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CALIFORNIA AMPLIFIER INC
Form 8-K
June 19, 2002

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K/A

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

Date of Report (Date of earliest event reported): April 5, 2002

Exact Name of Registrant as Specified in Its Charter: CALIFORNIA AMPLIFIER, INC.

| | | |
|--|------------------------|--------------------------------|
| <u>DELAWARE</u> | <u>0-12182</u> | <u>95-3647070</u> |
| State or Other Jurisdiction of Incorporation or Organization No. | Commission File Number | I.R.S. Employer Identification |

Address of Principal Executive Offices: 460 Calle San Pablo
Camarillo, CA 93012

Registrant's Telephone Number, Including Area Code: (805) 987-9000

Former Name or Former Address, if Changed Since Last Report: Not applicable

On April 5, 2002, California Amplifier, Inc. ("California Amplifier" or the "Company") acquired in an asset purchase transaction the satellite antenna design and manufacturing business of Kaul-Tronics, Inc., a Wisconsin corporation, and two affiliated companies under common ownership and control with Kaul-Tronics, Inc. (collectively, "Kaul-Tronics Group"). This report

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is an amendment to the Company's report on Form 8-K dated April 5, 2002 that was filed with the Securities and Exchange Commission on April 22, 2002 (the "Initial Form 8-K Report"). This amending report contains the required audited financial statements and unaudited pro forma financial information referenced previously in the Initial Form 8-K Report.

Item 7. Financial Statements, Pro Forma Financial Information and Exhibits.

(a) Financial Statements:

The audited combined financial statements of Kaul-Tronics Group for the years ended December 31, 2001 and 2000, including the report thereon of Virchow, Krause & Company, LLP, independent public accountants, are attached hereto.

The audited combined financial statements of Kaul-Tronics Group for the years ended December 31, 2000 and 1999, including the report thereon of Virchow, Krause & Company, LLP, independent public accountants, are attached hereto.

(b) Pro Forma Financial Information:

The unaudited pro forma condensed consolidated balance sheet of California Amplifier and Kaul-Tronics as of February 28, 2002, and the unaudited pro forma condensed consolidated income statement of California Amplifier and Kaul-Tronics Group for the year ended February 28, 2002 are attached hereto.

SIGNATURES

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

CALIFORNIA AMPLIFIER, INC.

June 19, 2002

/s/ Richard K. Vitelle

Date

Richard K. Vitelle
Vice President -Finance
(Principal Financial Officer)

INTERACTIVE TECHNOLOGIES
INTERNATIONAL, LLC
KAUL-TRONICS, INC.
NGP, INC.

Richland Center, Wisconsin

COMBINED FINANCIAL STATEMENTS

Including Independent Auditors' Report
December 31, 2001 and 2000

INTERACTIVE TECHNOLOGIES INTERNATIONAL, LLC
KAUL-TRONICS, INC.
NGP, INC.

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INDEPENDENT AUDITORS' REPORT

To the Stockholders
Interactive Technologies International, LLC
Kaul-Tronics, Inc.
NGP, Inc.
Richland Center, Wisconsin

We have audited the accompanying combined balance sheets of Interactive Technologies International, LLC, Kaul-Tronics, Inc. and NGP, Inc. as of December 31, 2001 and 2000 and the related combined statements of income and

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retained earnings and cash flows for the years then ended. These combined financial statements are the responsibility of the companies' management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined 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 audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of Interactive Technologies International, LLC, Kaul-Tronics, Inc. and NGP, Inc. as of December 31, 2001 and 2000 and the results of their combined operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the combined financial statements taken as a whole. The combining information in the supplemental information is presented for purposes of additional analysis of the combined financial statements rather than to present the financial position, results of operations, and cash flows of the individual companies. Such information has been subjected to the auditing procedures applied in the audit of the combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the combined financial statements taken as a whole.

/s/ Virchow, Krause & Company, LLP
Madison, Wisconsin
February 18, 2002

INTERACTIVE TECHNOLOGIES INTERNATIONAL, LLC
KAUL-TRONICS, INC.
NGP, INC.

COMBINED BALANCE SHEETS
December 31, 2001 and 2000

| | ASSETS | |
|-------------------------------|--------------|------------|
| | 2001 | 2000 |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 2,286,861 | \$ 127,593 |
| Accounts receivable | 6,549,319 | 2,844,896 |
| Inventories | 1,548,284 | 2,370,812 |
| Investment securities trading | - | 65,863 |
| Prepaid expenses | 5,246 | 49,489 |
| | ----- | ----- |
| Total Current Assets | 10,389,710 | 5,458,653 |

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| | | |
|------------------------|--------------|--------------|
| PROPERTY AND EQUIPMENT | 3,647,725 | 4,499,103 |
| NET INTANGIBLES | 459,205 | 659,872 |
| | ----- | ----- |
| TOTAL ASSETS | \$14,496,640 | \$10,617,628 |
| | ===== | ===== |

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES

| | | |
|---|-----------|-----------|
| Checks issued in excess of bank balance | \$ - | \$ 81,881 |
| Line of credit | 1,000,000 | 1,094,000 |
| Accounts payable | 4,228,498 | 1,558,406 |
| Customer deposits | 717,258 | 117,014 |
| Accrued expenses | 223,525 | 244,098 |
| Current portion of long-term debt | 154,427 | 430,027 |
| Current portion of related party debt | 303,545 | 285,945 |
| Total Current Liabilities | 6,627,253 | 3,811,371 |

LONG-TERM LIABILITIES

| | | |
|-----------------------------|-----------|-----------|
| Long-term debt | 1,048,638 | 2,560,741 |
| Related party debt | 601,748 | 862,837 |
| Total Long-Term Liabilities | 1,650,386 | 3,423,578 |

Total Liabilities 8,277,639 7,234,949

STOCKHOLDERS' EQUITY

| | | |
|---|-----------|-----------|
| Common stock | 202,000 | 202,000 |
| Retained earnings | 6,127,101 | 3,290,779 |
| | 6,329,101 | 3,492,779 |
| Less: Treasury stock, 7,000 shares at cost | (110,100) | (110,100) |
| Total Stockholders' Equity | 6,219,001 | 3,382,679 |

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY \$ 14,496,640 \$ 10,617,628

See accompanying notes to combined financial statements.

INTERACTIVE TECHNOLOGIES INTERNATIONAL, LLC
KAUL-TRONICS, INC.
NGP, INC.

COMBINED STATEMENTS OF INCOME AND RETAINED EARNINGS
Years Ended December 31, 2001 and 2000

| | 2001 | 2000 |
|------------------------|---------------|---------------|
| NET SALES | \$ 37,391,409 | \$ 32,596,715 |
| COST OF GOODS SOLD | 29,927,551 | 26,558,156 |
| Gross Profit | 7,463,858 | 6,038,559 |
| OPERATING EXPENSES | 1,989,876 | 2,554,983 |
| IMPAIRMENT CHARGES | 422,419 | - |
| Operating Income | 5,051,563 | 3,483,576 |
| OTHER INCOME (EXPENSE) | | |

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| | | |
|---------------------------------------|--------------|--------------|
| Interest expense | (283,915) | (400,243) |
| Interest income | 16,154 | 73,637 |
| Other income | 27,888 | 79,174 |
| Net Other Expense | (239,873) | (247,432) |
| NET INCOME | 4,811,690 | 3,236,144 |
| RETAINED EARNINGS - Beginning of Year | 3,290,779 | 6,973,046 |
| Distributions | (1,975,368) | (6,918,411) |
| RETAINED EARNINGS - END OF YEAR | \$ 6,127,101 | \$ 3,290,779 |

See accompanying notes to combined financial statements.

INTERACTIVE TECHNOLOGIES INTERNATIONAL, LLC
 KAUL-TRONICS, INC.
 NGP, INC.
 COMBINED STATEMENTS OF CASH FLOWS
 Years Ended December 31, 2001 and 2000

| | 2001 | 2000 |
|---|---------------|---------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash received from customers | \$ 34,337,607 | \$ 35,096,625 |
| Cash paid to suppliers and employees | (27,678,542) | (28,421,878) |
| Proceeds from sale of trading securities | 68,005 | 50,000 |
| Interest and dividends received | 16,154 | 73,634 |
| Interest paid | (283,915) | (400,243) |
| Net Cash Flows From Operating Activities | 6,459,309 | 6,398,138 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Capital expenditures | (122,600) | (1,089,987) |
| Proceeds from sale of assets | 5,000 | 111,500 |
| Net Cash Flows From Investing Activities | (117,600) | (978,487) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Net proceeds (payments) on line of credit | (94,000) | 1,094,000 |
| Cash used to retire debt | (1,787,703) | (396,175) |
| Cash used to retire related party debt | (243,489) | (266,663) |

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| | | |
|--|--------------|---------------|
| Distribution to stockholders | (1,975,368) | (6,918,411) |
| Cash used to purchase treasury stock | - | (110,100) |
| Change in checks issued in excess of bank balance | (81,881) | 81,881 |
| Net Cash Flows From Financing Activities | (4,182,441) | (6,515,468) |
| Net Change in Cash and Cash Equivalents | 2,159,268 | (1,095,817) |
| CASH AND CASH EQUIVALENTS - Beginning of Year | 127,593 | 1,223,410 |
| CASH AND CASH EQUIVALENTS - END OF YEAR | \$ 2,286,861 | \$ 127,593 |
| RECONCILIATION OF NET INCOME TO NET CASH FROM OPERATING ACTIVITIES | | |
| Net income | \$ 4,811,690 | \$ 3,236,144 |
| Adjustments to reconcile net income to net cash from operating activities | | |
| Noncash items included in Income | | |
| Depreciation | 521,924 | 549,919 |
| Amortization | 200,667 | 201,334 |
| Nonoperational items included in Income | | |
| Loss (gain) on sale of property and equipment | 24,635 | (24,147) |
| Loss (gain) on sales of trading securities | (2,142) | 9,357 |
| Impairment charges | 422,419 | - |
| Change in trading securities | 68,005 | 50,000 |
| Changes in noncash components of working capital | | |
| Accounts receivable | (3,704,423) | 2,440,936 |
| Inventories | 822,528 | 528,201 |
| Prepaid expenses | 44,243 | 11,241 |
| Accounts payable | 2,670,092 | (485,912) |
| Accrued expenses | (20,573) | (113,523) |
| Customer deposits | 600,244 | (5,412) |
| NET CASH FLOWS FROM OPERATING ACTIVITIES | \$ 6,459,309 | \$ 6,398,138 |

See accompanying notes to combined financial statements.

