GIGA TRONICS INC
Form 10-K
May 18, 2009

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

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended March 28, 2009

or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____________ to _____________.

Commission File No. 0-12719

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

California (State or other jurisdiction of incorporation or organization)	94-2656341 (I.R.S. Employer Identification No.)
4650 Norris Canyon Road, San Ramon, CA (Address of principal executive offices)	94583 (Zip Code)

Registrant's telephone number, including area code: (925) 328-4650

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

Title of each class	Name of each exchange on which registered
Common Stock, No par value	The NASDAQ Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act: None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes [ ] No [X]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act.
Yes [ ] No [X]

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days:

Yes [X] No [ ]

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

[X]

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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 the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	[ ]	Accelerated filer	[ ]
Non-accelerated filer (Do not check if a smaller reporting company)	[ ]	Smaller reporting company	[X]

Indicate by check mark whether the registrant is a shell company (as defined in Exchange Act Rule 12b-2).
Yes [ ] No [X]

The aggregate market value of voting and non-voting common equity held by non-affiliates of the Registrant computed by reference to the price at which the common equity was sold or the average bid and asked prices as of September 27, 2008 was $3,659,114.

There were a total of 4,824,021 shares of the Registrant's Common Stock outstanding as of May 14, 2009.

DOCUMENTS INCORPORATED BY REFERENCE

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

PART OF FORM 10-K	DOCUMENT
PART III	Registrant's PROXY STATEMENT for its 2009 Annual Meeting of Shareholders to be filed no later than 120 days after the close of the fiscal year ended March 28, 2009.

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PART 1

The forward-looking statements included in this report including, without limitation, statements containing the words “believes”, “anticipates”, “estimates”, “expects”, “intends” and words of similar import, which reflect management’s b judgment based on factors currently known, involve risks and uncertainties. Actual results could differ materially from those anticipated in these forward-looking statements as a result of a number of factors, including but not limited to those discussed under “Certain Factors Which May Adversely Affect Future Operations Or An Investment In Giga-tronics” in Item 1 below and in Item 7, “Management’s Discussion and Analysis”.

ITEM 1. BUSINESS

General

Giga-tronics Incorporated (Giga-tronics, or the Company) includes the operations of the Giga-tronics Division and Microsource Inc. (Microsource), a wholly owned subsidiary. Giga-tronics Division designs, manufactures and markets a broad line of test and measurement equipment used in the development, test and maintenance of wireless communications products and systems, flight navigational equipment, electronic defense systems and automatic testing systems. These products are used primarily in the design, production, repair and maintenance of commercial telecommunications, radar, and electronic warfare equipment.

Giga-tronics was incorporated on March 5, 1980. Its principal executive offices are located at 4650 Norris Canyon Road, San Ramon, California, and its telephone number at that location is (925) 328-4650.

Effective July 23, 1996, Giga-tronics acquired ASCOR. ASCOR offers a family of switching and interface test adapters as standard VXI configured products, as well as complete system integration services to the Automatic Test Equipment market. Effective April 1, 2007, all ASCOR operations are conducted out of the San Ramon, California facility. Effective April 1, 2008, the ASCOR subsidiary was dissolved. The ASCOR product line continues to be manufactured under the Giga-tronics subsidiary. Its Fremont, California facility of approximately 18,700 square feet is available for sub-lease until June 30, 2009 after which the lease will expire.

Effective May 18, 1998, Giga-tronics acquired Microsource. Microsource, located in Santa Rosa, California, develops and manufactures a broad line of YIG (Yttrium, Iron, Garnet) tuned oscillators, filters and microwave synthesizers, which are used by its customers in operational applications and in manufacturing a wide variety of microwave instruments and devices.

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

Industry Segments

The Company manufactures products used in test, measurement and control. The Company has two reporting segments: Giga-tronics Division and Microsource.

Products and Markets

Giga-tronics

The Giga-tronics Division produces signal sources, generators and sweepers, and power measurement instruments for use in the microwave and radio frequency (RF) range (10 kilohertz (kHz) to 50 gigahertz (GHz)). Within each product line are a number of different models and options allowing customers to select frequency range and specialized capabilities, features and functions. The end-user markets for these products can be divided into three broad segments: commercial telecommunications, radar and electronic warfare. These instruments are used in the design, production, repair and maintenance and calibration of other manufacturers' products, from discrete components to complex systems.

The Giga-tronics Division also produces switch modules and interface adapters that operate with a bandwidth from direct current (DC) to optical frequencies. These switch modules may be incorporated within its customers' automated test equipment. The end-user markets for these products are primarily related to defense, aeronautics, communications, satellite and electronic warfare.

Microsource

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

Sources and Availability of Raw Materials and Components

Substantially all of the components required by Giga-tronics to make its assemblies are available from more than one source. The Company occasionally uses sole source arrangements to obtain leading-edge technology or favorable pricing or supply terms, but not in any material volume. In the Company's opinion, the loss of any sole source arrangement it has would not be material to its operations.

Although extended delays in receipt of components from its suppliers could result in longer product delivery schedules for the Company, the Company believes that its protection against this possibility stems from its practice of dealing with well-established suppliers and maintaining good relationships with such suppliers.

