

GIGA TRONICS INC  
Form 10-Q  
January 29, 2015  
UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**FORM 10-Q**

QUARTERLY REPORT PURSUANT TO  
 SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934  
For the quarterly period ended **December 27, 2014**

OR

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

Commission File No. **0-12719**

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

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

**4650 Norris Canyon Road, San Ramon, CA 94583** **(925) 328-4650**  
(Address of principal executive offices) Registrant's telephone number, including area code

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

Yes  No

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Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 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 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  Smaller reporting company   
(Do not check if a smaller reporting company)

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

Yes  No

There were a total of 5,444,747 shares of the Registrant’s Common Stock outstanding as of January 29, 2015.

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Section 906 of  
Sarbanes-Oxley  
Act.

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## FORWARD-LOOKING STATEMENTS

This report on Form 10-Q contains forward-looking statements about Giga-tronics Incorporated (the “Company”) for which it claims the protection of the safe harbor provisions contained in the Private Securities Litigation Reform Act of 1995. Examples of forward-looking statements include, but are not limited to: (i) projections of revenues, expenses, income or loss, earnings or loss per share, capital structure and other financial items; (ii) statements of plans, objectives and expectations of the Company or its management or board of directors, including those relating to products, revenue or cost savings; (iii) statements of future economic performance; and (iv) statements of assumptions underlying such statements. Words such as "believes", "anticipates", "expects", "intends", "targeted", "projected", "continue", "remain", "will", "should", "may" and other similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements.

These forward-looking statements are based on Management’s current knowledge and belief and include information concerning the Company’s possible or assumed future financial condition and results of operations. A number of factors, some of which are beyond the Company’s ability to predict or control, could cause future results to differ materially from those contemplated. These factors include but are not limited to risks related to (1) the Company’s potential inability to obtain necessary capital to finance its operations; (2) the Company’s ability to develop competitive products in a market with rapidly changing technology and standards; (3) risks related to customers’ credit worthiness/profiles; (4) changes in the Company’s credit profile and its ability to borrow; (5) a potential decline in demand for certain of the Company’s products; (6) potential product liability claims; (7) the potential loss of key personnel; and (8) U.S. and international economic conditions. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also affect our business operations. The reader is directed to the Company's annual report on Form 10-K for the year ended March 29, 2014 or further discussion of factors that could affect the Company's business and cause actual results to differ materially from those expressed in any forward-looking statement made in this report. The Company undertakes no obligation to update any forward-looking statements in this report.

**PART I - FINANCIAL SYSTEMS****ITEM 1 - FINANCIAL STATEMENTS****GIGA-TRONICS  
INCORPORATED****CONDENSED  
CONSOLIDATED  
BALANCE  
SHEETS  
(UNAUDITED)**

	<b>December 27,  2014</b>	<b>March 29,  2014</b>
<b>(In thousands except share data)</b>		
Assets		
Current assets:		
Cash and cash-equivalents	\$ 1,396	\$ 1,059
Trade accounts receivable, net of allowance of \$45 and \$44, respectively	2,532	1,846
Inventories, net	3,275	3,321
Prepaid expenses and other current assets	246	349
Total current assets	7,449	6,575
Property and equipment, net	780	949
Other long term assets	78	69
Total assets	\$ 8,307	\$ 7,593
Liabilities and shareholders' equity		
Current liabilities:		
Line of credit	\$ 1,622	\$ 1,165
Current portion of long term debt	801	200
Accounts payable	1,035	1,430
Accrued payroll and benefits	563	755
Deferred revenue	1,519	1,329
Deferred rent	121	104
Capital lease obligations	72	147
Other current liabilities	380	472
Total current liabilities	6,113	5,602
Long term loan and warrant debt, net of discounts	464	672
Derivative liability –at estimated fair value	235	128
Long term obligations - deferred rent	144	237
Long term obligations - capital lease	67	77
Total liabilities	7,023	6,716
Commitments and contingencies		
Shareholders' equity:		