INTERACTIVE TECHNOLOGIES INTERNATIONAL, LLC
KAUL-TRONICS, INC.
NGP, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS
December 31, 2001 and 2000

NOTE 1 - Summary of Significant Accounting Policies

Nature of Operations

Interactive Technologies International, LLC (ITI) is located in Spring Green, Wisconsin, and is primarily engaged in the development, production, marketing and selling of stamped offset antennas. ITI is owned entirely by KTI and NGP.

Kaul-Tronics, Inc. (KTI) is located in Richland Center, Wisconsin, and primarily provides subcontract manufacturing and management services for ITI. KTI also manufactures C-band antennas. KTI is owned entirely by the John Kaul family.

NGP, Inc. (NGP), is located in Spring Green, Wisconsin, and primarily provides subcontract manufacturing and management services for ITI. NGP also manufactures C-band antennas and outdoor barbecue accessories. The John Kaul family has a majority ownership interest in NGP.

The companies currently sell their products to customers worldwide.

Basis of Combination

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The accompanying combined financial statements include the accounts of ITI, KTI and NGP. Significant intercompany accounts and transactions have been eliminated. The combined companies will be referred to as "the companies" for the purposes of these statements.

Cash and Cash Equivalents

The companies define cash and cash equivalents as highly liquid, short-term investments with a maturity at the date of acquisition of three months or less.

Investment Securities Trading

Marketable securities that are bought and held principally for the purpose of selling them in the near term are classified as trading securities. Trading securities are recorded at fair value on the balance sheet in current assets, with the change in fair value during the period included in earnings.

Accounts Receivable

Accounts receivable are shown net of an allowance for doubtful accounts of \$34,000 at December 31, 2001 and 2000.

Inventories

Inventories consist of raw materials, work in progress and finished goods, all of which are priced at the lower of cost or market based on the first-in, first-out (FIFO) method.

Property and Equipment

Property and equipment are stated at cost. Major expenditures for property and equipment are capitalized. Maintenance, repairs, and minor renewals are expensed as incurred. When assets are retired or otherwise disposed of, resulting gains or losses are included in income. Property and equipment are depreciated using the straight-line method over their estimated useful lives as follows:

| | Years |
|----------------------------|-------|
| Transportation equipment | 5 |
| Plant and office equipment | 7-10 |
| Buildings and improvements | 39 |

Impairment Charges

When events or changes in circumstances indicate that assets may be impaired, an evaluation is performed comparing the estimated future undiscounted cash flows associated with the asset to the asset's carrying amount to determine if a write-down to market value or discounted cash flow value is required.

During the year ended December 31, 2001, the company suffered impairment on fixed assets that were no longer in service and were not resellable. The fixed assets were written down to their approximate net fair value. The resulting charge of \$422,419 has been recorded as Impairment Charges in the accompanying statement of income.

Intangibles

NGP has a non-compete agreement in the amount of \$1,000,000. The non-compete agreement is being amortized over 5 years using the straight-line method.

Income Taxes

The companies are S corporations and a limited liability company. The stockholders / members are taxed on their proportionate share of their respective company's taxable income. Therefore, no provision or liability

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for income taxes has been included in these financial statements.

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 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.

Advertising

Advertising costs are charged to operations when incurred and are included in operating expenses. The amount charged to operations was \$19,828 and \$11,276 for the years ended December 31, 2001 and 2000, respectively.

Research and Development

Research and development costs are charged to operations when incurred and are included in operating expenses. The amount charged to operations was \$203,033 and \$146,232 for the years ended December 31, 2001 and 2000, respectively.

Shipping and Handling Costs

Shipping and handling costs charged to customers have been included in net sales. Shipping and handling costs incurred by the companies have been included in cost of goods sold.

Revenue Recognition

The companies recognize revenue at the point of passage of title, which is based on shipping terms.

Warranty

The companies sell their products with a one year limited warranty against defects in material and workmanship. Warranty costs are expensed at the time incurred.

NOTE 2 - Inventories

Inventories consist of the following at December 31:

| | 2001 | 2000 |
|-------------------|--------------|--------------|
| Raw materials | \$ 461,556 | \$ 626,162 |
| Work in process | 203,666 | 488,443 |
| Finished goods | 883,062 | 1,256,207 |
| Total Inventories | \$ 1,548,284 | \$ 2,370,812 |

NOTE 3 - Property and Equipment

The major categories of property and equipment at December 31 are summarized as follows:

| | 2001 | 2000 |
|--------------------------------|-------------|-------------|
| Land and improvements | \$ 198,521 | \$ 198,521 |
| Buildings and improvements | 2,831,303 | 2,836,213 |
| Plant and office equipment | 3,848,650 | 4,371,305 |
| Transportation equipment | 158,624 | 277,778 |
| Property not in service | - | 61,342 |
| Total Property and Equipment | 7,037,098 | 7,745,159 |
| Less: Accumulated depreciation | (3,389,373) | (3,246,056) |

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Net Property and Equipment \$ 3,647,725 \$ 4,499,103

NOTE 4 - Line of Credit

NGP has a line of credit in the amount of \$400,000. The line is renewable annually and bears interest at LIBOR plus 2.25% (4.13% at December 31, 2001). The line is secured by a general business security agreement and limited corporate and stockholder guarantees. The outstanding balance on the line of credit at December 31, 2001 and 2000 was \$- and \$294,000, respectively.

KTI has a line of credit in the amount of \$600,000. The line is renewable annually and bears interest at LIBOR plus 2.25% (4.13% at December 31, 2001). The line is secured by a general business security agreement, real estate, an assignment of life insurance and a limited guarantee by the company's majority stockholder. There was no outstanding balance on the line of credit at December 31, 2001 and 2000.

ITI has a line of credit in the amount of \$2,500,000. The line is renewable annually and bears interest at LIBOR plus 2.25% (4.13% at December 31, 2001). The line is secured by a general business security agreement, and guarantees of its two members. The outstanding balance on the line of credit at December 31, 2001 and 2000 was \$1,000,000 and \$800,000, respectively.

NOTE 5 - Long-Term Debt

Long-term debt consists of the following at December 31:

| | 2001 | 2000 |
|---|---------------------|--------------------|
| NGP note payable in monthly installments of \$8,207, including interest at 8.50%. Note is due April 2004 and is secured by limited personal guarantees of NGP stockholders. This note is subordinate to NGP's bank debt. The note was paid off during 2001. | - | 284,987 |
| NGP notes payable in monthly installments totaling \$18,052, including interest at 7.125%. Notes are due April 2004 and are secured by a general business security agreement, real estate and limited personal guarantees of NGP stockholders. | \$ 1,203,065 | \$2,705,781 |
| Totals | 1,203,065 | 2,990,768 |
| Less: Current portion | (154,427) | (430,027) |
| Long-Term Portion | \$ 1,048,638 | \$2,560,741 |

Principal requirements for years ending after December 31, 2001 are as follows:

| | | |
|--------------|-----------|------------------|
| 2002 | \$ | 154,427 |
| 2003 | | 97,583 |
| 2004 | | 951,055 |
| Total | \$ | 1,203,065 |

NOTE 6 - Related Party Debt

Related party debt consists of the following at December 31:

| | 2001 | 2000 |
|---|------|------|
| KTI unsecured notes payable to its stockholders, payable in monthly installments totaling \$29,775, | | |

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| | | |
|--|------------|-------------|
| including interest at 7.0%. Notes are due in April 2004. | \$ 905,293 | \$1,148,782 |
| Totals | 905,293 | \$1,148,782 |
| Less: Current portion | (303,545) | (285,945) |
| Long-Term Portion | \$ 601,748 | \$ 862,837 |

Principal requirements on debt for years ending after December 31, 2001 are as follows:

| | | |
|-------|------------|--|
| 2002 | \$ 303,545 | |
| 2003 | 325,489 | |
| 2004 | 276,259 | |
| Total | \$ 905,293 | |

NOTE 7 - Retirement Plan

The companies have a 401(k) retirement plan that covers all eligible employees. Employees are eligible after one year of service. The companies may choose to match contributions up to 6% of employee salaries. Contributions were \$50,457 and \$63,218 for the years ended December 31, 2001 and 2000, respectively.

NOTE 8 - Commitments and Contingencies

Pending Lawsuits

The companies have pending lawsuits against them as of December 31, 2001. Management feels that the risk of loss associated with this lawsuit is low. No liability has been recorded.