Patents and Licenses

The Company's competitive position is largely dependent upon its ability to provide performance specifications for its instruments and systems that (a) easily, effectively and reliably meet customers' needs and (b) selectively surpass competitors' specifications in competing products. Patents may occasionally provide some short-term protection of proprietary designs. However, because of the rapid progress of technological development in the Company's industry, such protection is most often, although not always, short-lived. Therefore, although the Company occasionally pursues patent coverage, it places major emphasis on the development of new products with superior performance specifications and the upgrading of existing products toward this same end. This is reflected in a substantial allocation of budget to project development costs.

The Company's products are based on its own designs, which in turn derive from its own engineering abilities. If the Company's new product engineering efforts fall behind, its competitive position weakens. Conversely, effective product development greatly enhances its competitive status.

The Company presently holds 25 patents. Some of these are critical to the Company's ongoing business, and the Company intends to actively maintain them. Capitalized costs relating to these patents were both incurred and fully amortized prior to March 1, 2003. Accordingly, these patents have no recorded value included in the Company's fiscal 2009 and 2008 consolidated financial statements.

The Company is not dependent on trademarks, licenses or franchises. It does utilize certain software licenses in certain functional aspects for some of its products. Such licenses are readily available, non-exclusive and are obtained at either no cost or for a relatively small fee.

Seasonal Nature of Business

The business of the Company is not seasonal.

Working Capital Practices

The Company generally strives to maintain at least 60 days of inventory and generally sells to customers on 30-day payment terms. Typically, the Company receives payment terms of 30 days. The Company believes that these practices are consistent with typical industry practices.

Importance of Limited Number of Customers

The Company is a leading supplier of microwave and RF test instruments to various United States (U.S.) government defense agencies, as well as to their prime contractors. Management anticipates sales to U.S. government agencies and their prime contractors will remain significant in fiscal 2010. U.S. and international defense-related agencies accounted for 64% and 62% of net sales in fiscal 2009 and 2008, respectively. Commercial business accounted for the remaining 36% and 38% of net sales in fiscal 2009 and 2008, respectively. Prior to the last five years, in which the defense business has improved, sales to the defense industry in general and direct sales to the U.S. and foreign government agencies in particular had declined. Any decline of defense orders could have a negative effect on the business, operating results, financial condition and cash flows of Giga-tronics.

During fiscal 2009, Giga-tronics Division derived 55% of its net sales from the U.S. government defense agencies and their prime subcontractors. During fiscal 2008, Giga-tronics Division derived 45% of its net sales from the U.S. government defense agencies and their prime subcontractors.

During fiscal 2009, Microsource derived 18% of its net sales from an electronic instrument manufacturer and 72% of its net sales from the U.S. government defense agencies and their prime contractors. During fiscal 2008, Microsource derived 41% of its net sales from an electronic instrument manufacturer and 42% of its net sales from the U.S. government defense agencies and their prime contractors and another 12% from foreign defense agencies and their prime contractors.

Other than U.S. government agencies and their defense contractors, no other customer accounted for 10% or more of consolidated net sales of the Company in fiscal 2009 or 2008.

In management's opinion, other than U.S. government agencies and their prime contractors, the Company has no customers where the loss of which would have a material adverse effect on the Company and its subsidiaries as a whole.

The Company's products are largely capital investments for its customers, and the Company's belief is that its customers have economic cycles in which capital investment budgets for the kinds of products that the Company produces expand and contract. The Company, therefore, expects that a major customer in one year will often not be a major customer in the following year. Accordingly, the Company's net sales and earnings will decline if the Company is unable to find new customers or increase its business with other existing customers to replace declining net sales from the previous year's major customers. A substantial decline in net sales from U.S. government defense agencies and their prime contractors would also have a material adverse effect on the Company's net sales and results of operations unless replaced by net sales from the commercial sector.

Backlog of Orders

On March 28, 2009, the Company's backlog of unfilled order was approximately $9,105,000 compared to approximately $7,582,000 at March 29, 2008. As of March 28, 2009, there were approximately $2,295,000 in unfilled orders that were scheduled for shipment beyond one year, as compared to approximately $2,924,000 at March 29, 2008. Orders for the Company's products include program orders from both the U.S. government and defense contractors with extended delivery dates. Accordingly, the backlog of orders may vary substantially from quarter to quarter and the backlog entering any single quarter may not be indicative of sales for any period.

Backlog includes only those customer orders for which a delivery schedule has been agreed upon between the Company and the customer and, in the case of U.S. government orders, for which funding has been appropriated.

Competition

Giga-tronics serves the broad market for electronic instrumentation with applications ranging from the design, test, calibration and maintenance of other electronic devices to providing sophisticated components for complex electronic systems to sub-systems capable of sorting and identifying high frequency communication signals. These applications cut across the commercial, industrial and military segments of the broad market. The Company has a variety of competitors. Several of its competitors are much larger than the Company and have greater resources and substantially broader product lines. Others are of comparable size with more limited product lines.

