



ANNUAL REPORT

2010

Microwave Instruments | Switching & RF Interfaces | Microwave Modules & Components

Celebrating **30** years

To Our Shareholders,

I'm pleased to report the Company's return to profitability for its 2010 fiscal year.

On \$19M in sales, Giga-tronics produced a net profit of 6.8% during a very difficult year. Sales increased 9.4% over the previous year, led by our fast tuning YIG filter programs supporting the Armed Service's F/A-18 and F-15C/E fighter jets. We also experienced a solid 43% growth in our switching business with important entry into the commercial semiconductor market for the first time. Unfortunately, FY2010 wasn't a normal year for the Company's instrument business, with sales of our standard synthesizers, amplifiers, and power meter products down by 12% over last year. This decline was primarily due to softness in the capital markets, but intense price competition among instrument manufacturers also contributed. As the year progressed, Giga-tronics transitioned from an atmosphere of austerity to an environment where a number of positive changes could be implemented, such as, granting our employees a wage and salary increase, paying off our line-of-credit, building our cash reserves to over \$3M, and filling critical positions with new talent. Overall, Giga-tronics ended FY2010 with good progress on its turnaround journey.

During fiscal 2010, Giga-tronics reorganized its domestic sales team adding a direct selling channel for the switching and component businesses and separate business development leadership for each product line. We closed our China office, as it did not deliver the intended results and have returned to managing our distributors in this territory directly from the San Ramon headquarters. We still believe the Chinese market is important to growing our international business and we are now evaluating alternatives for improving our presence in Asia. During the year, we also established capability for the repair and calibration of our microwave instruments in Europe, initially to provide local support to our customers involved with the Euro-fighter program, but also to match our competitors' ability to deliver superior customer service within the region, including the Middle East.

At the factory, we took steps to further consolidate operations, transferring order and service administration, as well as, the procurement function from our Microsource subsidiary in Santa Rosa to the Company's headquarters in San Ramon with these functions now fully integrated within each respective department there. Our San Ramon operation earned the AS-9100A quality certification during the year. This is the more stringent Aerospace version of ISO-9000 and was required for the development contract we received in support of the US Air Force RADAR Modernization Program connected with the F-15C/E fighter jet. The Microsource facility in Santa Rosa is already certified at the AS-9100A level. We also made the decision to extend the lease commitment to our San Ramon landlord for another 5 years and were able to negotiate favorable terms saving the Company more than \$800K over the lease term.

This year we focused more development energy on new switching products, introducing three new chassis with LAN interfaces to support our direct and OEM customers. We also began offering integration services to our customers who have requested help with their RF interfaces. This is an outgrowth of our long tradition of offering semi-custom switching subsystems and design consulting services. In addition, we continued to broaden our instrument line, introducing a 50 GHz power amplifier and two new USB Sensors covering frequencies up to 18 and 26.5 GHz. Throughout the year, we continued development of the new fast tuning YIG filter for the F-15C/E, meeting all

performance milestones on schedule for the program. Another noteworthy component introduced during the year was an 8 GHz fast switching electronic attenuator originally offered as an option on our 2508B high performance signal generator which delivers extremely low insertion loss and low harmonic regeneration. Giga-tronics was granted a patent this year for the component's unique design, bringing the total to 28 active patents in our portfolio.

Looking ahead to next year, we plan on continued growth in our switching business with the completion of the Series 8000 and Cross Point Matrix switches. These products will open new doors in the wireless telecommunication and semi-conductor markets. We are pleased that the Boeing 787 should be flying by the end of the year, as this will provide substantially increased sales opportunities for our sole-source depot switch subsystem. We will continue to focus on the RF interface market within our traditional customer base as well as through direct selling efforts to find new opportunities. Our long-term investments in new instruments are moving ahead as we complete the family of 50 GHz synthesizers, amplifiers, power meters and sensors. With our component business development manager, we have found new and expansive applications not only for our YIG oscillators and filters but also for our Advanced Synthesizer modules. We have joined both the LXI and AXIe industry groups to make sure Giga-tronics has access to and input into the latest technologies relating to test and measurement instrumentation.

As I start my fifth year as CEO, I am excited to realize the benefits that I believe will accrue this year. The current senior management team has been together now for two or more years, we have a new direct switch and component sales team, we have pushed into new and exciting growth markets, and we have the products available to take advantage of these opportunities.

Sincerely,


John R. Regazzi
Chief Executive Officer

CORPORATE PROFILE

For the fiscal year ended March 27th, 2010, Giga-tronics has three main product lines comprised of high performance microwave test equipment, standard and customized switching solutions, and standard and custom designed microwave YIG oscillators, YIG filters and hybrid components. Our general purpose test business focuses on the military and aerospace industries as well as specific niches within the semiconductor test, wireless infrastructure, and handset manufacturing segments of commercial communications. Our switching solution business serves the military and aerospace market for automatic test equipment (ATE) used in maintenance and support, and serves commercial test applications in the high volume manufacturing of handheld consumer products and semiconductor components. Our custom microwave components are designed for operational use within specific military programs or as OEM for other manufacturers.

Giga-tronics sells its products through an indirect sales channel within the US and through distributors internationally. During fiscal 2010, the Company strengthened its direct selling of switching and components to augment the existing indirect channel for these products. The Company employs approximately 100 people and designs and manufactures its products exclusively in San Ramon and Santa Rosa California.

Our general purpose test product line consists of high performance microwave synthesizers, power meters, high power amplifiers, and low cost USB sensors. These products are available in both bench and modular form factors and are used by engineers in the design of new products, on the production line for test and calibration of new products, and in the field for maintenance and re-calibration of antennas, electronic systems, and equipment.

Our switching products provide the ATE engineer with a method of routing signals with high integrity between the specific device under test and the general purpose test equipment within the automated system. Switch products are available to switch voltage, current, radio frequency signals, and impedances and are generally modular in nature, although bench form factors are available for microwave applications.

Our component business leverages our vertical integration in high performance instruments by making our IP and design expertise available to outside firms interested in outsourcing R&D or for situations where our knowledge of YIG technology and frequency synthesis can solve specific problems in signal generation or signal interference.

Users of Giga-tronics products include Lockheed Martin, Northrop Grumman, BAE, Raytheon, Boeing, Teradyne, the US Armed Services, the FAA, Motorola, LTX, Nokia, and Cisco in the US. Internationally, Giga-tronics serves the MODs and Government Institutes around the world, as well as, commercial wireless communication companies worldwide.

FORM 10-K

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

For the fiscal year ended March 27, 2010,

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

Common Stock, No par value

Name of each exchange on which registered

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 whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-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 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]

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 26, 2009 was \$8,090,172.

There were a total of 4,910,144 shares of the Registrant's Common Stock outstanding as of May 25, 2010.

DOCUMENTS INCORPORATED BY REFERENCE

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

<u>PART OF FORM 10-K</u>	<u>DOCUMENT</u>
PART III	Registrant's PROXY STATEMENT for its 2010 Annual Meeting of Shareholders to be filed no later than 120 days after the close of the fiscal year ended March 27, 2010.

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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 best 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 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, commercial aviation and semiconductors.

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) are easy to use and 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.

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 31 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 27, 2010. Accordingly, these patents have no recorded value included in the Company's fiscal 2010 and 2009 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 adequate levels 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 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 2011. U.S. and international defense-related agencies accounted for 65% and 64% of net sales in fiscal 2010 and 2009, respectively. Commercial business accounted for the remaining 35% and 36% of net sales in fiscal 2010 and 2009, 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 2010 and 2009, Giga-tronics Division derived 55% of its net sales from the U.S. government defense agencies and their prime subcontractors.

During fiscal 2010, Microsource derived 19% of its net sales from an electronic instrument manufacturer and 74% of its net sales from the U.S. government defense agencies and their prime contractors. 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.

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 2010 or 2009.

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 27, 2010, the Company's backlog of unfilled order was approximately \$8,496,000 compared to approximately \$9,105,000 at March 28, 2009. As of March 27, 2010, there were approximately \$897,000 in unfilled orders that were scheduled for shipment beyond one year, as compared to approximately \$2,295,000 at March 28, 2009. 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 for its instrument product but sells primarily direct on its switch and component products, 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 2010, product development expenses totaled approximately \$1,522,000 excluding non-recurring engineering (NRE) costs. In fiscal 2009, product development expenses were \$1,975,000 excluding NRE costs.

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 synthesizers, 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 27, 2010, 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

(Dollars in thousands)	% of total			
	2010	2009	2010	2009
Domestic	\$ 15,092	\$ 13,490	79.0%	77.0%
International	3,965	3,931	21.0%	23.0%
Total	\$ 19,057	\$ 17,421		

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

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 occur, 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 lower 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 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 \$1,500,000. The Company borrowed \$500,000 in the first quarter of fiscal 2010, but repaid it prior to March 27, 2010.

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 27, 2010, 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 square feet in San Ramon, California, which the Company occupies under a lease agreement expiring December 31, 2016.

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 27, 2010, 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. RESERVED

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 27, 2010 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.

	2010	High	Low	2009	High	Low
First Quarter	(3/29 - 6/27)	\$1.66	\$1.00	(3/30 - 6/28)	\$1.80	\$1.26
Second Quarter	(6/28 - 9/26)	2.14	1.21	(6/29 - 9/27)	1.25	0.80
Third Quarter	(9/27 - 12/26)	3.52	1.80	(9/28 - 12/27)	1.00	0.50
Fourth Quarter	(12/27 - 3/27)	3.26	2.15	(12/28 - 3/28)	1.21	0.55

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 27, 2010.