NOTE 9 - Concentrations of Risk

Cash Balance

At various times throughout the years, the companies had deposits in excess of FDIC coverage.

Major Customers

The companies sold approximately 74% and 57% of all its products to four and two customers during the years ended December 31, 2001 and 2000, respectively. At December 31, 2001 and 2000 the amount due from those customers included in accounts receivable was \$5,258,576 and \$1,106,961, respectively.

Major Suppliers

The companies purchased approximately 53% and 17% of their material from three and one suppliers during the years ended December 31, 2001 and 2000, respectively. At December 31, 2001 and 2000 the amount due to those suppliers included in accounts payable was \$1,934,504 and \$468,000, respectively.

SUPPLEMENTAL INFORMATION

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INTERACTIVE TECHNOLOGIES INTERNATIONAL, LLC
 KAUL-TRONICS, INC.
 NGP, INC.

COMBINING BALANCE SHEET
 December 31, 2001

ASSETS

| | Interactive Technologies International, LLC | Kaul- Tronics, Inc. | NGP, Inc. | Eliminations | Combined Totals |
|------------------------------|--|---------------------------|--------------|---------------|--------------------|
| | ----- | ----- | ----- | ----- | ----- |
| CURRENT ASSETS | | | | | |
| Cash and cash equivalents | \$1,798,825 | \$ 304,917 | \$183,119 | \$ - | \$2,286,861 |
| Accounts receivable | 6,414,054 | 103,402 | 31,863 | | 6,549,319 |
| Inventories | 1,330,324 | 53,544 | 164,416 | | 1,548,284 |
| Related party receivable | 1,000,000 | 572,451 | 56,133 | (1,628,584) | - |
| Prepaid expenses | - | 5,246 | - | - | 5,246 |
| Total Current Assets | 10,543,203 | 1,039,560 | 435,531 | (1,628,584) | 10,389,710 |
| PROPERTY AND EQUIPMENT | | | | | |
| | 1,133,323 | 927,719 | 1,586,683 | - | 3,647,725 |
| INVESTMENT IN ITI | - | 2,742,857 | 2,742,857 | (5,485,714) | - |
| NET INTANGIBLES | 1,206 | - | 457,999 | - | 459,205 |
| TOTAL ASSETS | \$11,677,732 | \$4,710,136 | \$5,223,070 | \$(7,114,298) | \$14,496,640 |

See accompanying notes to combined financial statements.

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INTERACTIVE TECHNOLOGIES INTERNATIONAL, LLC
 KAUL-TRONICS, INC.
 NGP, INC.
 COMBINING BALANCE SHEET (cont.)
 December 31, 2001

LIABILITIES AND STOCKHOLDERS' EQUITY

| | Interactive Technologies International, LLC | Kaul- Tronics, Inc. | NGP, Inc. | Eliminations | Combined Totals |
|--|--|---------------------------|--------------|---------------|--------------------|
| | ----- | ----- | ----- | ----- | ----- |
| CURRENT LIABILITIES | | | | | |
| Line of credit | \$ 1,000,000 | \$ - | \$ - | \$ - | \$1,000,000 |
| Accounts payable | 3,885,109 | 264,071 | 79,318 | - | 4,228,498 |
| Customer deposits | 708,380 | 4,103 | 4,775 | - | 717,258 |
| Related party payable | 580,238 | 35,462 | 1,012,884 | (1,628,584) | - |
| Accrued expenses | 18,291 | 128,919 | 76,315 | - | 223,525 |
| Current portion long-term debt | - | - | 154,427 | - | 154,427 |
| Current portion related party debt | - | 303,545 | - | - | 303,545 |
| Total Current Liabilities | 6,192,018 | 736,100 | 1,327,719 | (1,628,584) | 6,627,253 |
| LONG-TERM LIABILITIES | | | | | |
| Long-term debt | - | - | 1,048,638 | - | 1,048,638 |
| Related party debt | - | 601,748 | - | - | 601,748 |
| Total Long-Term Liabilities | - | 601,748 | 1,048,638 | - | 1,650,386 |
| Total Liabilities | 6,192,018 | 1,337,848 | 2,376,357 | (1,628,584) | 8,277,639 |
| STOCKHOLDERS' EQUITY | | | | | |
| Common stock | - | 2,000 | 200,000 | - | 202,000 |
| Members' equity | 5,485,714 | - | - | (5,485,714) | - |
| Retained earnings | - | 3,370,288 | 2,756,813 | - | 6,127,101 |
| Subtotal | 5,485,714 | 3,372,288 | 2,956,813 | (5,485,714) | 6,329,101 |
| Less: Treasury stock | - | - | (110,100) | - | (110,100) |
| Total Stockholders' Equity | 5,485,714 | 3,372,288 | 2,846,713 | (5,485,714) | 6,219,001 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | | | | | |
| | \$ 11,677,732 | \$4,710,136 | \$5,223,070 | \$(7,114,298) | \$14,496,640 |

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See accompanying notes to combined financial statements

INTERACTIVE TECHNOLOGIES INTERNATIONAL, LLC
KAUL-TRONICS, INC.
NGP, INC.

COMBINING BALANCE SHEET
December 31, 2000

ASSETS

| | Interactive Technologies International, LLC | Kaul- Tronics, Inc. | NGP, Inc. | Eliminations | Combined Totals |
|----------------------------------|--|---------------------------|--------------|---------------|--------------------|
| | ----- | ----- | ----- | ----- | ----- |
| CURRENT ASSETS | | | | | |
| Cash and cash equivalents | \$ 101,808 | \$ 25,785 | \$ - | \$ - | \$ 127,593 |
| Accounts receivable | 2,532,323 | 190,349 | 122,224 | - | 2,844,896 |
| Inventories | 1,978,838 | 87,096 | 304,878 | - | 2,370,812 |
| Related party receivable | - | 728,716 | 42,931 | (771,647) | - |
| Investment securities trading | - | 65,863 | - | - | 65,863 |
| Prepaid expenses | - | 49,489 | - | - | 49,489 |
| Total Current Assets | 4,612,969 | 1,147,298 | 470,033 | (771,647) | 5,458,653 |
| PROPERTY AND EQUIPMENT | | | | | |
| | 1,729,833 | 1,111,133 | 1,658,137 | - | 4,499,103 |
| INVESTMENT IN ITI | - | 1,686,269 | 1,686,269 | (3,372,538) | - |
| NET INTANGIBLES | 1,206 | - | 658,666 | - | 659,872 |
| TOTAL ASSETS | \$6,344,008 | \$3,944,700 | \$4,473,105 | \$(4,144,185) | \$10,617,628 |

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See accompanying notes to combined financial statements.

INTERACTIVE TECHNOLOGIES INTERNATIONAL, LLC
KAUL-TRONICS, INC.
NGP, INC.

COMBINING BALANCE SHEET (cont.)
December 31, 2000

LIABILITIES AND STOCKHOLDERS' EQUITY

| | Interactive Technologies International, LLC | Kaul- Tronics, Inc. | NGP, Inc. | Eliminations | Combined Totals |
|--|--|---------------------------|--------------|---------------|--------------------|
| | ----- | ----- | ----- | ----- | ----- |
| CURRENT LIABILITIES | | | | | |
| Checks issued in excess of bank balance | \$ - | | \$ 81,881 | \$ - | \$ 81,881 |
| Line of credit | 800,000 | | 294,000 | - | 1,094,000 |
| Accounts payable | 1,287,974 | 167,580 | 102,852 | - | 1,558,406 |
| Customer deposits | 91,469 | 13,939 | 11,606 | - | 117,014 |
| Related party payable | 771,647 | - | - | (771,647) | - |
| Accrued expenses | 20,380 | 113,723 | 109,995 | - | 244,098 |
| Current portion of long-term debt | - | - | 430,027 | - | 430,027 |
| Current portion of related party debt | - | 285,945 | - | - | 285,945 |
| Total Current Liabilities | 2,971,470 | 581,187 | 1,030,361 | (771,647) | 3,811,371 |
| LONG-TERM LIABILITIES | | | | | |
| Long-term debt | - | - | 2,560,741 | - | 2,560,741 |
| Related party debt | - | 862,837 | - | - | 862,837 |
| Total Long-Term Liabilities | - | 862,837 | 2,560,741 | - | 3,423,578 |
| Total Liabilities | 2,971,470 | 1,444,024 | 3,591,102 | (771,647) | 7,234,949 |
| STOCKHOLDERS' EQUITY | | | | | |
| Common stock | - | 2,000 | 200,000 | - | 202,000 |
| Members' equity | 3,372,538 | | | (3,372,538) | |
| Retained earnings | - | 2,498,676 | 792,103 | - | 3,290,779 |
| Subtotal | 3,372,538 | 2,500,676 | 992,103 | (3,372,538) | 3,492,779 |
| Less: Treasury stock | - | - | (110,100) | - | (110,100) |
| Total Stockholders' Equity | 3,372,538 | 2,500,676 | 882,003 | (3,372,538) | 3,382,679 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | | | | | |
| | \$6,344,008 | \$3,944,700 | \$4,473,105 | \$(4,144,185) | \$10,617,628 |

See accompanying notes to combined financial statements.

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INTERACTIVE TECHNOLOGIES INTERNATIONAL, LLC
KAUL-TRONICS, INC.
NGP, INC.