Competition from numerous existing companies is intense and potential new entrants are expected to increase. The Company's instrument, switch, oscillator and synthesizer products compete with Agilent, Anritsu, EADS, Aeroflex and Rohde & Schwarz. Many of these companies have substantially greater research and development, manufacturing, marketing, financial, technological, personnel and managerial resources than Giga-tronics. There can be no assurance that any products developed by these competitors will not gain greater market acceptance than any developed by Giga-tronics.

To compete effectively in this circumstance, the Company (a) places strong emphasis on maintaining a high degree of technical competence as it relates to the development of new products and the upgrading of existing products and (b) is highly selective in establishing technological objectives. The Company does not attempt to compete 'across the board', but selectively based upon its particular strengths and the competitors' perceived limitations.

Specification requirements of customers in this market vary widely. The Company is able to compete by offering products that meet a customer's particular specification requirements; by being able to offer certain product specifications at lower cost resulting from the Company's past production of products with those of similar specifications; and by being able to offer certain product specifications at a higher quality level. All of these advantages are attributable to the Company's continuing investment in research and development and in a highly trained engineering staff.

The customer's decision is most often based on the best match of its particular requirements and the supplier's operating specifications. In most cases, attracting and retaining customers does not require the Company to offer the best overall product with respect to each of the customer's requirements, but rather the best product relative to the specifications that are most important to the customer.

When the opportunity involves custom solutions, price is not the only consideration. Satisfying the customer's specific requirements becomes more important and the Company believes it has more flexibility in making modifications and enhancements than its larger and more structured competitors.

Sales and Marketing

Giga-tronics and Microsource market their products through various independent distributors and representatives to commercial and government customers, although not necessarily through the same distributors and representatives.

Product Development

Products of the type manufactured by Giga-tronics historically have had relatively long product life cycles. However, the electronics industry is subject to rapid technological changes at the component level. The future success of the Company is dependent on its ability to steadily incorporate advancements in component technologies into its new products. In fiscal 2009, product development expenses totaled approximately $1,975,000 excluding non-recurring engineering (NRE) costs. In fiscal 2008, product development expenses were $2,248,000.

Activities included the development of new products and the improvement of existing products. It is management's intention to maintain product development at levels required to sustain its competitive position. All of the Company's product development activities are internally funded and expensed as incurred.

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

Manufacturing

The assembly and testing of Giga-tronics Division microwave, RF and power measurement products and its switching and connecting devices are done at its San Ramon facility. The assembly and testing of Microsource's line of YIG tuned oscillators, filters and microwave synthesizers are done at its Santa Rosa facility.

Environment

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

Employees

As of March 28, 2009, Giga-tronics employed 97 individuals on a full-time basis. Management believes that the future success of the Company depends on its ability to attract and retain skilled personnel. None of the Company's employees are represented by a labor union, and the Company considers its employee relations to be good.

Information about Foreign Operations

The Company sells to its international customers through a network of foreign technical sales representative organizations. All transactions between the Company and its international customers are in U.S. dollars.

Geographic Distribution of Net Sales			% of total	
(Dollars in thousands)	2009	2008	2009	2008
Domestic	$ 13,490	$ 11,348	77.0%	62.0%
International	3,931	6,983	23.0%	38.0%
Total	$ 17,421	$ 18,331		

See footnote 5 of the financial statements for further breakdown of international sales for the last two years.

The Company maintains a sales office in China, but does not have material amounts of identifiable assets in foreign countries. Its gross margins on foreign and domestic sales are similar.

ITEM 1A. RISK FACTORS

Business climate is volatile

The current financial crisis/recession represents a new risk for the Company and has resulted in delays of orders and/or cancellations. Giga-tronics has a significant number of defense-related orders. If the defense market demand decreases, actual shipments could be less than projected shipments with a resulting decline in sales. The Company's commercial product backlog has a number of risks and uncertainties such as the cancellation or deferral of orders, dispute over performance and the Company's ability to collect amounts due under these orders. If any of these events occurs, actual shipments could be less than projected shipments and earnings could decline.

Giga-tronics sales are substantially dependent on the wireless industry

Giga-tronics sells directly or indirectly to customers and equipment manufacturers in the wireless industry. Currently, this industry is undergoing dramatic and rapid change. As such, the business that Giga-tronics records could decrease or existing recorded backlog could be stretched or deferred resulting in less than projected shipments. Reduced shipments may have a material adverse effect on operations.

Giga-tronics' markets involve rapidly changing technology and standards

The market for electronics equipment is characterized by rapidly changing technology and evolving industry standards. Giga-tronics believes that its future success will depend in part upon its ability to develop and commercialize its existing products, develop new products and applications, and in part to develop, manufacture and successfully introduce new products and product lines with improved capabilities and to continue to enhance existing products. There can be no assurance that Giga-tronics will successfully complete the development of current or future products or that such products will achieve market acceptance.

Future liquidity is uncertain

Based on current levels of sales and expenses, management believes that cash and cash equivalents remain adequate to meet current operating needs for the next twelve months. However, this estimate is based on projections that may or may not be realized, and therefore actual cash usage could be greater than projected. To operate beyond for the next twelve months would require the Company to earn additional cash from operations, renew or obtain a line of credit or obtain additional funds from other sources. The Company maintains a line of credit for $2,500,000. The Company borrowed $500,000 in the third quarter of fiscal 2009, but repaid it prior to December 27, 2008.

