiveness of the Company's internal control over financial reporting as of March 31, 2012, has not been audited by the Company's independent registered public accounting firm. Management's report is not subject to attestation by the Company's independent registered public accounting firm pursuant to the rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this Annual Report.

Material Weaknesses in Internal Control Over Financial Reporting

Material Weakness Relating to Internal Control Over the Assessment of the Valuation Allowance against Deferred Tax Assets

There was lack of adequate controls over the assessment of the valuation allowance against deferred tax assets that constituted a material weakness in internal control over financial reporting. The Company has not designed and implemented adequate controls over assessment of the valuation allowance against deferred tax assets in that adequate criteria have not been established to assess positive and negative evidence and that an independent review process over the inputs and conclusion in this assessment was not in place.

Remediation of Material Weaknesses

Remediation of Material Weakness Relating to Internal Control Over the Assessment of the Valuation Allowance against Deferred Tax Assets

The Company is in the process of creating a formal process related to the design and implementation of controls over the assessment of the valuation allowance against deferred tax assets. Management anticipates that controls will include the establishment of criteria for assessing positive and negative evidence and the establishment of an independent review process over the inputs and the conclusion reached in the assessment process. Management expects that this process will include periodic oversight by the Audit Committee. In this regard, the Company has recently added a new board member with accounting expertise.

Changes in internal controls

There were no changes in internal control over financial reporting identified in connection with the evaluation required by Rule 15d-15 that occurred during the year ended March 31, 2012 that have materially affected or are reasonably likely to materially affect, the internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

The Company is not aware of any information required to be reported on Form 8-K that has not been previously reported.

PART III

ITEM 10. DIRECTOR, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information regarding Directors of the Company is set forth under the heading “Election of Directors” of the Company’s Proxy Statement for its 2012 Annual Meeting of Shareholders, incorporated herein by reference. This Proxy Statement is to be filed no later than 120 days after the close of the fiscal year ended March 31, 2012.

ITEM 11. EXECUTIVE COMPENSATION

Information regarding the Company’s compensation of its executive officers is set for the under the heading “Executive Compensation” of the Company’s Proxy Statement for its 2012 Annual Meeting of Shareholders, incorporated herein by reference. This Proxy Statement is to be filed no later than 120 days after the close of the fiscal year ended March 31, 2012.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED SHAREHOLDER MATTERS

Information regarding security ownership of certain beneficial owners and management is set forth under the heading “Stock Ownership of Certain Beneficial Owners and Management” of the Company’s Proxy Statement for its 2012 Annual Meeting of Shareholders, incorporated herein by reference. Information about securities authorized for issuance under equity compensation plans is set forth under the heading “Equity Compensation Plan Information” of its Proxy Statement for the 2012 Annual Meeting of Shareholders, incorporated herein by reference. This Proxy Statement is to be filed no later than 120 days after the close of the fiscal year ended March 31, 2012.

ITEM 13. CERTAIN RELATONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information set forth in the Proxy Statement under the section captioned “Transactions with Management and Others” is incorporated herein by reference. This Proxy Statement is to be filed no later than 120 days after the close of the fiscal year ended March 31, 2012.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information set forth in the Proxy Statement under the section captioned “Appointment of Independent Registered Accounting Firm” is incorporated herein by reference. This Proxy Statement is to be filed no later than 120 days after the close of the fiscal year ended March 31, 2012.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The following consolidated financial statements of Giga-tronics Incorporated and subsidiaries and the related independent registered public accounting firm are filed herewith:

1. Financial Statements. See Index to Financial Statements on page 18. The financial statements and Report of Independent Registered Public Accounting Firm are included in Item 8 are filed as part of this report.
2. Exhibits. The exhibit list required by this item is incorporated by reference to the Exhibit Index filed with this report.