COMBINING STATEMENT OF INCOME AND RETAINED EARNINGS
Year Ended December 31, 2001

| | Interactive Technologies International, LLC | Kaul- Tronics, Inc. | NGP, Inc. | Eliminations | Combined Totals |
|------------------------------------|--|---------------------------|--------------|---------------|--------------------|
| | ----- | ----- | ----- | ----- | ----- |
| NET SALES | \$35,201,413 | \$4,162,882 | \$2,191,324 | \$(4,164,210) | \$37,391,409 |
| COST OF GOODS SOLD | 29,390,824 | 3,306,392 | 1,394,545 | (4,164,210) | 29,927,551 |
| Gross Profit | 5,810,589 | 856,490 | 796,779 | - | 7,463,858 |
| OPERATING EXPENSES | 345,046 | 1,148,407 | 496,423 | - | 1,989,876 |
| IMPAIRMENT CHARGES | 422,419 | - | - | - | 422,419 |
| Operating Income (Loss) | 5,043,124 | (291,917) | 300,356 | - | 5,051,563 |
| OTHER INCOME (EXPENSE) | | | | | |
| Interest expense | (24,922) | (62,718) | (196,275) | - | (283,915) |
| Interest income | 14,974 | 1,004 | 176 | - | 16,154 |
| Other income | - | 31,155 | (3,267) | - | 27,888 |
| Investment income in subsidiary | - | 2,516,588 | 2,516,588 | (5,033,176) | - |
| Net Other Income (Expense) | (9,948) | 2,486,029 | 2,317,222 | (5,033,176) | (239,873) |
| NET INCOME | 5,033,176 | 2,194,112 | 2,617,578 | (5,033,176) | 4,811,690 |
| RETAINED EARNINGS - | | | | | |
| Beginning of Year | 3,372,538 | 2,498,676 | 792,103 | (3,372,538) | 3,290,779 |
| Distributions | (2,920,000) | (1,322,500) | (652,868) | 2,920,000 | (1,975,368) |
| RETAINED EARNINGS - | | | | | |
| END OF YEAR | \$5,485,714 | \$3,370,288 | \$2,756,813 | \$(5,485,714) | \$6,127,101 |

See accompanying notes to combined financial statements.

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INTERACTIVE TECHNOLOGIES INTERNATIONAL, LLC
KAUL-TRONICS, INC.
NGP, INC.

COMBINING STATEMENT OF INCOME AND RETAINED EARNINGS Year Ended December 31, 2000

| | Interactive Technologies International, LLC ----- | Kaul- Tronics, Inc. ----- | NGP, Inc. ----- | Eliminations ----- | Combined Totals ----- |
|--|---|------------------------------------|-----------------------|-----------------------|-----------------------------|
| NET SALES | \$28,958,967 | \$5,130,601 | \$3,220,402 | \$(4,713,255) | \$32,596,715 |
| COST OF GOODS SOLD | 23,481,828 | 4,809,807 | 2,979,776 | (4,713,255) | 26,558,156 |
| Gross Profit | 5,477,139 | 320,794 | 240,626 | - | 6,038,559 |
| OPERATING EXPENSES | 601,118 | 1,452,907 | 500,958 | - | 2,554,983 |
| Operating Income (Loss) | 4,876,021 | (1,132,113) | (260,332) | - | 3,483,576 |
| OTHER INCOME (EXPENSE) | | | | | |
| Interest expense | (34,497) | (116,094) | (249,652) | - | (400,243) |
| Interest income | 25,588 | 41,865 | 6,184 | - | 73,637 |
| Other income | - | 60,398 | 18,776 | - | 79,174 |
| Investment income in subsidiary | - | 2,433,556 | 2,433,556 | (4,867,112) | - |
| Net Other Income (Expense) | (8,909) | 2,419,725 | 2,208,864 | (4,867,112) | (247,432) |
| NET INCOME | 4,867,112 | 1,287,612 | 1,948,532 | (4,867,112) | 3,236,144 |
| RETAINED EARNINGS - Beginning of Year | 6,423,220 | 4,396,019 | 2,577,027 | (6,423,220) | 6,973,046 |
| Distributions | (7,917,794) | 3,184,955) | (3,733,456) | 7,917,794 | (6,918,411) |
| RETAINED EARNINGS - END OF YEAR | \$3,372,538 | \$2,498,676 | \$792,103 | \$(3,372,538) | \$3,290,779 |

See accompanying notes to combined financial statements.

INTERACTIVE TECHNOLOGIES
INTERNATIONAL, LLC
KAUL-TRONICS, INC.
NGP, INC.

Richland Center, Wisconsin

COMBINED FINANCIAL STATEMENTS
Including Independent Auditors' Report
December 31, 2000 and 1999

INTERACTIVE TECHNOLOGIES INTERNATIONAL, LLC
KAUL-TRONICS, INC.
NGP, INC.
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INDEPENDENT AUDITORS' REPORT

To the Stockholders
Interactive Technologies International, LLC
Kaul-Tronics, Inc.
NGP, Inc.

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Richland Center, Wisconsin

We have audited the accompanying combined balance sheets of Interactive Technologies International, LLC, Kaul-Tronics, Inc. and NGP, Inc. as of December 31, 2000 and 1999 and the related combined statements of income and retained earnings and cash flows for the years then ended. These combined financial statements are the responsibility of the companies' management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined 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 audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of Interactive Technologies International, LLC, Kaul-Tronics, Inc. and NGP, Inc. as of December 31, 2000 and 1999 and the results of their combined operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the combined financial statements taken as a whole. The combining information in the supplemental information is presented for purposes of additional analysis of the combined financial statements rather than to present the financial position, results of operations, and cash flows of the individual companies. Such information has been subjected to the auditing procedures applied in the audit of the combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the combined financial statements taken as a whole.

/s/ Virchow, Krause & Company, LLP
Madison, Wisconsin
March 11, 2002

INTERACTIVE TECHNOLOGIES INTERNATIONAL, LLC
KAUL-TRONICS, INC.
NGP, INC.

COMBINED BALANCE SHEETS
December 31, 2000 and 1999

| | ASSETS | |
|---------------------------|------------|-------------|
| | 2000 | 1999 |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 127,593 | \$1,223,410 |

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| | | |
|---|--------------|--------------|
| Accounts receivable | 2,844,896 | 5,285,832 |
| Inventories | 2,370,812 | 2,899,014 |
| Investment securities trading | 65,863 | 125,220 |
| Prepaid expenses | 49,489 | 60,730 |
| Total Current Assets | 5,458,653 | 9,594,206 |
| PROPERTY AND EQUIPMENT | 4,499,103 | 4,046,391 |
| NET INTANGIBLES | 659,872 | 861,206 |
| TOTAL ASSETS | \$10,617,628 | \$14,501,803 |
| | | |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| CURRENT LIABILITIES | | |
| Checks issued in excess of bank balance | \$ 81,881 | \$ - |
| Line of credit | 1,094,000 | - |
| Accounts payable | 1,558,406 | 2,044,318 |
| Customer deposits | 117,014 | 122,426 |
| Accrued expenses | 244,098 | 357,625 |
| Current portion of long-term debt | 430,027 | 400,652 |
| Current portion of related party debt | 285,945 | 243,722 |
| Total Current Liabilities | 3,811,371 | 3,168,743 |
| LONG-TERM LIABILITIES | | |
| Long-term debt | 2,560,741 | 2,986,291 |
| Related party debt | 862,837 | 1,171,723 |
| Total Long-Term Liabilities | 3,423,578 | 4,158,014 |
| Total Liabilities | 7,234,949 | 7,326,757 |
| STOCKHOLDERS' EQUITY | | |
| Common stock | 202,000 | 202,000 |
| Retained earnings | 3,290,779 | 6,973,046 |
| | 3,492,779 | 7,175,046 |
| Less: Treasury stock, 7,000 shares at cost | (110,100) | - |
| Total Stockholders' Equity | 3,382,679 | 7,175,046 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$10,617,628 | \$14,501,803 |

See accompanying notes to combined financial statements.

INTERACTIVE TECHNOLOGIES INTERNATIONAL, LLC
KAUL-TRONICS, INC.
NGP, INC.

COMBINED STATEMENTS OF INCOME AND RETAINED EARNINGS Years Ended December 31, 2000 and 1999

| | 2000 | 1999 |
|--------------------|---------------|---------------|
| NET SALES | \$ 32,596,715 | \$ 41,058,499 |
| COST OF GOODS SOLD | 26,558,156 | 32,219,273 |
| Gross Profit | 6,038,559 | 8,839,226 |

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| | | |
|--|--------------|--------------|
| OPERATING EXPENSES | 2,554,983 | 2,029,109 |
| Operating Income | 3,483,576 | 6,810,117 |
| OTHER INCOME (EXPENSE) | | |
| Interest expense | (400,243) | (369,746) |
| Interest income | 73,637 | 32,089 |
| Other income | 79,174 | 77,864 |
| Share of income to non-combined entity | - | (393,134) |
| Net Other Expense | (247,432) | (652,927) |
| NET INCOME | 3,236,144 | 6,157,190 |
| RETAINED EARNINGS - Beginning of Year | 6,973,046 | 1,979,896 |
| Distributions | (6,918,411) | (1,164,040) |
| RETAINED EARNINGS - END OF YEAR | \$ 3,290,779 | \$ 6,973,046 |

See accompanying notes to combined financial statements.

INTERACTIVE TECHNOLOGIES INTERNATIONAL, LLC
KAUL-TRONICS, INC.
NGP, INC.