Giga-tronics' common stock price is volatile

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

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

Performance problems in Giga-tronics' products or problems arising from the use of its products together with other vendors' products may harm its business and reputation

Products as complex as those Giga-tronics produces may contain unknown and undetected defects or performance problems. For example, it is possible that a product might not comply with stipulated specifications under all circumstances. In addition, Giga-tronics' customers generally use its products together with their own products and products from other vendors. As a result, when problems occur in a combined environment, it may be difficult to identify the source of the problem. A defect or performance problem could result in lost revenues, increased warranty costs, diversion of engineering and management time and effort, impaired customer relationships and injury to Giga-tronics' reputation generally. To date, performance problems in Giga-tronics' products or in other products used together with Giga-tronics' products have not had a material adverse effect on its business. However, management cannot be certain that a material adverse impact will not occur in the future.

Giga-tronics competition has greater resources

The Company's instrument, switch, oscillator and synthesizer products compete with Agilent, Anritsu, EADS, Aeroflex and Rohde & Schwarz. Many of these companies have substantially greater research and development, manufacturing, marketing, financial, technological, personnel and managerial resources than Giga-tronics. These resources also make these competitors better able to withstand difficult market conditions than the Company. There can be no assurance that any products developed by the competitors will not gain greater market acceptance than any developed by Giga-tronics.

Giga-tronics acquisitions may not be effectively integrated and their integration may be costly

As part of its business strategy, Giga-tronics may broaden its product lines and expand its markets, in part through the acquisition of other business entities. Giga-tronics is subject to various risks in connection with any future acquisitions. Such risks include, among other things, the difficulty of assimilating the operations and personnel of the acquired companies, the potential disruption of the Company's business, the inability of management to maximize the financial and strategic position of the Company by the successful incorporation of acquired technology and rights into its product offerings, the maintenance of uniform standards, controls, procedures and policies, and the potential loss of key employees of acquired companies. The Company has not made any acquisitions in the past nine years. No assurance can be given that any acquisition by Giga-tronics will or will not occur, that if an acquisition does occur, that it will not materially harm the Company or that any such acquisition will be successful in enhancing the Company's business. The Company currently contemplates that future acquisitions may involve the issuance of additional shares of common stock. Any such issuance may result in dilution to all Giga-tronics' shareholders, and sales of such shares in significant volume by the shareholders of acquired companies may depress the price of its common stock.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

As of March 28, 2009, Giga-tronics' principal executive office and the marketing, sales and engineering offices and manufacturing facilities for its microwave and RF signal generator and power measurement products are located in approximately 47,300 squire feet in San Ramon, California, which the Company occupies under a lease agreement expiring December 31, 2011.

The property located in Fremont, California with approximately 18,700 square feet was previously occupied by ASCOR under a lease that expires on June 30, 2009. The Company effectively vacated this property as a part of its restructuring plan as of March 31, 2007. The Company moved ASCOR's engineering, sales and marketing, and administrative activities to the San Ramon, California facility effective April 1, 2007. The Company has an accrued loss of approximately $86,276 for future lease expense. As of March 28, 2009, the Company has not sub-leased the available space.

Microsource's manufacturing facilities for its YIG tuned oscillators, filters and microwave synthesizers are located in an approximately 33,400 square foot facility in Santa Rosa, California, which it occupies under a lease expiring May 31, 2013.

The Company believes that its facilities are adequate for its business activities.

ITEM 3. LEGAL PROCEEDINGS

As of March 28, 2009, 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. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders during the fourth quarter of the fiscal year ended March 28, 2009.

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 28, 2009 was approximately 1,600. 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.

	2009	High	Low	2008	High	Low
First Quarter	(3/30 - 6/28)	$ 1.80	$ 1.26	(4/1 - 6/30)	$ 2.22	$ 1.61
Second Quarter	(6/29 - 9/27)	1.25	0.80	(7/1 - 9/29)	2.36	1.62
Third Quarter	(9/28 - 12/27)	1.00	0.50	(9/30 - 12/29)	3.85	1.71
Fourth Quarter	(12/28 - 3/28)	1.21	0.55	(12/30 - 3/29)	1.87	1.27

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

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 28, 2009.

Equity Compensation Plan Information

Plan Category	No. of securities to be issued upon exercise of outstanding option, warrants and rights (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	770,900	$1.9015	529,975
Equity compensation plans not approved by security holders	n/a	n/a	n/a
Total	770,900	$1.9015	529,975

Issuer Repurchases

The Company did not repurchase any of its equity securities during the fiscal year ended March 28, 2009.