Equity Compensation Plan Information

Plan Category	No. of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted average exercise price of outstanding options, warrants and rights	No. of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved			
by security holders	891,027	\$1.8812	342,475
Equity compensation plans not approved			
by security holders	n/a	n/a	n/a
Total	891,027	\$1.8812	342,475

Issuer Repurchases

The Company did not repurchase any of its equity securities during the fiscal year ended March 27, 2010.

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:

(In thousands except per share data)	Years Ended				
	March 27, 2010	March 28, 2009	March 29, 2008	March 31, 2007	March 25, 2006
Net sales	\$ 19,057	\$ 17,421	\$ 18,331	\$ 18,048	\$ 20,620
Gross profit	8,435	7,504	7,748	7,546	8,300
Operating expenses	7,117	7,914	7,939	9,548	9,316
Interest (expense) income, net	(16)	7	36	108	32
Pre-tax income (loss) from continuing operations	1,302	(403)	(201)	(1,894)	(984)
Provision for income taxes	2	2	2	1	4
Income (loss) from continuing operations	1,300	(405)	(203)	(1,895)	(988)
Income (loss) on discontinued operations, net of income taxes	---	75	(31)	28	27
Net income (loss)	\$ 1,300	\$ (330)	\$ (234)	\$ (1,867)	\$ (961)
Basic earnings (loss) per share:					
From continuing operations	\$ 0.27	\$ (0.08)	\$ (0.04)	\$ (0.40)	\$ (0.21)
On discontinued operations	---	0.01	(0.01)	0.01	0.01
Net earnings (loss) per share - basic	\$ 0.27	\$ (0.07)	\$ (0.05)	\$ (0.39)	\$ (0.20)

Diluted earnings (loss) per share:

From continuing operations	\$ 0.26	\$ (0.08)	\$ (0.04)	\$ (0.40)	\$ (0.21)
On discontinued operations	---	0.01	(0.01)	0.01	0.01
Net earnings (loss) per share - diluted	\$ 0.26	\$ (0.07)	\$ (0.05)	\$ (0.39)	\$ (0.20)

Shares of common stock - basic

Shares of common stock - diluted

4,846	4,824	4,813	4,809	4,782
4,907	4,824	4,813	4,809	4,782

Financial Position:

(In thousands except per share data)	Years Ended				
	March 27, 2010	March 28, 2009	March 29, 2008	March 31, 2007	March 25, 2006
Current ratio	2.78	3.14	3.68	3.09	3.93
Working Capital	\$ 8,683	\$ 7,131	\$ 7,231	\$ 7,280	\$ 8,856
Total assets	\$ 13,919	\$ 10,789	\$ 10,361	\$ 11,161	\$ 12,346
Shareholders' equity	\$ 8,943	\$ 7,332	\$ 7,392	\$ 7,393	\$ 9,098

Percentage Data:

(Percentage of net sales)	Years Ended				
	March 27, 2010	March 28, 2009	March 29, 2008	March 31, 2007	March 25, 2006
Gross profit	44.3%	43.1%	42.3%	41.8%	40.3%
Operating expenses	37.3%	45.4%	43.3%	52.9%	45.2%
Interest (expense) income, net	(0.1%)	0.0%	0.2%	0.6%	0.1%
Pre-tax income (loss) from continuing operations	6.8%	(2.3%)	(1.1%)	(10.5%)	(4.8%)
Income (loss) on discontinued operations, net of income taxes	0.0%	0.4%	(0.2%)	0.2%	0.1%
Net income (loss)	6.8%	(1.9%)	(1.3%)	(10.3%)	(4.7%)

SELECTED CONSOLIDATED FINANCIAL DATA

The following is a summary of unaudited results of operations for the fiscal years ended March 27, 2010 and March 28, 2009.

Quarterly Financial Information (Unaudited)	2010				
(In thousands except per share data)	First	Second	Third	Fourth	Year
Net sales	\$ 4,469	\$ 4,623	\$ 4,784	\$ 5,181	\$ 19,057
Gross profit	2,114	2,113	2,054	2,154	8,435
Operating expenses	1,775	1,734	1,738	1,870	7,117
Interest expense, net	(3)	(6)	(7)	---	(16)
Pre-tax income from continuing operations	335	373	309	285	1,302
Provision for income taxes	2	---	---	---	2
Income from continuing operations	333	373	309	285	1,300
Income on discontinued operations, net of income taxes	---	---	---	---	---
Net income	\$ 333	\$ 373	\$ 309	\$ 285	\$ 1,300
Earnings per share – basic	\$ 0.07	\$ 0.08	\$ 0.06	\$ 0.06	\$ 0.27
Earnings per share – diluted	\$ 0.07	\$ 0.08	\$ 0.06	\$ 0.06	\$ 0.26
Shares of common stock – basic	4,824	4,828	4,846	4,887	4,846
Shares of common stock – diluted	4,826	4,844	4,940	5,013	4,907

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
Pre-tax income (loss) from continuing operations	(520)	(615)	349	383	(403)
Provision for income taxes	2	---	---	---	2
Income (loss) from continuing operations	(522)	(615)	349	383	(405)
Income (loss) on discontinued operations, net of income taxes	---	75	---	---	75
Net income (loss)	\$ (522)	\$ (540)	\$ 349	\$ 383	\$ (330)
Basic earnings (loss) per share:					
From continuing operations	\$ (0.11)	\$ (0.13)	\$ 0.07	\$ 0.08	\$ (0.08)
On discontinued operations	---	0.02	---	---	0.01
Net earnings (loss) per share - basic	\$ (0.11)	\$ (0.11)	\$ 0.07	\$ 0.08	\$ (0.07)
Diluted earnings (loss) per share:					
From continuing operations	\$ (0.11)	\$ (0.13)	\$ 0.07	\$ 0.08	\$ (0.08)
On discontinued operations	---	0.02	---	---	0.01
Net earnings (loss) per share - diluted	\$ (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

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 2010 versus fiscal 2009 whereas on a year-to-date basis, commercial orders are slightly down in fiscal 2010 versus fiscal 2009.

The Company continues to monitor costs, including reductions in personnel, facilities and other expenses, to more appropriately align costs with revenues. Microsource sales and marketing and engineering activities were 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	
	2010	2009	2008	2010 vs. 2009	2009 vs. 2008
(Dollars in thousands)					
Giga-tronics	\$ 11,387	\$ 11,599	\$ 13,795	(2%)	(16%)
Microsource	7,061	7,399	3,625	(5%)	104%
Total	\$ 18,448	\$ 18,998	\$ 17,420	(3%)	9%

New orders received in fiscal 2010 decreased 3% to \$18,448,000 from the \$18,998,000 received in fiscal 2009. New orders decreased primarily due to a decrease in commercial orders.

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.

In fiscal 2010, orders at Giga-tronics Division decreased primarily due to a decrease in military demand for its products whereas orders at Microsource decreased primarily due to a decrease in commercial demand for its products.

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.

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

Backlog				% change	
	2010	2009	2008	2010 vs. 2009	2009 vs. 2008
(Dollars in thousands)					
Backlog of unfilled orders	\$ 8,496	\$ 9,105	\$ 7,528	(7%)	21%
Backlog of unfilled orders shippable within one year	7,599	6,810	4,604	12%	48%
Previous fiscal year end (FYE) long term backlog reclassified during year as shippable within one year	2,414	1,382	425	(75.1%)	286%
Net cancellations during year of previous FYE one-year backlog	---	---	---	---	---

The decrease in backlog at year-end 2010 of 7% was primarily due to increased shipments.

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

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

Allocation of Net Sales				% change	
	2010	2009	2008	2010 vs. 2009	2009 vs. 2008
(Dollars in thousands)					
Commercial	\$ 6,743	\$ 6,303	\$ 7,020	7%	(10%)
Government / Defense	12,314	11,118	11,311	11%	(2%)
Total	\$ 19,057	\$ 17,421	\$ 18,331	9%	(5%)

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

Allocation of Net Sales by Segment				% change	
	2010	2009	2008	2010 vs. 2009	2009 vs. 2008
(Dollars in thousands)					
<u>Giga-tronics Division</u>					
Commercial	\$ 4,882	\$ 4,694	\$ 5,282	4%	(11%)
Government / Defense	7,119	6,989	9,264	2%	(25%)
Total	\$ 12,001	\$ 11,683	\$ 14,546	3%	(20%)
<u>Microsource</u>					
Commercial	\$ 1,861	\$ 1,609	\$ 1,738	16%	(7%)
Government / Defense	5,195	4,129	2,047	26%	102%
Total	\$ 7,056	\$ 5,738	\$ 3,785	23%	52%

Fiscal 2010 net sales were \$19,057,000, a 9% increase from the \$17,421,000 of net sales in 2009. The increase in sales was primarily due to an increase in military shipments. Sales at Giga-tronics Division increased 3% or \$318,000. Microsource sales increased 23% or \$1,318,000.

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.

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

Cost of Sales				% change	
				2010	2009
				vs.	vs.
(Dollars in thousands)	2010	2009	2008	2009	2008
Cost of sales	\$ 10,622	\$ 9,917	\$ 10,583	7%	(6%)

In fiscal 2010, cost of sales increased 7% to \$10,622,000 from \$9,917,000 in fiscal 2009, driven by an increase in sales.

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.