COMBINED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2000 and 1999

| | 2000 | 1999 |
|--|---------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash received from customers | \$ 35,096,625 | \$39,893,484 |
| Cash paid to suppliers and employees | (28,421,878) | (34,749,805) |
| Proceeds from sale of trading securities | 50,000 | - |
| Interest and dividends received | 73,634 | 32,089 |
| Interest paid | (400,243) | (369,746) |
| Net Cash Flows From Operating Activities | 6,398,138 | 4,806,022 |

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| | | |
|--|-------------|-------------|
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Capital expenditures | (1,089,987) | (675,384) |
| Proceeds from sale of assets | 111,500 | 11,500 |
| Cash used to acquire assets of Greenbriar Products, Inc. | - | (191,166) |
| Net Cash Flows From Investing Activities | (978,487) | (855,050) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Net proceeds (payments) on line of credit | 1,094,000 | (806,846) |
| Cash used to retire debt | (396,175) | (825,057) |
| Cash used to retire related party debt | (266,663) | (817,253) |
| Distribution to stockholders | (6,918,411) | (1,164,040) |
| Proceeds from issuance of common stock | - | 200,000 |
| Cash used to purchase treasury stock | (110,100) | - |
| Distributions to non-combined entity | - | (249,583) |
| Change in checks issued in excess of bank balance | 81,881 | - |
| Net Cash Flows From Financing Activities | (6,515,468) | (3,662,779) |
| Net Change in Cash and Cash Equivalents | (1,095,817) | 288,193 |
| CASH AND CASH EQUIVALENTS - Beginning of Year | 1,223,410 | 935,217 |
| CASH AND CASH EQUIVALENTS - END OF YEAR | \$ 127,593 | \$1,223,410 |

| | 2000 | 1999 |
|---|-------------|-------------|
| RECONCILIATION OF NET INCOME TO NET CASH FROM OPERATING ACTIVITIES | | |
| Net income | \$3,236,144 | \$6,157,190 |
| Adjustments to reconcile net income to net cash from operating activities | | |
| Noncash items included in Income | | |
| Depreciation | 549,919 | 490,625 |
| Amortization | 201,334 | 150,000 |
| Nonoperational items included in Income | | |
| Loss (gain) on sale of property and equipment | (24,147) | (8,226) |
| Unrealized loss (gain) on trading securities | 9,357 | (43,528) |
| Share of income to non-combined entity | - | 393,134 |
| Change in trading securities | 50,000 | - |
| Changes in noncash components of working capital | | |
| Accounts receivable | 2,440,936 | (1,309,559) |
| Inventories | 528,201 | (53,969) |

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| | | |
|-------------------|-----------|-----------|
| Prepaid expenses | 11,241 | (27,042) |
| Accounts payable | (485,912) | (734,090) |
| Accrued expenses | (113,523) | (326,947) |
| Customer deposits | (5,412) | 118,434 |

| | | |
|---|--------------|--------------|
| NET CASH FLOWS FROM OPERATING ACTIVITIES | \$ 6,398,138 | \$ 4,806,022 |
|---|--------------|--------------|

NONCASH INVESTING AND FINANCING ACTIVITIES

On April 17, 1999, NGP was incorporated and acquired the assets of Greenbriar Products, Inc. The acquisition consisted of the following non-cash transaction:

| | | |
|--|-------------|--|
| Working capital other than cash | \$ 370,746 | |
| Equipment | 369,606 | |
| Building and land | 1,500,913 | |
| Investment | 1,561,901 | |
| Noncompete | 1,000,000 | |
| Total Assets | 4,803,166 | |
| Less: Portion financed by bank and seller | (4,612,000) | |

| | | |
|----------------------|---------|--|
| CASH PAID FOR ASSETS | 191,166 | |
|----------------------|---------|--|

See accompanying notes to combined financial statements.

INTERACTIVE TECHNOLOGIES INTERNATIONAL, LLC
KAUL-TRONICS, INC.
NGP, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS December 31, 2000 and 1999

NOTE 1 - Summary of Significant Accounting Policies Nature of Operations

Interactive Technologies International, LLC (ITI) is located in Spring Green, Wisconsin, and is primarily engaged in the development, production, marketing and selling of stamped offset antennas. ITI is owned entirely by KTI and NGP.

Kaul-Tronics, Inc. (KTI) is located in Richland Center, Wisconsin, and primarily provides subcontract manufacturing and management services for ITI. KTI also manufactures C-band antennas. KTI is owned entirely by the John Kaul family.

NGP, Inc. (NGP), incorporated on April 17, 1999, is located in Spring Green, Wisconsin, and primarily provides subcontract manufacturing and management services for ITI. NGP also manufactures C-band antennas and outdoor barbecue accessories. The John Kaul family has a majority ownership interest in NGP.

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The companies currently sell their products to customers worldwide.

Basis of Combination

The accompanying combined financial statements include the accounts of ITI, KTI and NGP. Significant intercompany accounts and transactions have been eliminated. The combined companies will be referred to as "the companies" for the purposes of these statements.

Cash and Cash Equivalents

The companies define cash and cash equivalents as highly liquid, short-term investments with a maturity at the date of acquisition of three months or less.

Investment Securities Trading

Marketable securities that are bought and held principally for the purpose of selling them in the near term are classified as trading securities. Trading securities are recorded at fair value on the balance sheet in current assets, with the change in fair value during the period included in earnings.

Accounts Receivable

Accounts receivable are shown net of an allowance for doubtful accounts of \$34,000 at December 31, 2000 and 1999.

Inventories

Inventories consist of raw materials, work in progress and finished goods, all of which are priced at the lower of cost or market based on the first-in, first-out (FIFO) method.

Property and Equipment

Property and equipment are stated at cost. Major expenditures for property and equipment are capitalized. Maintenance, repairs, and minor renewals are expensed as incurred. When assets are retired or otherwise disposed of, resulting gains or losses are included in income.

Property and equipment are depreciated using the straight-line method over their estimated useful lives as follows:

| | Years |
|----------------------------|-------|
| Transportation equipment | 5 |
| Office equipment | 7-10 |
| Plant equipment | 7-10 |
| Buildings and improvements | 39 |

Intangibles

NGP has a non-compete agreement in the amount of \$1,000,000. The non-compete agreement is being amortized over 5 years using the straight-line method.

Income Taxes

The companies are S corporations and a limited liability company. The stockholders / members are taxed on their proportionate share of their respective company's taxable income. Therefore, no provision or liability for income taxes has been included in these financial statements.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires

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management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

Advertising

Advertising costs are charged to operations when incurred.

Research and Development

Research and development costs are charged to operations when incurred and are included in operating expenses. The amount charged to operations was \$146,232 and \$326,913 for the years ended December 31, 2000 and 1999, respectively.

Warranty

The companies sell their products with a one year limited warranty against defects in material and workmanship. Warranty costs are expensed at the time incurred.

Revenue Recognition

Shipping and handling costs charged to customers have been included in sales. Shipping and handling costs incurred by the company have been included in cost of sales.

NOTE 2 - Inventories

Inventories consist of the following at December 31:

| | 2000 | 1999 |
|-------------------|--------------|-------------|
| Raw materials | \$ 626,162 | \$1,201,000 |
| Work in process | 488,443 | 571,124 |
| Finished goods | 1,256,207 | 1,126,890 |
| Total Inventories | \$ 2,370,812 | \$2,899,014 |

NOTE 3 - Property and Equipment

The major categories of property and equipment at December 31 are summarized as follows:

| | 2000 | 1999 |
|--------------------------------|--------------|-------------|
| Land and improvements | \$ 198,521 | \$ 198,521 |
| Buildings and improvements | 2,836,213 | 2,836,213 |
| Plant equipment | 4,250,714 | 3,178,938 |
| Office equipment | 120,591 | 108,877 |
| Transportation equipment | 277,778 | 255,249 |
| Property not in service | 61,342 | 186,000 |
| Total Property and Equipment | 7,745,159 | 6,763,798 |
| Less: Accumulated depreciation | (3,246,056) | (2,717,407) |
| Net Property and Equipment | \$ 4,499,103 | \$4,046,391 |

NOTE 4 - Line of Credit

NGP has a line of credit in the amount of \$400,000. The line is renewable annually and bears interest at LIBOR plus 2.25% (8.82% at December 31, 2000). The line is secured by a general business security agreement and limited stockholder guarantees. The outstanding balance on the line of credit at December 31, 2000 and 1999 was \$294,000 and \$0, respectively.

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KTI has a line of credit in the amount of \$600,000. The line is renewable annually and bears interest at .25% below prime (9.25% at December 31, 2000). The line is secured by a general business security agreement, real estate, an assignment of life insurance and a limited guarantee by the company's majority stockholder. There was no outstanding balance on the line of credit at December 31, 2000 and 1999.

ITI has a line of credit in the amount of \$1,500,000. The line is renewable annually and bears interest at LIBOR plus 2.25% (8.82% at December 31, 2000). The line is secured by a general business security agreement, and corporate guarantees of its two members. The outstanding balance on the line of credit at December 31, 2000 and 1999 was \$800,000 and \$0, respectively.