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SIGNATURES

In accordance with the requirements of Section 13 or 15(d) of the Securities Exchange Act, the Registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

GIGA-TRONICS INCORPORATED

/s/ JOHN R. REGAZZI
Chief Executive Officer

In accordance with the requirements of the Securities Exchange Act, this annual report on Form 10-K has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

/s/ GARRETT A. GARRETTSON Garrett A. Garrettson	Chairman of the Board of Directors	06/19/2012 Date
/s/ JOHN R. REGAZZI John R. Regazzi	Chief Executive Officer (Principal Executive Officer) and Director	06/19/2012 Date
/s/ FRANK D. ROMEJKO Frank D. Romejko	Vice President of Finance/ Chief Financial Officer, Acting (Principal Financial Officer)	06/19/2012 Date
/s/ GEORGE H. BRUNS, JR. George H. Bruns, Jr.	Director	06/19/2012 Date
/s/ JAMES A. COLE James A. Cole	Director	06/19/2012 Date
/s/ KENNETH A. HARVEY Kenneth A. Harvey	Director	06/19/2012 Date
/s/ LUTZ P. HENCKELS Lutz P. Henckels	Director	06/19/2012 Date
/s/ WILLIAM J. THOMPSON William J. Thompson	Director	06/19/2012 Date

The following exhibits are filed by reference or herewith as a part of this report:

Index To Exhibits

3.1	Articles of Incorporation of the Registrant, as amended, previously filed as Exhibit 3.1 to Form 10-KSB for the fiscal year ended March 27, 1999 and incorporated herein by reference.
3.2	Amended and Restated Bylaws of Giga-tronics Incorporated, as amended on March 7, 2008, previously filed as Exhibit 3.2 to Form 10-K for the fiscal year ended March 29, 2008, and incorporated herein by reference.
10.1	Standard form Indemnification Agreement for Directors and Officers, previously filed as Exhibit 10.1 to Form 10-K for the fiscal year ended March 27, 2010, and incorporated herein by reference.
10.2	First Amendment to Office Lease Agreement between Giga-tronics Incorporated and VIF/ZKS Norris Tech Center, LLC, for 4650 Norris Canyon Road, San Ramon, CA, dated March 29, 2010, previously filed as Exhibit 10.2 to Form 10-K for the fiscal year ended March 27, 2010, and incorporated herein by reference.
10.3	2000 Stock Option Plan and form of Incentive Stock Option Agreement, previously filed on September 8, 2000 as Exhibit 99.1 to Form S-8 (33-45476) and incorporated herein by reference. *
10.4	2005 Equity Incentive Plan incorporated herein by reference to Attachment A of the Registrant’s Proxy Statement filed July 21, 2005. *
10.5	Securities Purchase Agreement dated October 31, 2011, between the Company and Alara Capital AVI II, LLC, incorporated by reference from exhibits filed with the Company’s current report on Form 8-K filed on November 3, 2011.
10.6	Warrant to purchase 848,684 shares of common stock, dated November 10, 2011, issued to Alara Capital AVI II, LLC, incorporated by reference from exhibits filed with the Company’s current report on Form 8-K filed on November 14, 2011.
10.7	Investor Rights Agreement dated November 10, 2011, between the company and Alara Capital AVI II, LLC, incorporated by reference from exhibits filed with the Company’s current report on Form 8-K filed on November 14, 2011.
10.8	Form of Voting Agreement between the Investor and members of the board of directors of the Company with respect to exercisability of the Warrant, incorporated by reference from exhibits filed with the

	Company's current report on Form 8-K filed on November 14, 2011.
21	Significant Subsidiaries. (See page 41 of this Annual Report on Form 10-K.)
23.1	Consent of Independent Registered Public Accounting Firm, Perry-Smith LLP. (See page 43 of this Annual Report on Form 10-K.)
23.2	Consent of Independent Registered Public Accounting Firm, Crowe Horwath LLP. (See page 42 of this Annual Report on Form 10-K.)
31.1	Certification of Chief Executive Officer under Section 302 of the Sarbanes-Oxley Act of 2002. (See page 44 of this Annual Report on Form 10-K.)
31.2	Certification of Chief Financial Officer under Section 302 of the Sarbanes-Oxley Act of 2002. (See page 45 of this Annual Report on Form 10-K.)
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (See page 46 of this Annual Report on Form 10-K.)
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (See page 47 of this Annual Report on Form 10-K.)
101.1	The following materials from the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2011, formatted in XBRL ("eXtensible Business Reporting Language"): (i) the Consolidated Balances heets, (ii) the Consolidated Statements of Income, (iii) the Consolidated Statements of Cash Flows, and (iv) the Notes to the Consolidated Financial Statements, tagged as blocks of text (furnished but not filed).
*	Management contract or compensatory plan or arrangement.