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Convertible preferred stock of no par value; Authorized - 1,000,000 shares		
Series A - designated 250,000 shares; no shares at December 27, 2014 and March 29, 2014 issued and outstanding	—	—
Series B, C, D- designated 19,500 shares; 18,533.51 shares at December 27, 2014 and March 29, 2014 issued and outstanding; (liquidation preference of \$3,540)	2,911	2,911
Common stock of no par value; Authorized - 40,000,000 shares; 5,444,747 shares at December 27, 2014 and 5,181,247 at March 29, 2014 issued and outstanding	16,914	16,224
Accumulated deficit	(18,541 )	(18,258)
Total shareholders' equity	1,284	877
Total liabilities and shareholders' equity	\$ 8,307	\$7,593

*See Accompanying Notes to Unaudited Condensed Consolidated Financial Statements*



**GIGA-TRONICS  
INCORPORATED**

**CONDENSED  
CONSOLIDATED  
STATEMENTS OF  
OPERATIONS  
(UNAUDITED)**

	<b>Three Month Periods Ended</b>		<b>Nine Month Periods Ended</b>	
	<b>December 27, 2014</b>	<b>December 28, 2013</b>	<b>December 27, 2014</b>	<b>December 28, 2013</b>
<b>(In thousands except per share data)</b>				
Net sales	\$4,509	\$ 3,417	\$14,127	\$ 10,404
Cost of sales	2,637	2,130	8,101	6,672
Gross margin	1,872	1,287	6,026	3,732
Operating expenses:				
Engineering	672	979	2,563	3,040
Selling, general and administrative	1,133	1,066	3,401	3,674
Restructuring	—	36	—	360
Total operating expenses	1,805	2,081	5,964	7,074
Operating income/(loss)	67	(794 )	62	(3,342 )
Gain on sale of product line	—	97	—	913
Gain on adjustment of derivative liability to fair value	107	—	16	—
Other income	—	—	—	7
Interest expense, net	(62 )	(21 )	(199 )	(52 )
Accretion of loan and warrant debt discounts	(45 )	—	(115 )	—
Income/(loss) before income taxes	67	(718 )	(236 )	(2,474 )
Provision for income taxes	—	—	47	2
Net income/(loss)	\$67	\$ (718 )	\$ (283 )	\$ (2,476 )
Earnings/(loss) per common share – basic	\$0.01	\$ (0.14 )	\$ (0.05 )	\$ (0.49 )
Earnings/(loss) per common share – diluted	\$0.01	\$ (0.14 )	\$ (0.05 )	\$ (0.49 )
Weighted average shares used in per share calculation:				
Basic	5,208	5,060	5,166	5,057
Diluted	5,463	5,060	5,166	5,057

*See Accompanying Notes to Unaudited Condensed Consolidated Financial Statements*



**GIGA-TRONICS INCORPORATED**  
**CONDENSED CONSOLIDATED STATEMENTS**  
**OF CASH FLOWS (UNAUDITED)**

	<b>Nine Month</b>	
	<b>Periods Ended</b>	
	<b>December</b>	<b>December</b>
	<b>27,</b>	<b>28,</b>
	<b>2014</b>	<b>2013</b>
<b>(In thousands)</b>		
Cash flows from operating activities:		
Net loss	\$(283 )	\$ (2,476 )
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	237	166
Share based compensation	545	395
Loss on adjustment of derivative liability to fair value	(16 )	—
Accretion of discounts on loan and warrant debt	115	—
Change in deferred rent	(76 )	(59 )
Changes in operating assets and liabilities	(1,035)	457
Net cash used in operating activities	(513 )	(1,517 )
Cash flows from investing activities:		
Purchases of property and equipment	(30 )	(262 )
Net cash used in investing activities	(30 )	(262 )
Cash flows from financing activities:		
Payments on capital leases	(123 )	(60 )
Proceeds from line of credit	8,125	136
Proceeds from issuance of debt	500	—
Proceeds from exercise of stock options	145	—
Proceeds from issuance of preferred stocks, net of issuance costs totaling \$41	—	817
Repayments of line of credit	(7,668)	(40 )
Repayments of debt	(99 )	—
Net cash provided by financing activities	880	853
Increase/(decrease) in cash and cash-equivalents	337	