NOTE 5 - Long-Term Debt

Long-term debt consists of the following at December 31:

| | 2000 | 1999 |
|--|--------------|-------------|
| NGP note payable in monthly installments of \$8,207, including interest at 8.50%. Note is due April 2004 and is secured by limited personal guarantees of NGP stockholders. This note is subordinate to NGP's bank debt. | \$ 284,987 | \$ 355,933 |
| NGP notes payable in monthly installments totaling \$44,492, including interest at 7.125%. Notes are due April 2004 and are secured by a general business security agreement, real estate and limited personal guarantees of NGP stockholders. | 2,705,781 | 3,031,010 |
| Totals | 2,990,768 | 3,386,943 |
| Less: Current portion | (430,027) | (400,652) |
| Long-Term Portion | \$ 2,560,741 | \$2,986,291 |

Principal requirements for years ending after December 31, 2000 are as follows:

| | |
|-------|--------------|
| 2001 | \$ 430,027 |
| 2002 | 462,827 |
| 2003 | 498,144 |
| 2004 | 1,599,770 |
| Total | \$ 2,990,768 |

NOTE 6 - Related Party Debt

Related party debt consists of the following at December 31:

| | 2000 | 1999 |
|--|-------------|-------------|
| KTI unsecured notes payable to its stockholders, payable in monthly installments totaling \$29,775, including interest at 7.0%. Notes are due in April 2004. | \$1,148,782 | \$1,415,445 |
| Totals | 1,148,782 | 1,415,445 |
| Less: Current portion | (285,945) | (243,722) |
| Long-Term Portion | \$862,837 | \$1,171,723 |

Principal requirements on debt for years ending after December 31, 2000 are as follows:

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| | |
|-------|-------------|
| 2001 | 285,945 |
| 2002 | 306,613 |
| 2003 | 328,779 |
| 2004 | 227,445 |
| Total | \$1,148,782 |

NOTE 7 - Retirement Plan

The companies have a 401(k) retirement plan that covers all eligible employees. Employees are eligible after one year of service. The companies may choose to match contributions up to 6% of employee salaries. Contributions were \$63,218 and \$49,199 for the years ended December 31, 2000 and 1999, respectively.

NOTE 8 - Commitments and Contingencies

Purchase Commitment

During 2000, ITI contracted with a supplier to acquire equipment costing \$122,684. At December 31, 2000, the outstanding commitment is \$61,342.

Pending Lawsuit

The companies have a pending lawsuit against them as of December 31, 2000. Management feels that the risk of loss associated with this lawsuit is low. No liability has been recorded.

NOTE 9 - Concentrations of Risk

Cash Balance

At various times throughout the year, the companies had deposits in excess of FDIC coverage.

Major Customers

The companies sold approximately 57% and 56% of all its products to two and three customers during the years ended December 31, 2000 and 1999, respectively. At December 31, 2000 and 1999 the amount due from those customers included in accounts receivable was \$1,106,961 and \$3,675,378, respectively.

Major Suppliers

The companies purchased approximately 17% and 46% of their material from one and three suppliers during the years ended December 31, 2000 and 1999, respectively. At December 31, 2000 and 1999 the amount due to those suppliers included in accounts payable was \$468,000 and \$560,225, respectively.

INTERACTIVE TECHNOLOGIES INTERNATIONAL, LLC
 KAUL-TRONICS, INC.
 NGP, INC.

COMBINING BALANCE SHEET
 December 31, 2000

ASSETS

| | Interactive Technologies International, LLC | Kaul- Tronics, Inc. | NGP, Inc. | Eliminations | Combined Totals |
|----------------------------------|--|---------------------------|--------------|---------------|--------------------|
| | ----- | ----- | ----- | ----- | ----- |
| CURRENT ASSETS | | | | | |
| Cash and cash equivalents | \$ 101,808 | \$ 25,785 | \$ - | \$ - | \$ 127,593 |
| Accounts receivable | 2,532,323 | 190,349 | 122,224 | | 2,844,896 |
| Inventories | 1,978,838 | 87,096 | 304,878 | | 2,370,812 |
| Related party receivable | - | 728,716 | 42,931 | (771,647) | - |
| Investment securities trading | - | 65,863 | - | | 65,863 |
| Prepaid expenses | - | 49,489 | - | - | 49,489 |
| Total Current Assets | 4,612,969 | 1,147,298 | 470,033 | (771,647) | 5,458,653 |
| PROPERTY AND EQUIPMENT | | | | | |
| | 1,729,833 | 1,111,133 | 1,658,137 | - | 4,499,103 |
| INVESTMENT IN ITI | | | | | |
| | - | 1,686,269 | 1,686,269 | (3,372,538) | - |
| NET INTANGIBLES | | | | | |
| | 1,206 | - | 658,666 | - | 659,872 |
| TOTAL ASSETS | | | | | |
| | \$6,344,008 | \$3,944,700 | \$4,473,105 | \$(4,144,185) | \$10,617,628 |

INTERACTIVE TECHNOLOGIES INTERNATIONAL, LLC
 KAUL-TRONICS, INC.
 NGP, INC.

COMBINING BALANCE SHEET (cont.)
 December 31, 2000

LIABILITIES AND STOCKHOLDERS' EQUITY

ASSETS

| | Interactive Technologies International, LLC | Kaul- Tronics, Inc. | NGP, Inc. | Eliminations | Combined Totals |
|---|--|---------------------------|--------------|--------------|--------------------|
| | ----- | ----- | ----- | ----- | ----- |
| CURRENT LIABILITIES | | | | | |
| Checks issued in excess of bank balance | \$ - | \$ - | \$ 81,881 | \$ - | \$ 81,881 |
| Line of credit | 800,000 | - | 294,000 | - | 1,094,000 |
| Accounts payable | 1,287,974 | 167,580 | 102,852 | - | 1,558,406 |
| Customer deposits | 91,469 | 13,939 | 11,606 | - | 117,014 |
| Due to related parties | 771,647 | - | - | (771,647) | - |
| Accrued expenses | 20,380 | 113,723 | 109,995 | - | 244,098 |
| Current portion long-term debt | - | - | 430,027 | - | 430,027 |
| Current portion related party debt | - | 285,945 | - | - | 285,945 |
| Total Current Liabilities | 2,971,470 | 581,187 | 1,030,361 | (771,647) | 3,811,371 |
| LONG-TERM LIABILITIES | | | | | |
| Long-term debt | - | - | 2,560,741 | - | 2,560,741 |
| Related party debt | - | 862,837 | - | - | 862,837 |
| Total Long-Term Liabilities | - | 862,837 | 2,560,741 | - | 3,423,578 |
| Total Liabilities | 2,971,470 | 1,444,024 | 3,591,102 | (771,647) | 7,234,949 |
| STOCKHOLDERS' EQUITY | | | | | |
| Common stock | - | 2,000 | 200,000 | - | 202,000 |

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| | | | | | |
|----------------------------|-----------|-----------|-----------|-------------|-----------|
| Members' equity | 3,372,538 | | | (3,372,538) | |
| Retained earnings | - | 2,498,676 | 792,103 | - | 3,290,779 |
| Subtotal | 3,372,538 | 2,500,676 | 992,103 | (3,372,538) | 3,492,779 |
| Less: Treasury stock | - | - | (110,100) | - | (110,100) |
| Total Stockholders' Equity | 3,372,538 | 2,500,676 | 882,003 | (3,372,538) | 3,382,679 |

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY \$6,344,008 \$3,944,700 \$4,473,105 \$(4,144,185) \$10,617,628

INTERACTIVE TECHNOLOGIES INTERNATIONAL, LLC
KAUL-TRONICS, INC.
NGP, INC.

COMBINING BALANCE SHEET
December 31, 1999

ASSETS

| | Interactive Technologies International, LLC | Kaul- Tronics, Inc. | NGP, Inc. | Eliminations | Combined Totals |
|-------------------------------|--|---------------------------|--------------|---------------|--------------------|
| | ----- | ----- | ----- | ----- | ----- |
| Cash and cash equivalents | \$1,798,825 | \$ 304,917 | \$183,119 | \$ - | \$2,286,861 |
| CURRENT ASSETS | | | | | |
| Cash and cash equivalents | \$ 221,357 | \$ 966,386 | \$ 35,667 | \$ - | \$1,223,410 |
| Accounts receivable | 4,735,140 | 473,804 | 76,888 | - | 5,285,832 |
| Inventories | 2,184,369 | 300,425 | 414,220 | - | 2,899,014 |
| Related party receivable | 48,358 | 47,410 | 57,465 | (153,233) | - |
| Investment securities trading | - | 125,220 | - | - | 125,220 |
| Prepaid expenses | - | 60,730 | - | - | 60,730 |
| Total Current Assets | 7,189,224 | 1,973,975 | 584,240 | (153,233) | 9,594,206 |
| PROPERTY AND EQUIPMENT | 1,032,700 | 1,192,866 | 1,820,825 | - | 4,046,391 |
| INVESTMENT IN ITI | - | 3,211,610 | 3,211,610 | (6,423,220) | - |
| NET INTANGIBLES | 1,206 | - | 860,000 | - | 861,206 |
| TOTAL ASSETS | \$8,223,130 | \$6,378,451 | \$6,476,675 | \$(6,576,453) | \$14,501,803 |

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INTERACTIVE TECHNOLOGIES INTERNATIONAL, LLC
KAUL-TRONICS, INC.
NGP, INC.