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:			Years Ended		
(In thousands except per share data)	March 28, 2009	March 29, 2008	March 31, 2007	March 25, 2006	March 26, 2005
Net sales	$ 17,421	$ 18,331	$ 18,048	$ 20,620	$ 21,477
Gross profit	7,504	7,748	7,546	8,300	9,598
Operating expenses	7,914	7,939	9,548	9,316	8,760
Interest income, net	7	36	108	32	-
Per-tax (loss) income from continuing operations	(403)	(201)	(1,894)	(984)	849
Provision for income taxes	2	2	1	4	4
(Loss) income from continuing operations	(405)	(203)	(1,895)	(988)	845
Income (loss) on discontinued operations, net of income taxes	75	(31)	28	27	(233)
Net (loss) income	$ (330)	$ (234)	$ (1,867)	$ (961)	$ 612
Basic (loss) earnings per share:					
From continuing operations	$ (0.08)	$ (0.04)	$ (0.40)	$ (0.21)	$ 0.18
On discontinued operations	0.01	(0.01)	0.01	0.01	(0.05)
Net (loss) earnings per share - basic	$ (0.07)	$ (0.05)	$ (0.39)	$ (0.20)	$ 0.13
Diluted (loss) earnings per share:					
From continuing operations	$ (0.08)	$ (0.04)	$ (0.40)	$ (0.21)	$ 0.18
On discontinued operations	0.01	(0.01)	0.01	0.01	(0.05)
Net (loss) earnings per share - diluted	$ (0.07)	$ (0.05)	$ (0.39)	$ (0.20)	$ 0.13
Shares of common stock - basic	4,824	4,813	4,809	4,782	4,725
Shares of common stock - diluted	4,824	4,813	4,809	4,782	4,741

Financial Position:			Years Ended		
(In thousands except per share data)	March 28, 2009	March 29, 2008	March 31, 2007	March 25, 2006	March 26, 2005
Current ratio	3.14	3.68	3.09	3.93	4.29
Working Capital	$ 7,131	$ 7,231	$ 7,280	$ 8,856	$ 9,337
Total assets	$ 10,467	$ 10,361	$ 11,161	$ 12,346	$ 12,961
Shareholders' equity	$ 7,332	$ 7,392	$ 7,393	$ 9,098	$ 9,812

Percentage Data:			Years Ended		
(Percentage of net sales)	March 28, 2009	March 29, 2008	March 21, 2007	March 25, 2006	March 26, 2005
Gross profit	43.1%	42.3%	41.8%	40.3%	44.7%
Operating expenses	45.4%	43.3%	52.9%	45.2%	40.8%
Interest income, net	0.0%	0.2%	0.6%	0.1%	0.0%
Per-tax (loss) income from continuing operations	(2.3%)	(1.1%)	(10.5%)	(4.8%)	4.0%

Income (loss) on discontinued operations, net of income taxes	0.4%	(0.2%)	0.2%	0.1%	(1.1%)
Net (loss) income	(1.9%)	(1.3%)	(10.3%)	(4.7%)	2.8%

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SELECTED CONSOLIDATED FINANCIAL DATA

The following is a summary of unaudited results of operations for the fiscal years ended March 28, 2009 and March 29, 2008.

Quarterly Financial Information (Unaudited)			2009		
(In thousands except per share data)	First	Second	Third	Fourth	Year
Net sales	$ 3,488	$ 3,689	$ 5,099	$ 5,145	$ 17,421
Gross profit	1,397	1,338	2,420	2,349	7,504
Operating expenses	1,920	1,959	2,069	1,966	7,914
Interest income, net	3	6	(2)	-	7
Per-tax (loss) income from continuing operations	(520)	(615)	349	383	(403)
Provision for income taxes	2	-	-	-	2
(Loss) income from continuing operations	(522)	(615)	349	383	(405)
Income on discontinued operations, net of income taxes	-	75	-	-	75
Net (loss) income	$ (522)	$ (540)	$ 349	$ 383	$ (330)
Basic (loss) earnings per share:					
From continuing operations	$ (0.11)	$ (0.13)	$ 0.07	$ 0.08	$ (0.08)
On discontinued operations	-	0.02	-	-	0.01
Net (loss) earnings per share - basic	$ (0.11)	$ (0.11)	$ 0.07	$ 0.08	$ (0.07)
Basic (loss) earnings per share:					
From continuing operations	$ (0.11)	$ (0.13)	$ 0.07	$ 0.08	$ (0.08)
On discontinued operations	-	0.02	-	-	0.01
Net (loss) earnings per share - basic	$ (0.11)	$ (0.11)	$ 0.07	$ 0.08	$ (0.07)
Shares of common stock - basic	4,824	4,824	4,824	4,824	4,824
Shares of common stock - diluted	4,824	4,824	4,824	4,824	4,824