Operating expenses were as follows for the fiscal years shown:

Operating Expenses				% change	
				2010	2009
				vs.	vs.
(Dollars in thousands)	2010	2009	2008	2009	2008
Engineering	\$ 1,522	\$ 1,975	\$ 2,248	(23%)	(12%)
Selling, general and administrative	5,595	5,939	5,538	(6%)	7%
Restructuring	---	---	153	0%	(100%)
Total	\$ 7,117	\$ 7,914	\$ 7,939	(10%)	0%

Operating expenses decreased \$797,000 in fiscal 2010 over 2009 due to a decrease of \$453,000 in product development expenses excluding NRE costs and a decrease of \$344,000 in selling, general and administrative expense. The decrease in selling, general and administrative expense is a result of higher marketing expense of \$8,000 offset by lower administrative expense of \$194,000 and lower commission expense of \$158,000. The Company recorded \$187,000 of share based compensation expense in fiscal 2010.

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. The Company recorded \$270,000 of share based compensation expense in fiscal 2009.

Net interest expense in 2010 increased by \$21,000 due to bank borrowing on our line of credit throughout the year.

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

Giga-tronics recorded a net profit of \$1,300,000 or \$0.26 per fully diluted share for fiscal 2010 versus a net loss of \$330,000 or \$0.07 per fully diluted share in fiscal 2009.

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.

Inventories consist of the following:

Net Inventories	% change		
			2010
			vs.
(Dollars in thousands)	2010	2009	2009
Raw materials	\$ 3,337	\$ 3,263	2%
Work-in-progress	1,930	1,127	71%
Finished goods	128	559	(77%)
Demonstration inventory	408	460	(11%)
Total	\$ 5,803	\$ 5,409	7%

Inventories increased by \$394,000 at fiscal year end 2010 compared to the prior fiscal year end, primarily due to procurement of long lead items required on the Boeing funded contracts.

Financial Condition and Liquidity

As of March 27, 2010, Giga-tronics had \$3,074,000 in cash and cash-equivalents, compared to \$1,518,000 as of March 28, 2009.

Working capital for the 2010 fiscal year end was \$8,683,000, compared to \$7,131,000 in 2009 and \$7,231,000 in 2008. The increase in working capital at 2010 from 2009 was primarily due to the operating profit in the year, which was previously inventoried. In the fourth quarter, the inventory was liquidated as it was sold. In addition, the Company utilized its lease rent abatement in the fourth quarter. Furthermore, the Company was awarded a contract that provided funding for procurement of inventory. The decrease in working capital at 2009 from 2008 was primarily due to the operating loss in the year.

The Company's current ratio (current assets divided by current liabilities) at March 27, 2010 was 2.8 compared to 3.1 on March 28, 2009 and 3.7 on March 29, 2008. At March 27, 2010 the decrease was primarily the result of cash received on funded projects. The cash received is recorded equally as an asset and liability, however it results in having a deteriorious effect on the ratio. 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.

Cash provided by operations amounted to \$1,532,000 in 2010. Cash used in operations amounted to \$300,000 in 2009. Cash provided by operations amounted to \$220,000 in 2008. Cash provided by operations in 2010 was primarily attributed to the operating profit for the year. 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.

Additions to property and equipment were \$152,000 in 2010 compared to \$69,000 in 2009 and \$206,000 in 2008. The capital equipment spending in fiscal 2010 and 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.

Other cash inflows in 2010 consisted of \$124,000 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 December 2016. Total future minimum lease payments under these leases amount to approximately \$5,180,000.

The Company leases equipment under capital leases that expire through October 2011. The future minimum lease payments under these leases amount to approximately \$93,000.

The Company is committed to purchase certain inventory under non-cancelable purchase orders. As of March 27, 2010, total non-cancelable purchase orders were approximately \$860,000 through fiscal 2011 and \$112,000 beyond fiscal 2011 and were scheduled to be delivered to the Company at various dates through April 2012.

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
Facility leases	\$ 652	\$ 1,978	\$ 1,350	\$ 1,200
Capital leases	59	34	---	---
Purchase obligations	860	112	---	---
Total	\$ 1,571	\$ 2,128	\$ 1,350	\$ 1,200

Critical Accounting Policies

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

Revenue Recognition

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

Product Warranties

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

Accounts Receivable

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

Inventory

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

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 both positive and negative evidence and tax planning strategies in making this assessment. Based on the historical taxable income and uncertainty over the Company's ability to generate income sufficient to realize deferred tax assets in the periods in which they become deductible, management has established a valuation allowance against its net deferred tax assets as of March 27, 2010 and March 28, 2009.

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

Off-Balance-Sheet Arrangements

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

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

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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CONSOLIDATED BALANCE SHEETS

(In thousands except share data)	March 27, 2010	March 28, 2009
Assets		
Current Assets		
Cash and cash equivalents	\$ 3,074	\$ 1,518
Trade accounts receivable, net of allowance of \$95 and \$102, respectively	4,332	3,110
Inventories, net	5,803	5,409
Prepaid expenses and other current assets	383	430
Total current assets	13,592	10,467
Property and equipment		
Leasehold improvements	315	373
Machinery and equipment	15,590	15,462
Office furniture and fixtures	786	788
Total property and equipment	16,691	16,623
Less accumulated depreciation and amortization	16,380	16,317
Property and equipment, net	311	306
Other assets	16	16
Total assets	\$ 13,919	\$ 10,789
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable	\$ 881	\$ 1,219
Accrued commission	227	144
Accrued payroll and benefits	698	397
Accrued warranty	139	177
Deferred revenue	2,682	959
Deferred rent	---	118
Capital lease obligations	57	16
Other current liabilities	225	306
Total current liabilities	4,909	3,336
Long term obligation - Deferred rent	31	96
Long term obligation - Capital lease	36	25
Total liabilities	4,976	3,457
Commitments and contingencies	---	---
Shareholders' equity		
Preferred stock of no par value; Authorized 1,000,000 shares; no shares outstanding at March 27, 2010 and March 28, 2009	---	---
Common stock of no par value; Authorized 40,000,000 shares; 4,891,394 shares at March 27, 2010 and 4,824,021 at March 28, 2009 issued and outstanding	13,979	13,668
Accumulated deficit	(5,036)	(6,336)
Total shareholders' equity	8,943	7,332
Total liabilities and shareholders' equity	\$ 13,919	\$ 10,789

See Accompanying Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands except per share data)	Years Ended	
	March 27, 2010	March 28, 2009
Net sales	\$ 19,057	\$ 17,421
Cost of sales	10,622	9,917
Gross profit	8,435	7,504
Engineering	1,522	1,975
Selling, general and administrative	5,595	5,939
Total operating expenses	7,117	7,914
Operating income (loss) from continuing operations	1,318	(410)
Interest (expense) income, net	(16)	7
Income (loss) from continuing operations before income taxes	1,302	(403)
Provision for income taxes	2	2
Income (loss) from continuing operations	1,300	(405)
Income on discontinued operations, net of income taxes of nil for 2010 and 2009	---	75
Net income (loss)	\$ 1,300	\$ (330)
Basic earnings (loss) per share:		
From continuing operations	\$ 0.27	\$ (0.08)
On discontinued operations	---	0.01
Net earnings (loss) per share - basic	\$ 0.27	\$ (0.07)
Diluted earnings (loss) per share:		
From continuing operations	\$ 0.26	\$ (0.08)
On discontinued operations	---	0.01
Net earnings (loss) per share - diluted	\$ 0.26	\$ (0.07)
Shares used in per share calculation:		
Basic	4,846	4,824
Diluted	4,907	4,824

See Accompanying Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(In thousands except share data)	Shares	Amount	Accumulated Deficit	Total
Balance at March 29, 2008	4,824,021	13,398	(6,006)	7,392
Net loss			(330)	(330)
Share based compensation	---	270	---	270
Stock issuance under stock option plans	---	---	---	---
Balance at March 28, 2009	4,824,021	13,668	(6,336)	7,332
Net income			1,300	1,300
Share based compensation	---	187	---	187
Stock issuance under stock option plans	67,373	124	---	124
Balance at March 27, 2010	4,891,394	\$ 13,979	\$ (5,036)	\$ 8,943

See Accompanying Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)	Years Ended	
	March 27, 2010	March 28, 2009
Cash flows from operations:		
Net income (loss)	\$ 1,300	\$ (330)
Adjustments to reconcile net loss to net cash provided by (used in) operations:		
Net provision for doubtful accounts	7	9
Depreciation and amortization	146	162
Loss on sale of fixed asset	1	---
Share based compensation	187	270
Deferred rent	(183)	(343)
Changes in operating assets and liabilities:		
Trade accounts receivable	(1,229)	(426)
Inventories	(394)	(401)
Prepaid expenses and other assets	47	(47)
Accounts payable	(338)	570
Accrued commissions	83	(37)
Accrued payroll and benefits	301	(129)
Accrued warranty	(38)	(13)
Deferred revenue	1,723	313
Other current liabilities	(81)	102
Net cash provided by (used in) operations	1,532	(300)
Cash flows from investing activities:		
Proceeds from sales of equipment	---	1
Purchases of property and equipment	(152)	(69)
Net cash used in investing activities	(152)	(68)
Cash flows from financing activities:		
Proceeds from capital lease	52	41
Issuance of common stock	124	---
Net cash provided by financing activities	176	41
Increase (decrease) in cash and cash equivalents	1,556	(327)
Beginning cash and cash equivalents	1,518	1,845
Ending cash and cash equivalents	\$ 3,074	\$ 1,518
Supplementary disclosure of cash flow information:		
Cash paid for income taxes	\$ 4	\$ 2
Cash paid for interest	21	---

See Accompanying Notes to Consolidated Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 Summary of Significant Accounting Policies

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

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

Use of Estimates The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fiscal Year The Company’s financial reporting year consists of either a 52 week or 53 week period ending on the last Saturday of the month of March. Both fiscal year 2010 and 2009 contained 52 weeks. All references to years in the consolidated financial statements relate to fiscal years rather than calendar years.

Reclassifications Certain reclassifications, none of which affected net income (loss), have been made to prior year balances in order to conform to the current year presentation.