COMBINING BALANCE SHEET (cont.)
December 31, 1999

LIABILITIES AND STOCKHOLDERS' EQUITY

ASSETS

| | Interactive Technologies International, LLC | Kaul- Tronics, Inc. | NGP, Inc. | Eliminations | Combined Totals |
|--|--|---------------------------|--------------|---------------|--------------------|
| | ----- | ----- | ----- | ----- | ----- |
| CURRENT LIABILITIES | | | | | |
| Accounts payable | \$1,639,941 | \$ 233,417 | \$170,960 | \$ - | \$2,044,318 |
| Customer deposits | 83,862 | 17,981 | 20,583 | - | 122,426 |
| Related party debt | 66,445 | 79,218 | 7,570 | (153,233) | - |
| Accrued expenses | 9,662 | 234,371 | 113,592 | - | 357,625 |
| Current portion of long-term debt | - | - | 400,652 | - | 400,652 |
| Current portion of related party debt | - | 243,722 | - | - | 243,722 |
| Total Current Liabilities | 1,799,910 | 808,709 | 713,357 | (153,233) | 3,168,743 |
| LONG-TERM LIABILITIES | | | | | |
| Long-term debt | - | - | 2,986,291 | - | 2,986,291 |
| Due to related parties | - | 1,171,723 | - | - | 1,171,723 |
| Total Long-Term Liabilities | - | 1,171,723 | 2,986,291 | - | 4,158,014 |
| Total Liabilities | 1,799,910 | 1,980,432 | 3,699,648 | (153,233) | 7,326,757 |
| STOCKHOLDERS' EQUITY | | | | | |
| Common stock | - | 2,000 | 200,000 | - | 202,000 |
| Members' equity | 6,423,220 | - | - | (6,423,220) | - |
| Retained earnings | - | 4,396,019 | 2,577,027 | - | 6,973,046 |
| Total Stockholders' Equity | 6,423,220 | 4,398,019 | 2,777,027 | (6,423,220) | 7,175,046 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$8,223,130 | \$6,378,451 | \$6,476,675 | \$(6,576,453) | \$14,501,803 |

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INTERACTIVE TECHNOLOGIES INTERNATIONAL, LLC
KAUL-TRONICS, INC.
NGP, INC.

COMBINING STATEMENT OF INCOME AND RETAINED EARNINGS
Year Ended December 31, 2000

| | Interactive Technologies International, LLC | Kaul- Tronics, Inc. | NGP, Inc. | Eliminations | Combined Totals |
|--|--|---------------------------|--------------|---------------|--------------------|
| | ----- | ----- | ----- | ----- | ----- |
| NET SALES | \$28,958,967 | \$5,130,601 | \$3,220,402 | \$(4,713,255) | \$32,596,715 |
| COST OF GOODS SOLD | 23,481,828 | 4,809,807 | 2,979,776 | (4,713,255) | 26,558,156 |
| Gross Profit | 5,477,139 | 320,794 | 240,626 | - | 6,038,559 |
| OPERATING EXPENSES | 601,118 | 1,452,907 | 500,958 | - | 2,554,983 |
| Operating Income (Loss) | 4,876,021 | 1,132,113 | (260,332) | - | 3,483,576 |
| OTHER INCOME (EXPENSE) | | | | | |
| Interest expense | (34,497) | (116,094) | (249,652) | - | (400,243) |
| Interest income | 25,588 | 41,865 | 6,184 | - | 73,637 |
| Other income | - | 60,398 | 18,776 | - | 79,174 |
| Investment income in subsidiary | - | 2,433,556 | 2,433,556 | (4,867,112) | - |
| Net Other Income (Expense) | (8,909) | 2,419,725 | 2,208,864 | (4,867,112) | (247,432) |
| NET INCOME | 4,867,112 | 1,287,612 | 1,948,532 | (4,867,112) | 3,236,144 |
| RETAINED EARNINGS - Beginning of Year | 6,423,220 | 4,396,019 | 2,577,027 | (6,423,220) | 6,973,046 |
| Distributions | (7,917,794) | (3,184,955) | (3,733,456) | 7,917,794 | (6,918,411) |
| RETAINED EARNINGS - END OF YEAR | \$3,372,538 | \$2,498,676 | \$ 792,103 | \$(3,372,538) | \$3,290,779 |

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INTERACTIVE TECHNOLOGIES INTERNATIONAL, LLC
KAUL-TRONICS, INC.
NGP, INC.

COMBINING STATEMENT OF INCOME AND RETAINED EARNINGS
Year Ended December 31, 1999

| | Interactive Technologies International, LLC | Kaul- Tronics, Inc. | NGP, Inc. | Eliminations | Combined Totals |
|---|--|---------------------------|--------------|---------------|--------------------|
| | ----- | ----- | ----- | ----- | ----- |
| NET SALES | \$33,755,337 | \$10,099,127 | \$3,109,294 | \$(5,905,259) | \$41,058,499 |
| COST OF GOODS SOLD | 25,862,145 | 9,447,238 | 2,815,149 | (5,905,259) | 32,219,273 |
| Gross Profit | 7,893,192 | 651,889 | 294,145 | - | 8,839,226 |
| OPERATING EXPENSES | 818,868 | 901,164 | 309,077 | - | 2,029,109 |
| Operating Income (Loss) | 7,074,324 | (249,275) | (14,932) | - | 6,810,117 |
| OTHER INCOME (EXPENSE) | | | | | |
| Interest expense | (9,244) | (159,329) | (201,173) | - | (369,746) |
| Interest income | 16,260 | 14,496 | 1,333 | - | 32,089 |
| Other income | - | 60,698 | 17,166 | - | 77,864 |
| Investment income in subsidiary | - | 3,540,670 | 3,147,536 | (6,688,206) | - |
| Share of income to non-combined entity | - | - | - | (393,134) | (393,134) |
| Net Other Income (Loss) | 7,016 | 3,456,535 | 2,964,862 | (7,081,340) | (652,927) |
| NET INCOME | 7,081,340 | 3,207,260 | 2,949,930 | (7,081,340) | 6,157,190 |
| RETAINED EARNINGS - Beginning of Year | 2,836,702 | 1,979,896 | - | (2,836,702) | 1,979,896 |
| Distributions | (3,494,822) | (791,137) | (372,903) | 3,494,822 | (1,164,040) |
| RETAINED EARNINGS - END OF YEAR | \$6,423,220 | \$4,396,019 | \$2,577,027 | \$(6,423,220) | \$ 6,973,046 |

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DESCRIPTION OF UNAUDITED PRO FORMA CONDENSED FINANCIAL STATEMENTS REFLECTING THE ACQUISITION OF THE BUSINESS OF KAUL-TRONICS, INC. AND AFFILIATED COMPANIES BY CALIFORNIA AMPLIFIER, INC.

On April 5, 2002, California Amplifier, Inc. ("California Amplifier" or the "Company") acquired in an asset purchase transaction the satellite antenna design and manufacturing business of Kaul-Tronics, Inc., a Wisconsin corporation, and two affiliated companies under common ownership and control with Kaul-Tronics, Inc. (collectively, "Kaul-Tronics Group").

The following unaudited pro forma condensed consolidated financial statements have been prepared giving effect to the acquisition of the business of Kaul-Tronics Group by California Amplifier as if the transaction had taken place at February 28, 2002 for the pro forma condensed consolidated balance sheet and, in the case of the pro forma condensed consolidated income statement, as of March 1, 2001.

The fiscal year of Kaul-Tronics Group ends on December 31 and California Amplifier's fiscal year ends on the Saturday closest to February 28 (referred to herein as February 28 for clarity of presentation). The Pro Forma Condensed Consolidated Income Statement for the year ended February 28, 2002 combines the results of California Amplifier for such year with the results of Kaul-Tronics Group for the 12 months ended December 31, 2001.

The acquisition has been accounted for using the purchase method. The purchase price has been allocated to the assets acquired and liabilities assumed at their estimated fair values as of the April 5, 2002 acquisition date. The pro forma adjustments set forth in the following unaudited pro forma condensed financial information are estimated and may differ from the actual adjustments when they become known. Based on current information, California Amplifier's management does not expect the final allocation of the purchase price to be materially different from that used in the following pro forma balance sheet and pro forma income statement.

The acquisition of Kaul-Tronics Group by California Amplifier gave rise to goodwill of approximately \$17.6 million. In accordance with Financial Accounting Standards No. 142, which the Company adopted effective in March 2002, goodwill on this acquisition will not be amortized, but instead will be periodically evaluated for impairment. Accordingly, although the Kaul-Tronics Group acquisition is assumed to occur at the beginning of the year covered by the accompanying pro forma condensed consolidated income statement, no goodwill amortization expense is reflected in this pro forma income statement.

The unaudited pro forma financial information does not reflect certain cost savings that California Amplifier management believes may be realized following the acquisition, and is not necessarily indicative of the results of operations or the financial position which would have been attained had the acquisition been consummated at any of the foregoing assumed dates, or which may be attained in the future. The pro forma financial information should be read in conjunction with the historical financial statements of California Amplifier and Kaul-Tronics Group.