Quarterly Financial Information (Unaudited)	2008				
(In thousands except per share data)	First	Second	Third	Fourth	Year
Net sales	$ 4,628	$ 4,651	$ 4,953	$ 4,009	$ 18,331
Gross profit	1,944	2,081	2,049	1,674	7,748
Operating expenses	1,941	1,879	1,974	2,145	7,939
Interest income, net	14	9	6	7	36
Pre-tax income (loss) from continuing operations	30	198	51	(480)	(201)
Provision for income taxes	2	-	-	-	2
Income (loss) from continuing operations	28	198	51	(480)	(203)
Income (loss) on discontinued operations, net of income taxes	64	(10)	(20)	(65)	(31)
Net income (loss)	$ 92	$ 188	31	$ (545)	$ (234)
Basic earnings (loss) per share:					
From continuing operations	$ 0.01	$ 0.04	$ 0.01	$ (0.10)	$ (0.04)
On discontinued operations	0.01	(0.00)	(0.00)	(0.01)	(0.01)
Net earnings (loss) per share - basic	$ 0.02	$ 0.04	$ 0.01	$ (0.11)	$ (0.05)
Diluted earnings (loss) per share:					
From continuing operations	$ 0.01	$ 0.04	$ 0.01	$ (0.10)	$ (0.04)
On discontinued operations	0.01	(0.00)	(0.00)	(0.01)	(0.01)
Net earnings (loss) per share - diluted	$ 0.02	$ 0.04	$ 0.01	$ (0.11)	$ (0.05)
Shares of common stock - basic	4,809	4,810	4,814	4,818	4,813
Shares of common stock - diluted	4,863	4,880	4,913	4,818	4,813

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 2009 Giga-tronics' business consisted of two operating and reporting segments: Giga-tronics Division and Microsource.

The Company's business is highly dependent on government spending in the defense electronics sector and on the wireless telecommunications market. Defense orders have improved on a year-to-date basis for fiscal 2009 versus fiscal 2008 whereas on a year-to-date basis, commercial orders are slightly down in fiscal 2009 versus fiscal 2008.

The Company continues to monitor costs, including reductions in personnel, facilities and other expenses, to more appropriately align costs with revenues. In April 2007, the Company restored the prior salary reductions. In March 2007, the Company moved ASCOR's engineering, sales and marketing, and administrative activities to the San Ramon, California facility, effectively vacating its Fremont, California facility. As a result, the Company has accrued its future lease obligations through June 2009. Microsource sales and marketing and engineering activities were also consolidated into the San Ramon facility to better integrate its component development activities with the Company's overall new product plans. The Microsource facility in Santa Rosa, California, however, remains open as a manufacturing operation.

Results of Operations

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

New Orders				% change	
(Dollars in thousands)	2009	2008	2007	2009 vs. 2008	2008 vs. 2007
Giga-tronics	$ 11,599	$ 13,795	$ 13,067	(16%)	6%
Microsource	7,399	3,625	3,091	104%	17%
Total	$ 18,998	$ 17,420	$ 16,158	9%	8%

New orders received in fiscal 2009 increased 9% to $18,998,000 from the $17,420,000 received in fiscal 2008. New orders increased primarily due to an increase in military orders.

New orders received in fiscal 2008 increased 8% to $17,420,000 from the $16,158,000 received in fiscal 2007. New orders increased primarily due to an increase in military orders.

In fiscal 2009, orders at Giga-tronics Division decreased primarily due to a decrease in commercial demand for its products. Microsource increased primarily due to an increase in military demand for its products.

In fiscal 2008, orders at Giga-tronics Division increased primarily due to an increase in commercial demand for its products. Microsource increased primarily due to an increase in military demand for its products.

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

Backlog				% change	
				2009 vs.	2008 vs.
(Dollars in thousands)	2009	2008	2007	2008	2007
Backlog of unfilled orders	$ 9,105	$ 7,528	$ 8,439	21%	(11%)
Backlog of unfilled orders shippable within one year	6,810	4,604	5,294	48%	(13%)
Previous fiscal year end (FYE) long term backlog reclassified during year as shippable within one year	1,640	425	303	286%	40%
Net cancellations during year of previous FYE one-year backlog	-	-	904	-	-

The increase in backlog at year-end 2009 of 21% was primarily due to orders exceeding shipments.

The decrease in backlog at year-end 2008 of 11% was primarily due to shipments exceeding orders.

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

Allocation of Net Sales				% change	
				2009 vs.	2008 vs.
(Dollars in thousands)	2009	2008	2007	2008	2007
Commercial	$ 6,303	$ 7,020	$ 7,054	(10%)	0%
Government / Defense	11,118	11,311	10,994	(2%)	3%
Total	$ 17,421	$ 18,331	$ 18,048	(5%)	2%

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

Allocation of Net Sales by Segment				% change	
				2009 vs.	2008 vs.
(Dollars in thousands)	2009	2008	2007	2008	2007
Giga-tronics Division					
Commercial	$ 4,694	$ 5,282	$ 5,355	(11%)	(1%)
Government / Defense	6,989	9,264	7,183	(25%)	29%
Total	$ 11,683	$ 14,546	$ 12,538	(20%)	16%
Microsource					
Commercial	$ 1,609	$ 1,738	$ 1,699	(7%)	2%
Government / Defense	4,129	2,047	3,811	102%	(46%)
Total	$ 5,738	$ 3,785	$ 5,510	52%	(31%)

Fiscal 2009 net sales were $17,421,000, a 5% decrease from the $18,331,000 of net sales in 2008. The decrease in sales was primarily due to a decrease in commercial shipments. Sales at Giga-tronics Division decreased 20% or

$2,863,000. Microsource sales increased 52% or $1,953,000.

Fiscal 2008 net sales were $18,331,000, a 2% increase from the $18,048,000 of net sales in 2007. The increase in sales was primarily due to improved military deliveries. Sales at Giga-tronics Division increased 16% or $2,008,000. Microsource sales decreased 31% or $1,725,000.