Revenue Recognition Revenue is recorded when there is evidence of an arrangement, delivery has occurred, the price is fixed or determinable, and collectability is reasonably assured. This occurs when products are shipped, unless the arrangement involves acceptance terms. If the arrangement involves acceptance terms, the Company defers revenue until product acceptance is received. Further, sales made to distributors do not include price protection or product return rights, except for product defects covered under warranty arrangements. The Company has no other post-shipment obligations. The Company reports freight costs paid for shipments to customers as cost of sales.

The Company has estimated an allowance for uncollectable accounts based on analysis of specifically identified accounts, outstanding receivables, consideration of the age of those receivables and the Company’s historical collection experience. The activity in the reserve account is as follows:

(Dollars in thousands)	March 27, 2010	March 28, 2009
Beginning balance	\$ 102	\$ 93
Provision for doubtful accounts	7	9
Recoveries of doubtful accounts	---	---
Write-off of doubtful accounts	(14)	---
Ending balance	\$ 95	\$ 102

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

Inventories Inventories are stated at the lower of cost or market. Cost is determined on a first-in, first-out basis.

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

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If such review indicates that the carrying amount of an asset exceeds the sum of its expected future cash flows on an undiscounted basis, the asset's carrying amount would be written down to fair value. Additionally, the Company reports long-lived assets to be disposed of at the lower of carrying amount or fair value less cost to sell. As of March 27, 2010 and March 28, 2009, management believes there has been no impairment of the Company's long-lived assets.

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

Income Taxes Income taxes are accounted for using the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred income tax assets and liabilities are measured using enacted tax rates that apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Future tax benefits are subject to a valuation allowance when management is unable to conclude that its deferred income tax assets will more likely than not be realized from the results of operations. The ultimate realization of deferred income tax assets is dependent upon generation of future taxable income during the periods in which those temporary differences become deductible. Management considers both positive and negative evidence and tax planning strategies in making this assessment. Based on the historical taxable income and uncertainty over the Company's ability to generate income sufficient to realize deferred tax assets in the periods in which they become deductible, management has established a valuation allowance against its net deferred tax assets as of March 27, 2010 and March 28, 2009.

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 product development costs are charged to operations as incurred. There were no capitalized pre-production costs included in other assets as of March 27, 2010 and March 28, 2009.

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

Share-based Compensation The Company established a 2005 Equity Incentive Plan, which provides for the granting of options for up to 700,000 shares of Common Stock. The Company records share-based compensation expense for the fair value of all stock options that are ultimately expected to vest as the requisite service is rendered.

The cash flows resulting from the tax benefits resulting from tax deductions in excess of the compensation cost recognized for those options (excess tax benefits) are classified as a cash flows from financing in the statements of cash flows. These excess tax benefits were not significant for the Company for the fiscal year ended March 27, 2010. There were no excess tax benefits for the fiscal year ended March 28, 2009.

In calculating compensation related to stock option grants, the fair value of each stock option is estimated on the date of grant using the Black-Scholes-Merton option-pricing model and the following weighted-average assumptions:

Years Ended	March 27, 2010	March 28, 2009
Dividend yield	Zero	Zero
Expected volatility	96%	90%
Risk-free interest rate	1.49%	2.67%
Expected term (years)	3.75	3.86

The computation of expected volatility used in the Black-Scholes-Merton option-pricing model is based on the historical volatility of Giga-tronics' share price. The expected term is estimated based on a review of historical employee exercise behavior with respect to option grants.

Discontinued Operations In the first quarter of fiscal 2004, the Company discontinued the operations at its Dymatix Division due to the substantial losses incurred over the previous two years. In the fourth quarter of fiscal 2004, the Company consummated the sale of its Dymatix Division. Income from discontinued operations was \$75,000 recorded in the second quarter of fiscal 2009. This resulted from the foreclosure and resale of the Dymatix assets to a third party.

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

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

Financial Instruments and Concentration of Credit Risk Financial instruments that potentially subject the Company to credit risk consist of cash, cash equivalents and trade accounts receivable. The Company's cash equivalents consist of overnight deposits. Cash and cash-equivalents are held in recognized depository institutions. At March 27, 2010 and March 28, 2009, the Company had deposits in excess of federally insured limits. The Company has not incurred losses on these deposits to date and does not expect to incur any losses based on the credit ratings of the financial institutions. Concentration of credit risk in trade accounts receivable results primarily from sales to major customers. The Company individually evaluates the creditworthiness of its customers and generally does not require collateral or other security. At March 27, 2010, two customers comprised 14% and 27%, respectively, of consolidated gross accounts receivable. At March 28, 2009, two customers comprised 18% and 22%, respectively, of consolidated gross accounts receivable.

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

Recently Issued Financial Accounting Standards The Company adopted the following accounting standards during the year ended March 27, 2010:

FASB Accounting Standards Codification™ (ASC or Codification)

In June 2009, the Financial Accounting Standards Board (FASB) issued new accounting standards ASC 105-10 (previously SFAS No. 168), *The FASB Accounting Standards Codification™ and the Hierarchy of Generally Accepted Accounting Principles*. With the issuance of ASC 105-10, the FASB Accounting Standards Codification ("the Codification" or "ASC") becomes the single source of authoritative U.S. accounting and reporting standards applicable for all nongovernmental entities. Rules and interpretive releases of the SEC under the authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. This change is effective for financial statements issued for interim or annual periods ended after September 15, 2009. Accordingly, all specific references to generally accepted accounting principles (GAAP) refer to the Codification and not to the pre-Codification literature.

Business Combinations

In December 2007, the FASB issued ASC Topic 805 (previously SFAS 141(R)), *Business Combinations*. This standard broadens the guidance for business combinations and extends its applicability to all transactions and other events in which one entity obtains control over one or more other businesses. It broadens the fair value measurement and recognition of assets acquired, liabilities assumed, and interests transferred as a result of business combinations. The acquirer is no longer permitted to recognize a separate valuation allowance as of the acquisition date for loans and other assets acquired in a business combination. It also requires acquisition-related costs and restructuring costs that the acquirer expected but was not obligated to incur to be expensed separately from the business combination. It also expands on required disclosures to improve the ability of the users of the financial statements to evaluate the nature and financial effects of business combinations. The adoption of ASC Topic 805 did not have a material impact on the company's financial condition or results of operations.

Subsequent Events

In February 2010, the FASB issued ASU 2010-2009 which amends ASC 855-10 (formerly SFAS No.165), *Subsequent Events*, which establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements as issued or are available to be issued. The ASU addresses certain implementation issues related to an entity's requirement to perform and disclose subsequent-events procedures. The ASU requires SEC filers to evaluate subsequent events through the date the financial statements are issued and exempts SEC filers from disclosing the date through which subsequent events have been evaluated. The adoption of ASU 2010-2009 and ASC 855-10 did not have a material impact on the Company's financial condition or results of operations.

2 Cash and Cash-Equivalents

Cash and cash-equivalents of \$3,074,000 and \$1,518,000 at March 27, 2010 and March 28, 2009, respectively, consist of overnight deposits.

3 Inventories

Inventories consist of the following:

(Dollars in thousands)	March 27, 2010	March 28, 2009
Raw materials	\$ 3,337	\$ 3,263
Work-in-progress	1,930	1,127
Finished goods	128	559
Demonstration inventory	408	460
Total	\$ 5,803	\$ 5,409

4 Selling Expenses

Selling expenses consist primarily of commissions paid to various marketing agencies. Commission expense totaled \$735,000 and \$893,000 for fiscal 2010 and 2009, respectively. Advertising costs, which are expensed as incurred, totaled \$95,000 and \$41,000 for fiscal 2010 and 2009, respectively.

5 Significant Customers and Industry Segment Information

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

The accounting policies for the segments are the same as those described in the "Summary of Significant Accounting Policies". The Company evaluates the performance of its segments and allocates resources to them based on earnings before income taxes. Segment net sales include sales to external customers. Inter-segment activities are eliminated in

consolidation. Assets include accounts receivable, inventories, equipment, cash, deferred income taxes, prepaid expenses and other long-term assets. The Company accounts for inter-segment sales and transfers at terms that allow a reasonable profit to the seller. During the periods reported there were no significant inter-segment sales or transfers.

The Company's reportable operating segments are strategic business units that offer different products and services. They are managed separately because each business utilizes different technology and requires different accounting systems. The Company's chief operating decision maker is considered to be the Company's Chief Executive Officer ("CEO"). The CEO reviews financial information presented on a consolidated basis accompanied by disaggregated information about revenues and pre-tax income by operating segment. The tables below present information for the fiscal years ended in 2010 and 2009.

March 27, 2010 (Dollars in thousands)	Giga-tronics Division	Microsource	Total
Revenue	\$ 12,001	\$ 7,056	\$ 19,057
Interest (expense) income, net	(18)	2	(16)
Depreciation and amortization	117	29	146
(Loss) income from continuing operations			
before income taxes	(30)	1,332	1,302
Assets	7,083	6,836	13,919

March 28, 2009 (Dollars in thousands)	Giga-tronics Division	Microsource	Total
Revenue	\$ 11,683	\$ 5,738	\$ 17,421
Interest (expense) income, net	7	---	7
Depreciation and amortization	137	25	162
(Loss) income from continuing operations			
before income taxes	(1,451)	1,048	(403)
Assets	6,420	4,369	10,789

The Company's Giga-tronics Division and Microsource segments sell to agencies of the U.S. government and U.S. defense-related customers. In fiscal 2010 and 2009, U.S. government and U.S. defense-related customers accounted for 62% and 61% of sales, respectively. During fiscal 2010, no customer other than U.S. government agencies and their defense contractors accounted for 10% of the Company's consolidated revenues at March 27, 2010. During fiscal 2009, no customer other than U.S. government agencies and their defense contractors accounted for 10% of the Company's consolidated revenues at March 28, 2009.