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CALIFORNIA AMPLIFIER, INC.
 PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET
 FEBRUARY 28, 2002
 (Unaudited)
 (In thousands)

| | /-- Historical ---/ | | | |
|--|-------------------------|---------------------------|---------------------------------|-----------------------|
| | California Amplifier | Kaul- Tronics Group | Pro Forma Adjustments | Pro Forma Total |
| | ----- | ----- | ----- | ----- |
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$23,156 | \$ 2,287 | \$(4,703) (A) (2,287) (B) | \$ 18,453 |
| Accounts receivable, net | 8,219 | 6,550 | (6,550) (B) | 8,219 |
| Inventories | 9,472 | 1,548 | (518) (C) | 10,502 |
| Deferred income tax asset | 3,580 | - | | 3,580 |
| Prepaid expenses | 1,312 | 5 | (1) (B) | 1,316 |
| | ----- | ----- | ----- | ----- |
| Total current assets | 45,739 | 10,390 | (14,059) | 42,070 |
| Property and equipment, net | 7,375 | 3,648 | 430 (C) | 11,453 |
| Goodwill | 3,287 | - | 17,625 (D) | 20,912 |
| Other assets | 287 | 459 | (459) (B) 115 (E) 400 (F) | 802 |
| | ----- | ----- | ----- | ----- |
| | \$56,688 | \$14,497 | \$ 4,052 | \$ 75,237 |
| | ===== | ===== | ===== | ===== |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | | |
| Current liabilities: | | | | |
| Bank line of credit payable | \$ - | \$ 1,000 | \$(1,000) (B) | \$ - |
| Current portion of long-term debt | 917 | - | | 917 |
| Accounts payable | 5,713 | 4,229 | (4,229) (B) | 5,713 |
| Other current liabilities | 8,850 | 1,399 | (1,399) (B) 495 (G) | 9,345 |
| | ----- | ----- | ----- | ----- |
| Total current liabilities | 15,480 | 6,628 | (6,133) | 15,975 |
| Long-term debt | 3,628 | 1,650 | (1,650) (B) 12,000 (H) | 15,628 |
| | ----- | ----- | ----- | ----- |
| Stockholders' equity: | | | | |
| Common stock and additional paid-in capital | 27,705 | 202 | (202) (E) 6,054 (I) | 33,759 |
| Retained earnings | 10,676 | 6,127 | (6,127) (B) | 10,676 |
| Treasury stock | - | (110) | 110 (B) | 0 |
| Accumulated other comprehensive loss | (801) | - | | (801) |
| | ----- | ----- | ----- | ----- |
| Total stockholders' equity | 37,580 | 6,219 | (165) | 43,634 |
| | ----- | ----- | ----- | ----- |
| | \$ 56,688 | \$14,497 | \$ 4,052 | \$ 75,237 |
| | ===== | ===== | ===== | ===== |

CALIFORNIA AMPLIFIER, INC.

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NOTES TO PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET
(In thousands except share and per share amounts)

- (A) To reflect the proceeds of new bank term loan, cash paid for direct costs of acquisition and debt issuance costs, and eliminate Kaul-Tronics' cash balance, as follows:

| | |
|--|------------|
| Proceeds of bank term loan | \$12,000 |
| Cash paid to Kaul-Tronics sellers | (16,063) |
| Cash paid for other direct costs of Kaul-Tronics acquisition | (525) |
| Cash paid for debt issuance costs | (115) |
| | ----- |
| | \$ (4,703) |
| | ===== |

- (B) To eliminate those assets, liabilities and equity balances of Kaul-Tronics which were not acquired by California Amplifier, as follows:

| | |
|---|------------|
| Cash | \$ (2,287) |
| Accounts receivable, net | (6,550) |
| Other assets | (459) |
| Bank line of credit payable | (1,000) |
| Accounts payable | (4,229) |
| Other current liabilities | (1,399) |
| Long-term debt | (1,650) |
| Common stock and additional paid-in capital | (202) |
| Retained earnings | (6,127) |
| Treasury stock | 110 |

- (C) To adjust the carrying value of assets acquired to fair market value, as follows:

| | |
|-----------------------------|----------|
| Inventories | \$ (518) |
| Prepaid expenses | (1) |
| Property and equipment, net | 430 |
| | ----- |
| | \$ (89) |
| | ===== |

- (D) To reflect as goodwill the excess of cost over the fair value of assets acquired and liabilities assumed (see computation at (J) below)

\$17,625
=====

- (E) To reflect debt issue costs on new bank term loan

\$ 115
=====

- (F) To reflect value ascribed to non-compete agreements entered into with Kaul-Tronics sellers

\$ 400
=====

- (G) To reflect accrued liabilities of Kaul-Tronics which were assumed by California Amplifier, as follows:

| | |
|----------------------------|--------|
| Accrued vacation liability | \$ 207 |
|----------------------------|--------|

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| | | |
|--|----------|----------|
| Customer deposits liability | 288 | |
| | ----- | |
| | \$ 495 | |
| | ===== | |
| | | |
| (H) To reflect the issuance of a bank term loan payable to partially finance the cash portion of the purchase price. | | \$12,000 |
| | | ===== |
| | | |
| (I) To reflect California Amplifier common stock issued as partial consideration for the purchase, as follows: | | |
| Number of common stock shares issued | 929,086 | |
| Multiplied by the fair market value per share at time of issuance | x \$6.57 | |
| | ----- | |
| | | \$ 6,104 |
| Less stock registration costs | | (50) |
| | | ----- |
| Fair value of common stock issued | | \$ 6,054 |
| | | ===== |
| | | |
| (J) Following is a computation of the excess of cost over the value of net assets acquired (goodwill): | | |
| Cash paid to sellers | | \$16,063 |
| Value of common stock issued to sellers | | 6,054 |
| Direct costs of acquisition including legal, accounting and financial advisory fees | | 525 |
| | | ----- |
| Total cost of Kaul-Tronics acquisition | | 22,642 |
| Fair value of net assets acquired: | | |
| Inventory | | 1,030 |
| Prepaid expenses | | 4 |
| Property and equipment | | 4,078 |
| Non-compete agreements | | 400 |
| Accrued liabilities assumed | | (495) |
| | | ----- |
| Total fair value of net assets acquired | | 5,017 |
| | | ----- |
| Goodwill | | \$17,625 |
| | | ===== |

CALIFORNIA AMPLIFIER, INC.
PRO FORMA CONDENSED STATEMENT OF OPERATIONS
YEAR ENDED JUNE 30, 1998
(Unaudited)
(In thousands except per share amounts)

| | | | |
|---------------------|-----------|-------------|-------|
| /-- Historical ---/ | | | |
| | Kaul- | | Pro |
| California | Tronics | Pro Forma | Forma |
| Amplifier | Group (A) | Adjustments | Total |

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| | | | | |
|---|-----------|----------|-------------|-----------|
| Sales | \$100,715 | \$37,391 | | \$138,106 |
| Cost of goods sold | 77,834 | 29,927 | | 107,761 |
| Gross profit | 22,881 | 7,464 | | 30,345 |
| Operating expenses: | | | | |
| Research and development | 7,583 | 203 | | 7,786 |
| Selling | 2,299 | 135 | | 2,434 |
| General and administrative | 7,740 | 1,652 | | 9,392 |
| Impairment charges | - | 422 | | 422 |
| Total operating expenses | 17,622 | 2,412 | | 20,034 |
| Operating income | 5,259 | 5,052 | | 10,311 |
| Non-operating income (expense): | | | | |
| Settlement of litigation | (1,125) | - | | (1,125) |
| Other income (expense) | 47 | (240) | (480) (B) | (692) |
| | | | (19) (C) | |
| Total non-operating expense | (1,078) | (240) | (499) | (1,817) |
| Income from continuing operations before income taxes | 4,181 | 4,812 | (499) | 8,494 |
| Provision for income taxes | (1,307) | - | (1,829) (D) | (2,980) |
| | | | 156 (E) | |
| Income from continuing operations | \$ 2,874 | \$4,812 | \$ (2,172) | \$ 5,514 |
| Income from continuing operations per share: | | | | |
| Basic | \$ 0.21 | | | \$ 0.38 |
| Diluted | \$ 0.21 | | | \$ 0.37 |
| Shares used in computing per share income: | | | | |
| Basic | 13,727 | | 929 | 14,656 |
| Diluted | 13,979 | | 929 | 14,908 |

CALIFORNIA AMPLIFIER, INC.
NOTES TO PRO FORMA CONDENSED INCOME STATEMENT
YEAR ENDED FEBRUARY 28, 2002
(\$ in thousands)

(A) The revenue, cost and expense amounts shown for Kaul-Tronics Group are the historical amounts for Kaul-Tronics Group's fiscal year ended December 31, 2001. Subsequent to December 31, 2001, sales volume with a significant customer of Kaul-Tronics Group declined substantially. This customer accounted for approximately 25% of the sales of Kaul-Tronics Group during 2001. California Amplifier management expects the sales volume

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with this customer to recover in the future, but there can be no assurances when such business will return, or whether it will return to the same levels as previously experienced. Primarily for this reason, the financial results of Kaul-Tronics Group for the year ended December 31, 2001 are not necessarily indicative of the operating results which Kaul-Tronics Group can be expected to achieve in the future.

- (B) To reflect interest expense on the \$12 million bank term loan payable which partially financed the cash portion of the purchase price. The interest rate on the new debt is assumed to be 4.0%. A change of 1/4 percent in the interest rate would result in a change in interest expense and income from continuing operations of \$30k and \$21k, before and after taxes, respectively. \$ 480
=====

- (C) To reflect amortization of debt issue costs of \$115k over the six year life of the \$12 million bank term loan payable. \$ 19
=====

- (D) Kaul-Tronics Group is organized as an S-Corp for income tax purposes and therefore does not record income tax expense. This pro forma adjustment is to reflect imputed income tax expense on Kaul-Tronics' pretax income at an effective federal and state combined rate of 39%. \$1,829
=====

- (E) To reflect the income tax effect of increased interest expense and debt issue cost amortization expense using an effective tax rate of 31.3%. \$ 156
=====