Cost of sales was as follows for the fiscal years shown:

Cost of Sales				% change	
				2009 vs. 2008	2008 vs. 2007
(Dollars in thousands)	2009	2008	2007		
Cost of sales	$ 9,917	$ 10,583	$ 10,502	(6%)	1%

In fiscal 2009, cost of sales decreased 6% to $9,917,000 from $10,583,000 in fiscal 2008, driven by a reduction in sales. However, the percentage rate increased by 0.8% from 42.3% in fiscal 2008 to 43.1% in fiscal 2009, due to the change in product mix.

In fiscal 2008, cost of sales increased 1% to $10,583,000 from $10,502,000 in fiscal 2007.

Operating expenses were as follows for the fiscal years shown:

Operating Expenses				% change	
				2009 vs. 2008	2008 vs. 2007
(Dollars in thousands)	2009	2008	2007		
Engineering	$ 1,975	$ 2,248	$ 3,731	(12%)	(40%)
Selling, general and administrative	5,939	5,538	5,456	7%	2%
Restructuring	-	153	361	(100%)	(58%)
Total	$ 7,914	$ 7,939	$ 9,548	0%	(17%)

Operating expenses decreased $25,000 in fiscal 2009 over 2008 due to a decrease of $273,000 in product development expenses excluding NRE costs and a decrease of $153,000 in restructuring charges, offset by an increase of $401,000 in selling, general and administrative expense. The increase in selling, general and administrative expense is a result of higher marketing expense of $394,000 and higher administrative expense of $194,000 offset by lower commission expense of $187,000. As a result of adopting SFAS 123(R) in fiscal 2007, the Company recorded $270,000 of expense in fiscal 2009.

Operating expenses decreased 17% or $1,609,000 in fiscal 2008 over 2007 due to a decrease of $1,483,000 in product development expense and a decrease of $208,000 in restructuring charges, offset by an increase of $82,000 in selling, general and administrative expense. The increase in selling, general and administrative expense is a result of higher marketing expense of $251,000 and higher commission expense of $199,000, offset by lower administrative expense of $368,000. As a result of adopting SFAS 123(R) in fiscal 2007, the Company recorded $211,000 of expense in fiscal 2008. Included in the operating expenses for fiscal 2008 was a one-time restructuring charge of $73,000 to reserve the remaining lease obligation on the Fremont facility and $80,000 in severance cost, for a total of $153,000.

Net interest income in 2009 decreased from $36,000 to $7,000 due to a lower average cash balance throughout the year.

Net interest income in 2008 decreased from $108,000 to $36,000 due to a lower average cash balance throughout the year.

Giga-tronics recorded a net loss of $330,000 or $0.07 per fully diluted share for fiscal 2009 versus a net loss of $234,000 or $0.05 per fully diluted share in fiscal 2008.

Giga-tronics recorded a net loss of $234,000 or $0.07 per fully diluted share for fiscal 2008 versus a net loss of $1,867,000 or $0.39 per fully diluted share in fiscal 2007.

Inventories consist of the following:

Net Inventories (Dollars in thousands)		2009		2008	% change 2009 vs. 2008
Raw materials	$	3,263	$	2,767	18%
Work-in-progress		1,127		1,501	(25%)
Finished goods		559		369	51%
Demonstration inventory		460		371	24%
Total	$	5,409	$	5,008	8%

Inventories increased by $401,000 at fiscal year end 2009 compared to the prior fiscal year end, primarily due to a return of goods from a customer.

Financial Condition and Liquidity

As of March 28, 2009, Giga-tronics had $1,518,000 in cash and cash-equivalents, compared to $1,845,000 as of March 29, 2008.

Working capital for the 2009 fiscal year end was $7,131,000, compared to $7,231,000 in 2008 and $7,280,000 in 2007. The decrease in working capital at 2009 from 2008 was primarily due to the operating loss in the year. The decrease in working capital at 2008 from 2007 was primarily due to the operating loss in the year and other fiscal year-end liabilities offset by a reduction in net inventories.

The Company's current ratio (current assets divided by current liabilities) at March 28, 2009 was 3.1 compared to 3.7 on March 29, 2008 and 3.1 on March 31, 2007. At March 28, 2009 the decrease was primarily the result of an increase in accounts payable at quarter end and an increase in deferred revenue offset by an equal increase in accounts receivable. At March 29, 2008, the increase in this ratio was primarily the result of a decrease in net inventories offset by other fiscal year-end liabilities.

Cash used in operations amounted to $300,000 in 2009. Cash provided by operations amounted to $220,000 in 2008. Cash used in operations amounted to $1,406,000 in 2007. Cash used in operations in 2009 was primarily attributed to the operating loss for the year. Cash provided by operations in 2008 was primarily attributed to the decrease in inventories, partially offset by the operating loss in the year. Cash used in operations in 2007 was primarily attributed to the operating loss in the year.