Export sales accounted for 21% and 23% of the Company's sales in fiscal 2010 and 2009, respectively. Export sales by geographical area are shown below:

(Dollars in thousands)	March 27, 2010	March 28, 2009
Americas	\$ 23	\$ 236
Europe	2,251	1,783
Asia	989	1,456
Rest of world	702	456
Total	\$ 3,965	\$ 3,931

6 Earnings (Loss) per Share

Net income (loss) and shares used in per share computations for the years ended March 27, 2010 and March 28, 2009 are as follows:

(In thousands except per share data)	March 27, 2010	March 28, 2009
Net income (loss)	\$ 1,300	\$ (330)
Weighted average:		
Common shares outstanding	4,846	4,824
Potential common shares	61	---
Common shares assuming dilution	4,907	4,824
Net earnings (loss) per share of common stock	\$ 0.27	\$ (0.07)
Net earnings (loss) per share of common stock assuming dilution	\$ 0.26	\$ (0.07)
Stock options not included in computation	568	771

The number of stock options not included in the computation of diluted earnings per share (EPS) for the period ended March 27, 2010 reflects stock options where the exercise prices were greater than the average market price of the common shares and are, therefore, antidilutive. The number of stock options not included in the computation of diluted EPS for the period ended March 28, 2009 is a result of the Company's loss from continuing operations and, therefore, the options are antidilutive.

7 Income Taxes

Following are the components of the provision for income taxes:

Years Ended (In thousands)	March 27, 2010	March 28, 2009
Current		
Federal	\$ ---	\$ ---
State	2	2
Total current	2	2
Deferred		
Federal	442	1,127
State	72	585
Total deferred	514	1,712
Change in liability for uncertain tax positions	(70)	(107)
Change in valuation allowance	(444)	(1,605)
Provision for income taxes	\$ 2	\$ 2

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

Year Ended (In thousands)	March 27, 2010		March 28, 2009	
Net operating loss carryforwards	\$	12,059	\$	12,039
Income tax credits		2,202		2,075
Inventory reserves and capitalized costs		1,688		2,175
Fixed assets		122		145
Accrued vacation		114		103
Accrued warranty		55		71
Deferred rent		---		69
Other accrued expenses		---		17
Non-qualified stock options		14		---
Allowance for doubtful accounts		38		42
State taxes benefit		2		2
Total deferred taxes before valuation allowance		16,294		16,738
Valuation allowance		(16,294)		(16,738)
Net deferred tax assets		---		---
Current portion		1,897		2,479
Noncurrent portion		14,397		14,259
Total		16,294		16,738
Valuation allowance		(16,294)		(16,738)
Net deferred tax assets	\$	---	\$	---

Years Ended (In thousands except percentages)	March 27, 2010		March 28, 2009		
Statutory federal income tax (benefit)	\$	443	34.0%	\$ (112)	34.0%
Valuation allowance		(444)	(30.2)	(1,605)	489.4
Expiration of net operating losses		---	---	1,758	(536.0)
State income tax, net of federal benefit		76	5.8	(19)	5.8
Non tax-deductible expenses		52	4.0	82	(25.0)
Tax credits		(54)	(4.1)	---	---
Liability for uncertain tax positions		(70)	(9.2)	(107)	32.6
Other		(1)	(0.1)	5	(1.5)
Effective income tax	\$	2	0.2%	\$ 2	(0.7%)

The decrease in valuation allowance from March 28, 2009 to March 27, 2010 was \$444,000. The decrease in valuation allowance from March 29, 2008 to March 28, 2009 was \$1,605,000. The Company recorded a valuation allowance of \$16,294,000 and \$16,738,000 as of March 27, 2010 and March 28, 2009 to reflect the estimated amount of deferred tax assets which may not be realized.

As of March 27, 2010 and March 28, 2009, the Company had pre-tax federal net operating loss carryforwards of \$31,988,000 and \$31,979,000 and state net operating loss carryforwards of \$20,266,000 and \$20,281,000 respectively, available to reduce future taxable income. The federal and state net operating loss carryforwards begin to expire from fiscal 2012 through 2029 and from 2013 through 2019, respectively. \$5,640,000 of federal net operating loss carryforwards are subject to an annual IRC Section 382 limitation of approximately \$100,000. At March 27, 2010, the accumulated IRC Section 382 losses available for use are approximately \$998,000. Utilization of net operating loss carryforwards may be subject to annual limitations due to certain ownership change limitations as required by Internal Revenue Code Section 382. The federal income tax credits begin to expire from 2020 through 2029 and the state income tax credit carryforwards are carried forward indefinitely.

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

over the Company's ability to generate income sufficient to realize deferred tax assets in the periods in which they become deductible, management has established a valuation allowance against its net deferred tax assets as of March 27, 2010 and March 28, 2009.

The Company files U.S. Federal and California state tax returns. The Company is generally no longer subject to tax examinations for years prior to the fiscal year 2007 for Federal purposes and fiscal year 2006 for California purposes, except in certain limited circumstances. The Company does not have any tax audits or other issues pending.

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

(In thousands)	Fiscal Year 2010	Fiscal Year 2009
Balance as of March 28, 2009	\$ 190,000	\$ 297,000
Additions based on current year tax positions	100,000	70,000
Reductions for prior year tax positions and lapses of applicable statute	(170,000)	(177,000)
Balance as of March 27, 2010	\$ 120,000	\$ 190,000

The total amount of interest and penalties related to unrecognized tax benefits at March 27, 2010 is not material. The amount of tax benefits that would impact the effective rate, if recognized, is not expected to be material. The Company does not anticipate any significant changes with respect to unrecognized tax benefits within the next twelve months.

8 Stock Options and Employee Benefit Plans

Stock Option Plans The Company established the 2000 Stock Option Plan and the 2005 Equity Incentive Plan, each of which provide for the granting of options for up to 700,000 shares of common stock at 100% of fair market value at the date of grant, with each grant requiring approval by the Board of Directors of the Company. Options granted vest in one or more installments through 2012 and must be exercised while the grantee is employed by the Company or within a certain period after termination of employment. Options granted to employees shall not have terms in excess of 10 years from the grant date. Holders of options may be granted stock appreciation rights (SAR), which entitle them to surrender outstanding options for a cash distribution under certain changes in ownership of the Company, as defined in the stock option plan. As of March 27, 2010, no SAR's have been granted under the option plan. As of March 27, 2010, the total number of shares of common stock available for issuance is 342,475 under the 2000 and 2005 stock option plans. All outstanding options have a term of five years.

A summary of the changes in stock options outstanding for the years ended March 27, 2010 and March 28, 2009 is presented below:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Terms (Years)	Average Intrinsic Value
Outstanding at March 29, 2008	851,650	\$ 2.04	3.1	\$ ---
Granted	146,500	1.17		
Exercised	---	---		
Forfeited / Expired	227,250	1.96		
Outstanding at March 28, 2009	770,900	\$ 1.90	2.7	\$ ---
Granted	320,500	2.07		
Exercised	67,373	1.85		
Forfeited / Expired	133,000	2.46		
Outstanding at March 27, 2010	891,027	\$ 1.88	3.0	\$ ---
Exercisable at March 27, 2010	336,928	\$ 1.87	1.8	\$ ---

As of March 27, 2010, there was \$519,836 of total unrecognized compensation cost related to nonvested options granted under the plans. That cost is expected to be recognized over a weighted average period of 1.18 years. There were 153,099 options vested during the year ended March 27, 2010. The total fair value of options vested during the year ended March 27, 2010 was \$173,659. Cash received from stock option exercises for the year ended March 27, 2010 was \$124,000.

Following is a summary of stock option activity:

	Options Exercisable	Options Outstanding	Weighted Average Fair Value
Outstanding at March 29, 2008	338,726	851,650	\$ 2.04
Exercised		---	---
Forfeited		(227,250)	1.96
Granted		146,500	1.17
Outstanding at March 28, 2009	369,577	770,900	\$ 1.90
Exercised		(67,373)	1.85
Forfeited		(133,000)	2.46
Granted		320,500	2.07
Outstanding at March 27, 2010	336,928	891,027	\$ 1.88

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

401(k) Plans The Company has established 401(k) plans which cover substantially all employees. Participants may make voluntary contributions to the plans for up to 100% of their defined compensation. The Company matches a percentage of the participant's contributions in accordance with the plan. Participants vest ratably in Company contributions over a four-year period. Company contributions to the plans for fiscal 2010 and 2009 were approximately \$15,000 and \$2,000, respectively.

9 Commitments

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

The property located in Fremont, California with approximately 18,700 square feet was previously occupied by ASCOR. As of June 30, 2009, our Fremont facility lease obligation has terminated.

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

Total future minimum lease payments under these leases amount to approximately \$5,180,000.

Fiscal year (Dollars in thousands)

2011	\$ 652
2012	978
2013	1,000
2014	696
2015	654
Thereafter	1,200
Total	\$ 5,180

The aggregate rental expense was \$968,000 and \$1,109,000 in fiscal 2010 and 2009, respectively.

The Company leases equipment under capital leases that expire through October 2011. The future minimum lease payments under these leases amount to approximately \$93,000.

The Company is committed to purchase certain inventory under non-cancelable purchase orders. As of March 27, 2010, total non-cancelable purchase orders were approximately \$860,000 through fiscal 2011 and \$112,000 beyond fiscal 2011 and were scheduled to be delivered to the Company at various dates through April 2012.

10 Warranty Obligations

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

(Dollars in thousands)	March 27, 2010	March 28, 2009
Balance at beginning of period	\$ 177	\$ 190
Provision, net	84	179
Warranty costs incurred	(122)	(192)
Balance at end of period	\$ 139	\$ 177

11 Line of Credit

The Company has a secured revolving line of credit with a financial institution for a total borrowing capacity of \$1,500,000. The maximum amount that can be borrowed is limited to 80% of trade receivables. Interest is payable at prime plus 1%. The Company is required to comply with certain financial covenants under the arrangement. The Company has re-negotiated a new line of credit effective June 16, 2009, which expires on June 15, 2010. At March 27, 2010, the Company is in compliance with the covenants relating to the line of credit. At March 27, 2010 and March 28, 2009, there was no balance outstanding on the line of credit.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders
Giga-tronics Incorporated

We have audited the accompanying consolidated balance sheets of Giga-tronics Incorporated (the “Company”) as of March 27, 2010 and March 28, 2009 and the related consolidated statements of operations, shareholders’ equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Giga-tronics Incorporated as of March 27, 2010 and March 28, 2009, and the consolidated results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

We were not required or engaged to examine the effectiveness of the Company’s internal control over financial reporting as of March 27, 2010, and accordingly, we do not express an opinion thereon.

/s/ Perry-Smith LLP

San Francisco, California
May 24, 2010

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure controls and procedures

The Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness, as of March 27, 2010, of the design and operation of the Company's disclosure controls and procedures as defined in Rule 13a-15(e) and 15d-15(e) promulgated under the Exchange Act. Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed under the Exchange Act, such as this Annual Report on Form 10-K, is recorded, processed, summarized and reported within the time periods specified by the SEC. Disclosure controls and procedures are also designed to ensure that such information is accumulated and communicated to our management, including our Chief Financial Officer and Chief Executive Officer, as appropriate to allow timely decisions regarding required disclosure. Based upon that evaluation, the Company's principal executive and financial officers concluded that the Company's disclosure controls and procedures were effective, as of March 27, 2010.

Report of Management on Internal Control over Financial Reporting

Management of Giga-tronics is responsible for establishing and maintaining adequate internal control over financial reporting for the Company, as such term is defined in Rule 13a-15(f) under the Securities Exchange Act of 1934. The Company's management, under the supervision of the Chief Executive Officer and Chief Financial Officer, has assessed the effectiveness of the Company's internal control over financial reporting as of March 27, 2010. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control-Integrated Framework. Our internal control over financial reporting includes policies and procedures designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with United States generally accepted accounting principles and that:

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

Based on this assessment, management concluded that, as of March 27, 2010, the Company's internal control over financial reporting was effective based on those criteria.

This annual report does not include an attestation report of the Company's independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's independent registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this annual report.

Changes in internal controls

There was no change in the Company's internal control over financial reporting identified in connection with the evaluation required by Rule 15d-15 that occurred during the year ended March 27, 2010 that has materially affected or is reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

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

PART III

ITEM 10. DIRECTOR, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information regarding Directors of the Company is set forth under the heading “Election of Directors” of the Company’s Proxy Statement for its 2010 Annual Meeting of Shareholders, incorporated herein by reference. This Proxy Statement is to be filed no later than 120 days after the close of the fiscal year ended March 27, 2010.

ITEM 11. EXECUTIVE COMPENSATION

Information regarding the Company’s compensation of its executive officers is set for the under the heading “Executive Compensation” of the Company’s Proxy Statement for its 2010 Annual Meeting of Shareholders, incorporated herein by reference. This Proxy Statement is to be filed no later than 120 days after the close of the fiscal year ended March 27, 2010.

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

Information regarding security ownership of certain beneficial owners and management is set forth under the heading “Stock Ownership of Certain Beneficial Owners and Management” of the Company’s Proxy Statement for its 2010 Annual Meeting of Shareholders, incorporated herein by reference. Information about securities authorized for issuance under equity compensation plans is set forth under the heading “Equity Compensation Plan Information” of its Proxy Statement for the 2010 Annual Meeting of Shareholders, incorporated herein by reference. This Proxy Statement is to be filed no later than 120 days after the close of the fiscal year ended March 27, 2010.

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

Information set forth in the Proxy Statement under the section captioned “Transactions with Management and Others” is incorporated herein by reference. This Proxy Statement is to be filed no later than 120 days after the close of the fiscal year ended March 27, 2010.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information set forth in the Proxy Statement under the section captioned “Appointment of Independent Registered Accounting Firm” is incorporated herein by reference. This Proxy Statement is to be filed no later than 120 days after the close of the fiscal year ended March 27, 2010.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

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

1. Financial Statements. See Index to Financial Statements on page 21. The financial statements and Report of Independent Registered Public Accounting Firm are included in Item 8 are filed as part of this report.
2. Exhibits. The exhibit list required by this item is incorporated by reference to the Exhibit Index filed with this report.

SIGNATURES

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

GIGA-TRONICS INCORPORATED

/s/ JOHN R. REGAZZI

Chief Executive Officer

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

<u>/s/ GARRETT A. GARRETTSON</u> Garrett A. Garrettsen	Chairman of the Board of Directors	<u>5/24/2010</u> Date
<u>/s/ JOHN R. REGAZZI</u> John R. Regazzi	Chief Executive Officer (Principal Executive Officer) and Director	<u>5/25/2010</u> Date
<u>/s/ PATRICK J. LAWLOR</u> Patrick J. Lawlor	Vice President, Finance/ Chief Financial Officer & Secretary (Principal Financial Officer)	<u>5/25/2010</u> Date
<u>/s/ GEORGE H. BRUNS, JR.</u> George H. Bruns, Jr.	Director	<u>5/25/2010</u> Date
<u>/s/ JAMES A. COLE</u> James A. Cole	Director	<u>5/24/2010</u> Date
<u>/s/ KENNETH A. HARVEY</u> Kenneth A. Harvey	Director	<u>5/25/2010</u> Date
<u>/s/ ROBERT C. WILSON</u> Robert C. Wilson	Director	<u>5/24/2010</u> Date

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

INDEX TO EXHIBITS

- 3.1 Articles of Incorporation of the Registrant, as amended, previously filed as Exhibit 3.1 to Form 10-KSB for the fiscal year ended March 27, 1999 and incorporated herein by reference.
- 3.2 Amended and Restated Bylaws of Giga-tronics Incorporated, as amended on March 7, 2008, previously filed as Exhibit 3.2 to Form 10-K for the fiscal year ended March 29, 2008, and incorporated herein by reference.
- 10.1 Standard form Indemnification Agreement for Directors and Officers. (See page 41 of this Annual Report on Form 10-K.)
- 10.2 First Amendment to Office Lease Agreement between Giga-tronics Incorporated and VIF/ZKS Norris Tech Center, LLC, for 4650 Norris Canyon Road, San Ramon, CA, dated March 29, 2010. (See page 46 of this Annual Report on Form 10-K.)
- 10.3 2000 Stock Option Plan and form of Incentive Stock Option Agreement, previously filed on September 8, 2000 as Exhibit 99.1 to Form S-8 (33-45476) and incorporated herein by reference. *
- 10.4 2005 Equity Incentive Plan incorporated herein by reference to Attachment A of the Registrant's Proxy Statement filed July 21, 2005. *
- 21 Significant Subsidiaries. (See page 55 of this Annual Report on Form 10-K.)
- 23.1 Consent of Independent Registered Public Accounting Firm, Perry-Smith LLP. (See page 56 of this Annual Report on Form 10-K.)
- 31.1 Certification of Chief Executive Officer under Section 302 of the Sarbanes-Oxley Act of 2002. (See page 57 of this Annual Report on Form 10-K.)
- 31.2 Certification of Chief Financial Officer under Section 302 of the Sarbanes-Oxley Act of 2002. (See page 58 of this Annual Report on Form 10-K.)
- 32.1 Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (See page 59 of this Annual Report on Form 10-K.)
- 32.2 Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (See page 60 of this Annual Report on Form 10-K.)

* Management contract or compensatory plan or arrangement.

EXHIBIT 10.1

INDEMNIFICATION AGREEMENT

THIS AGREEMENT, made and entered into the ____ day of _____, 20__ between Giga-tronics Incorporated, a California corporation ("Corporation"), and _____ ("Officer"),

WITNESSETH THAT:

WHEREAS, Officer of the Corporation, performs a valuable service in such capacity of Corporation; and

WHEREAS, the Articles of Incorporation of the Corporation authorizes and permits contracts between Corporation and its officers with respect to indemnification of such officers; and

WHEREAS, in accordance with the authorization as provided by the California General Corporation Law, as amended ("Code"), Corporation may purchase and maintain a policy or policies of Directors and Officers Liability Insurance ("D&O Insurance"), covering certain liabilities which may be incurred by its directors and officers in the performance as officers and directors of Corporation; and

WHEREAS, as a result of recent developments affecting the terms, scope and availability of D&O Insurance there exists general uncertainty as to the extent of protection afforded officers and directors by such D&O Insurance and by statutory and by-law indemnification provisions; and

WHEREAS, in order to induce Officer to continue to serve as an officer of Corporation, Corporation has determined and agreed to enter into this contract with Officer;

NOW, THEREFORE, in consideration of Officer's continued service as an officer after the date hereof, the parties hereto agree as follows:

1. INDEMNITY OF OFFICER. Corporation hereby agrees to hold harmless and indemnify Officer to the full extent authorized by the provisions of the Code, as it may be amended from time to time.
2. ADDITIONAL INDEMNITY. Subject only to the limitations set forth in Section 3 hereof, Corporation hereby further agrees to hold harmless and indemnify Officer:
 - (a) Against any and all expenses (including attorney's fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by Officer in connection with any threatened, pending or completed action, suit or proceedings, whether civil, criminal, administrative or investigative (including an action by or in the right of Corporation) to which Officer is, was, or at any time becomes a party, or is threatened to be made a party, by reason of the fact that Officer is, was or at any time becomes a director, officer, employee or agent of Corporation, or is or was serving or at any time serves at the request of Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprises; and
 - (b) otherwise to the fullest extent as may be provided to Officer by Corporation under the non-exclusivity provision of the Articles of Incorporation of Corporation and the Code.