Additions to property and equipment were $69,000 in 2009 compared to $206,000 in 2008 and $204,000 in 2007. The capital equipment spending in fiscal 2009 was due to an upgrade of capital equipment enabling the manufacture of new products being released. The capital equipment spending in fiscal 2008 was due to the implementation of the Enterprise Resource Plan (ERP) system at Giga-tronics and Microsource. The capital equipment spending in fiscal 2007 was due to an upgrade of capital equipment enabling the manufacture of new products being released.

Other cash inflows in 2008 consisted of $22,000 from the sale of common stock in connection with the exercise of stock options.

Contractual Obligations

The Company leases various facilities under operating leases that expire through May 2013. Total future minimum lease payments under these leases amount to approximately $3,487,000.

The Company leases equipment under capital leases that expire through September 2012. The future minimum lease payments under these leases amount to approximately $45,000.

The Company is committed to purchase certain inventory under non-cancelable purchase orders. As of March 28, 2009, total non–cancelable purchase orders were approximately $1,152,000 through fiscal 2010 and $202,000 beyond fiscal 2010 and were scheduled to be delivered to the Company at various dates through May 2010.

The following table disclosed the amount of payments due under certain contractual obligations in the specified time periods.

(Dollars in thousands)	Under one year	One to three years	Three to five years	More than five years
Operating leases	$ 1,067	$ 1,458	$ 962	$ 0
Capital lease	18	18	9	-
Purchase obligations	1,152	202	-	-
Total	$ 2,237	$ 1,678	$ 971	$ 0

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 and valuation allowance on deferred tax assets. 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.

Deferred 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 from the results of operations. The Company has recorded a valuation allowance to reflect the estimated amount of deferred tax assets that 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 projected future taxable income and tax planning strategies in making this assessment. Based on the historical taxable income and projections for future taxable income over the periods in which the deferred tax assets become deductible, management has established a valuation allowance against its net deferred tax assets as of March 28, 2009 and March 29, 2008.

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 a liability for unrecognized tax benefits in the accompanying condensed balance sheet 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 operations.

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 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 to employees. The Company calculates compensation expense under SFAS 123(R) using a Black-Scholes-Merton option pricing model. 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

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CONSOLIDATED BALANCE SHEETS

(In thousands except share data)	March 28, 2009	March 29, 2008
Assets		
Current Assets		
Cash and cash equivalents	$ 1,518	$ 1,845
Trade accounts receivable, net of allowance		
of $102 and $93, respectively	3,110	2,693
Inventories, net	5,409	5,008
Prepaid expenses and other current assets	430	383
Total current assets	10,467	9,929
Property and equipment		
Leasehold improvements	373	373
Machinery and equipment	15,462	15,468
Office furniture and fixtures	788	723
Total property and equipment	16,623	16,564
Less accumulated depreciation and amortization	16,317	16,164
Property and equipment, net	306	400
Other assets	16	32
Total assets	$ 10,789	$ 10,361
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable	$ 1,219	$ 649
Accrued commission	144	181
Accrued payroll and benefits	397	526
Accrued warranty	177	190
Deferred revenue	959	646
Deferred rent	118	286
Capital lease obligations	16	-
Other current liabilities	306	220
Total current liabilities	3,336	2,698
Long term obligation - Deferred rent	96	271
Long term obligation - Capital lease	25	-
Total liabilities	3,457	2,969
Commitments and contingencies	-	-
Shareholders' equity		
Preferred stock of no par value; Authorized 1,000,000 shares; no shares		
outstanding at March 28, 2009 and March 29, 2008	-	-
Common stock of no par value; Authorized 40,000,000 shares; 4,824,021		
shares at March 28, 2009 and March 29, 2008 issued and outstanding	13,668	13,398
Accumulated deficit	(6,336)	(6,006)
Total shareholders' equity	7,332	7,392

Total liabilities and shareholders' equity	$	10,789	$	10,361

See Accompanying Notes to Consolidated Financial Statements

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CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands except share data)	Years Ended March 28, 2009	March 29, 2008
Net sales	$ 17,421	$ 18,331
Cost of sales	9,917	10,583
Gross profit	7,504	7,748
Engineering	1,975	2,248
Selling, general and administrative	5,939	5,538
Restructuring	-	153
Total operating expenses	7,914	7,939
Operating loss from continuing operations	(410)	(191)
Other expense	-	46
Interest income, net	7	36
Loss from continuing operations before income taxes	(403)	(201)
Provision for income taxes	2	2
Loss from continuing operations	(405)	(203)
Income (loss) on discontinued operations, net of income		
taxes of nil for 2009 and 2008	75	(31)
Net loss	$ (330)	$ (234)
Basic and diluted (loss) earnings per share:		
From continuing operations	$ (0.08)	$ (0.04)
On discontinued operations	0.01	(0.01)
Basic and diluted loss per share	$ (0.07)	$ (0.05)
Shares used in per share calculation:		
Basic	4,824	4,813
Diluted	4,824	4,813

See Accompanying Notes to Consolidated Financial Statements

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CONSOLIDATED STATEMENTS OF CHANGES IN
SHAREHOLDERS' EQUITY

(In thousands except share data)	Shares		Amount		Accumulated Deficit		Total
Balance at March 31, 2007	4,809,021	$	13,165	$	(5,772)	$	7,393
Net loss							