3 LIMITATIONS ON ADDITIONAL INDEMNITY.

- (a) No indemnity pursuant to Section 2 hereof shall be paid by Corporation for any of the following:
 - (i) except to the extent the aggregate of losses to be indemnified thereunder exceeds the sum of such losses for which the Officer is indemnified pursuant to Section 1 hereof or pursuant to any D & O Insurance purchased and maintained by Corporation;
 - (ii) in respect to remuneration paid to Officer if it shall be determined by a final judgment or other final adjudication that such remuneration was in violation of law;
 - (iii) on account of any suit in which judgement is rendered against Officer for an accounting of profits made from the purchase or sale by Officer of securities of Corporation pursuant to the provisions of Section 16(b) of the Securities Exchange Act of 1934 and amendments thereto or similar provisions of any federal, state or local statutory law;
 - (iv) on account of Officer's acts or omissions that involve intentional misconduct or a knowing and culpable violation of laws;
 - (v) on account of any proceeding (other than a proceeding referred to in Section 8(b) hereof) initiated by the Officer unless such proceeding was authorized by the Directors of the Corporation;
 - (vi) if a final decision by a Court having jurisdiction in the matter shall determine that such indemnification is not lawful; or
 - (vii) on account of any action, suit or proceeding commenced by the Officer against the Corporation or against any officer, director or shareholder of the Corporation unless authorized in the specific case by action of the Board of Directors;
- (b) In addition to those limitations set forth above in paragraph (a) of this Section 3, no indemnity pursuant to Section 2 hereof in an action by or in the right of Corporation shall be paid by Corporation for any of the following:
 - (i) on account of acts or omissions that Officer believes to be contrary to the best interests of the Corporation or its shareholders or that involve the absence of good faith on the part of Officer;
 - (ii) with respect to any transaction from which Officer derived an improper personal benefit;
 - (iii) on account of acts or omissions that show a reckless disregard for Officer's duty to the Corporation or its shareholders in circumstances in which Officer was aware, or should have been aware, in the ordinary course of performing an officer's duties, of a risk of serious injury to Corporation or its shareholders;
 - (iv) on account of acts or omissions that constitute an unexcused pattern of inattention that amounts to an abdication of Officer's duty to the Corporation or its shareholders;
 - (v) to the extent prohibited by section 310 of the California Corporations Code, "Contracts In Which Officer Has Material Financial Interest;"
 - (vi) to the extent prohibited by Section 316 of the California Corporations Code, "Corporate Actions Subjecting Officers To Joint and Several Liability" (for prohibited distributions, loans and guarantees);

(vii) in respect to any claim, issue or matter as to which Officer shall have been adjudged to be liable to Corporation in the performance of Officer's duty to Corporation and its shareholders, unless and only to the extent that the court in which such proceeding is or was pending shall determine upon application that, in view of all the circumstances of the case, Officer is fairly and reasonably entitled to indemnity for expenses and then only to the extent that the court shall determine;

(viii) of amounts paid in settling or otherwise disposing of a pending action without court approval; or

(ix) of expenses incurred in defending a pending action which is settled or otherwise disposed of without court approval.

4. CONTRIBUTION. If the indemnification provided in 1 and 2 is unavailable and may not be paid to Officer for any reason other than those set forth in Section 3 (excluding subsections 3(b) (viii) and (ix), then in respect of any threatened, pending or completed action, suit or proceeding in which Corporation is jointly liable with Officer (or would be if joined in such action, suit or proceeding), Corporation shall contribute to the amount of expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred and paid or payable by Officer in such proportion as is appropriate to reflect (i) the relative benefits received by Corporation on the one hand and Officer on the other hand from the transaction from which such action, suit or proceeding arose, and (ii) the relative fault of Corporation on the one hand and of Officer on the other in connection with the events which resulted in such expenses, judgments, fines or settlement amounts, as well as any other relevant equitable considerations. The relative fault of Corporation on the one hand and the Officer on the other shall be determined by reference to, among other things, the parties' relative intent, knowledge, access to information and opportunity to correct or prevent the circumstances resulting in such expenses, judgments, fines or settlement amounts. Corporation agrees that it would not be just and equitable if contribution pursuant to this Section 4 were determined by pro rata allocation or any other method of allocation which does not take account of the foregoing equitable consideration.

5. CONTINUATION OF OBLIGATIONS. All agreements and obligations of Corporation contained herein shall continue during the period Officer is a director, officer, employee or agent of Corporation (or is or was serving at the request of Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise) and shall continue hereafter so long as Officer shall be subject to any possible claim or threatened, pending or completed action, suit or proceeding, whether civil, criminal or investigative by reason of the fact that Officer was an officer of Corporation or serving in any other capacity referred to herein.

6. NOTIFICATION AND DEFENSE OF CLAIM. Promptly after receipt by Officer of notice of the commencement of any action, suit or proceeding, Officer will, if a claim in respect thereof is to be made against Corporation under this Agreement, notify Corporation of the commencement thereof; but the omission so to notify Corporation will not relieve it from any liability which it may have to Officer otherwise than under this Agreement. With respect to any such action, suit or proceeding as to which Office notifies Corporation of the commencement thereof;

(a) Corporation will be entitled to participate therein at its own expense;

(b) except as otherwise provided below, to the extent that it may wish, Corporation jointly with any other indemnifying party similarly notified will be entitled to assume the defense thereof, with counsel satisfactory to Officer. After notice from Corporation to Officer of its election so as to assume the defense thereof, Corporation will not be liable to Officer under this Agreement for any legal or other expenses subsequently incurred by Officer in connection with the defense thereof other than reasonable costs of investigation or as otherwise provided below. Officer shall have the right to employ its counsel in such

action, suit or proceeding but the fees and expenses of such counsel incurred after notice from Corporation of its assumption of the defense thereof shall be at the expense of Officer unless (i) the employment of counsel by Officer has been authorized by Corporation, (ii) Officer shall have reasonably concluded that there may be a conflict of interest between Corporation and Officer in the conduct of the defense of such action, in each of which cases the fees and expenses of counsel shall be at the expense of Corporation. Corporation shall not be entitled to assume the defense of any action, suit or proceeding brought by or on behalf of Corporation or as to which Officer shall have made the conclusion provided for in (ii) above; and

- (c) Corporation shall not be liable to indemnify Officer under this Agreement for any amounts paid in settlement of any action or claim effected without its written consent. Corporation shall not settle any action or claim in any manner which would impose any penalty or limitation on Officer without Officer's written consent. Neither Corporation nor Officer will unreasonably withhold its consent to any proposed settlement.

7. ADVANCEMENT AND REPAYMENT OF EXPENSES.

- (a) In the event that Officer employs his own counsel pursuant to Section 6(b)(i) through (iii) above, Corporation shall advance to Officer, prior to any final disposition of any threatened or pending action, suit or proceeding, whether civil, criminal, administrative or investigative, any and all reasonable expenses (including legal fees and expenses) incurred in investigating or defending any such action, suit or proceeding within ten (10) days after receiving copies of invoices presented to Officer for such expenses; and
- (b) Officer agrees that Officer will reimburse Corporation for all reasonable expenses paid by Corporation in defending any civil or criminal action, suit or proceeding against Officer in the event and only to the extent it shall be ultimately determined by a final judicial decision (from which there is no right of appeal) that Officer is not entitled, under applicable law, the by-laws, this Agreement or otherwise, to be indemnified by Corporation for such expenses.

8. ENFORCEMENT.

- (a) Corporation expressly confirms and agrees that it has entered into this Agreement and assumed the obligations imposed on Corporation hereby in order to induce Officer to continue as an Officer of Corporation, and acknowledges that Officer is relying upon this Agreement in continuing in such capacity.
- (b) In the event Officer is required to bring any action to enforce rights or to collect monies due under this Agreement and is successful in such action, Corporation shall reimburse Officer for all of Officer's reasonable fees and expenses in bringing and pursuing such action.

9. SEPARABILITY. Each of the provisions of this Agreement is a separate and distinct agreement and independent of the others, so that if any provision hereof shall be held to be valid or unenforceable for any reason, such invalidity or unenforceability shall not affect the validity or enforceability of the other provisions hereof.

10. GOVERNING LAW. This Agreement shall be interpreted and enforced in accordance with the laws of the State of California.

11. BINDING EFFECT. This Agreement shall be binding upon Officer and upon Corporation, its successors and assigns, and shall inure to the benefit of Officer, his heirs, personal representatives and assigns and to the benefit of Corporation, its successors and assigns.

12. AMENDMENT AND TERMINATION. No amendment, modification, termination or cancellation of this Agreement shall be effective unless in writing signed by both parties hereto.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on and as of the day and year first above written.

GIGA-TRONICS, INCORPORATED

By _____
[Name]
[specify: Title]

[Name]
[specify: Officer or Director]

EXHIBIT 10.2

FIRST AMENDMENT TO OFFICE LEASE AGREEMENT

This FIRST AMENDMENT TO OFFICE LEASE AGREEMENT (this “Amendment”) is made and entered into as of March 29, 2010, by and between VIF/ZKS NORRIS TECH CENTER, LLC, a Delaware limited liability company (“Landlord”), and GIGA-TRONICS INCORPORATED, a California corporation (“Tenant”).

R E C I T A L S:

A. WHEREAS, Landlord’s predecessor-in-interest and Tenant, entered into that certain Office Lease Agreement dated as of July 22, 2005 (“Lease”), pursuant to which Landlord leased to Tenant and Tenant leased from Landlord Suite 100 consisting of approximately 47,397 rentable square feet of space located at 4600 Norris Canyon Road, San Ramon, California (“Building”); and

B. WHEREAS, Landlord and Tenant now desire to amend the Lease in accordance with the terms hereof, upon the terms and conditions set forth in the Lease, as amended hereby.

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Recitals. The foregoing recitals are incorporated herein by this reference.
2. Defined Terms. Capitalized terms not otherwise defined herein shall have the meaning given such terms in the Lease.
3. Effective Date. This Amendment shall be effective upon the date hereof (“Effective Date”).
4. Extension of Term. The Term currently expires on December 31, 2011. As of the Effective Date, and notwithstanding the current expiration date of the Term, the Term shall be extended for an additional eighty-one (81) months (“First Renewal Term”), commencing on April 1, 2010 (“First Renewal Term Commencement Date”) and expiring on December 31, 2016. During the First Renewal Term, all of the terms and provisions of the Lease, as amended by this Amendment, shall be in full force and effect and shall be applied in the same manner as such terms and provisions were applied during the original term of the Lease.
5. Base Rent. As of the First Renewal Term Commencement Date, the Base Rent per month for the Premises shall be as follows:

<u>Period</u>	<u>Base Rent Per Square Foot Per Month/NNN</u>	<u>Monthly Base Rent for the Premises</u>
1 – 3	\$0.00	\$0.00
4 – 15	\$1.00	\$47,397.00
16 – 27	\$1.04	\$49,292.88
28 – 39	\$1.08	\$51,188.76
40 – 51	\$1.12	\$53,084.64
52 – 63	\$1.16	\$54,980.52

64 – 75	\$1.20	\$56,876.40
76 – 81	\$1.24	\$58,772.28

6. Renewal Term Alterations.

(a) Provided Tenant is not in default beyond any applicable notice and cure period, Landlord agrees to contribute the sum of Two Hundred Sixty Eight Thousand Seven Hundred Forty and No/100 Dollars (\$268,740.00) (the “Renewal Term Allowance”) toward the cost of performing certain improvements in the Premises (“Renewal Term Alterations”). Tenant shall construct the Renewal Term Alterations in accordance with the terms of the Lease, as amended hereby. The Renewal Term Allowance may only be used for hard construction costs (including paint and carpet within the Premises), architectural fees, general contractor fees, construction management fees, engineering fees, building permit fees, data cabling and technology infrastructure, building signage (pursuant to Section 10 below), security and the payment of an oversight and coordination fee to Landlord pursuant to the terms of the Lease. In no event shall the Renewal Term Allowance be used for the purchase of equipment (not including technology infrastructure as referenced above), furniture or other items of personal property of Tenant. Tenant shall obtain Landlord’s consent to the Renewal Term Alterations prior to submitting the same to the City. Tenant shall deliver to Landlord, prior to submitting to the City, copies of all working drawings and plans for Landlord’s review and approval. The Renewal Term Allowance shall be paid to Tenant or, at Landlord’s option, to the order of the general contractor that performed the Renewal Term Alterations, within 30 days following receipt by Landlord of: (1) receipted bills covering all labor and materials expended and used in the Renewal Term Alterations; (2) a sworn contractor’s affidavit from the general contractor and a request to disburse from Tenant containing an approval by Tenant of the work done; (3) full and final waivers of lien; (4) as-built plans of the Renewal Term Alterations; and (5) the certification of Tenant and its architect that the Renewal Term Alterations have been installed in a good and workmanlike manner in accordance with the approved plans and the Lease, as amended hereby, and in accordance with applicable laws, codes and ordinances. The Allowance shall be disbursed in the amount reflected on the receipted bills meeting the requirements above. Notwithstanding anything herein to the contrary, Landlord shall not be obligated to disburse any portion of the Renewal Term Allowance during the continuance of a default under the Lease beyond any applicable notice or cure period, as amended hereby, and Landlord’s obligation to disburse shall only resume when and if such default is cured. The Renewal Term Alterations shall be considered Alterations as defined in the Lease, except that, even if the Renewal Term Alterations are Cosmetic Alterations, Landlord’s prior reasonable approval shall be required.

(b) Tenant shall not be entitled to any unused portion of the Renewal Term Allowance, except as set forth in the following sentence. If the cost of the Renewal Term Alterations are less than the Renewal Term Allowance (or if the Tenant chooses not to perform any Renewal Term Alterations), Tenant, provided it is not in default under the Lease beyond any applicable notice and cure period, as amended hereby, shall be entitled to apply up to Ninety Seven Thousand Seven Hundred Ninety Four and No/100 Dollars (\$97,794.00) of the Renewal Term Allowance as a credit against Base Rent and Additional Rent due under the Lease, as amended hereby, for the First Renewal Term, starting with the thirty-ninth (39th) month of the First Renewal Term by providing Landlord with written notice, at least thirty (30) days in advance of the date that Tenant desires for such credit to be applied (and specifying the months for which such credit should be applied).

(c) This Section 6 shall not be deemed applicable to any additional space added to the Premises at any time or from time to time, whether by any options under the Lease, as amended hereby or otherwise, or to any portion of the original Premises or any additions to the Premises in the event of a renewal or extension of the First Renewal Term, whether by any options under the Lease, as amended hereby or otherwise, unless expressly so provided in the Lease, as amended hereby, or any amendment or supplement to the Lease, as amended hereby.

(d) If Landlord fails to fulfill its obligation to disburse the Renewal Term Allowance in accordance with the terms of Section 6(a) above, to the extent Tenant is actually entitled to the same pursuant to the requirements above, and such failure is not cured within thirty (30) days after written notice from Tenant, then

as Tenant's sole and exclusive remedy, Tenant shall have the right to offset any unpaid portions of the Renewal Term Allowance that Tenant is actually entitled to pursuant to Section 6(a) against Tenant's obligation for Rent next coming due under the Lease, as amended hereby, until such time as the amount offset against Rent equals the amount of the Renewal Term Allowance that Tenant was entitled to but did not receive; provided, however, that if Landlord disputes, in writing, that Tenant is entitled to the portion of the Renewal Term Allowance so claimed by Tenant, then Tenant shall not have the right to offset such amount against Rent until the same is resolved by mutual agreement of the parties or adjudicated by a court of competent jurisdiction.

7. Security Deposit. Landlord currently holds a Security Deposit in the amount of One Hundred Thousand and No/100 Dollars (\$100,000.00). Upon the First Renewal Term Commencement Date, and so long as no default has occurred, Landlord shall apply the amount of Forty One Thousand Two Hundred Twenty Seven and 72/100 Dollars (\$41,227.72) from the Security Deposit to the payment of Base Rent for the month of July 2010 so that the Security Deposit will equal Fifty Eight Thousand Seven Hundred Seventy Two and 28/100 (\$58,772.28) after such application.

8. Lease Termination Right.

(a) Subject to the limitations set forth in this Section 8, Tenant shall have the right, to be exercised only one time, to either: (i) terminate this Lease in its entirety or (ii) terminate this Lease with respect to the Termination Premises only (as depicted on the Demising Plan attached hereto as Exhibit "A"), and in either case, the termination cannot occur until after the last day of the thirty-eighth (38th) month of the First Renewal Term ("Termination Date"). In the event Tenant elects to exercise its option to terminate this Lease as provided hereunder (the "Termination Right"), Tenant shall provide Landlord with an irrevocable written notice of its election to terminate this Lease ("Termination Notice") with no less than two hundred seventy (270) days prior written notice from the Termination Date, which notice shall state Tenant's intention to terminate this Lease in accordance with this Section 8(a) and specifying whether such Termination Right is with respect to the entire Lease or as to the Termination Premises (and which such notice shall refer to said section). If Tenant fails to make an election in the Termination Notice (as to whether Tenant has exercised the Termination Right with respect to the entire Lease or as to the Termination Premises, then Tenant shall be deemed to have elected to terminate this Lease as with respect to the Termination Premises only.

(b) For Tenant's notice to be effective, Tenant must deliver to Landlord, concurrently with the delivery of the Termination Notice, the Lease Termination Fee (as hereinafter defined) and if Tenant fails to deliver the Lease Termination Fee as and when required hereunder, then Tenant shall have irrevocably waived its right to exercise the Termination Right. The "Lease Termination Fee" shall mean an amount equal to: (i) the unamortized portion of the Renewal Term Allowance disbursed by Landlord or offset against Rent by Tenant pursuant to Section 6(d) above; (ii) the unamortized amount of real estate leasing commissions paid to any broker (and any unpaid amounts owed to any broker) by Landlord in connection with the negotiation and execution of this Amendment; (iii) the amount of Base Rent that would have been payable by Tenant for the Premises under this Amendment for the four and one-half (4.5) month period after the Termination Date; and (iv) the difference in Base Rent that Tenant would have paid under the Lease through the natural expiration date of the Lease (i.e. December 31, 2011) and the Base Rent that Tenant is paying hereunder through December 31, 2011, together with interest on the items set forth in subclauses (i) and (ii) only at a rate of eight percent (8%) per annum, compounded monthly. If Tenant terminates this Lease with respect to the Termination Premises only, then the Lease Termination Fee shall be determined as set forth above, but prorated based on the number of square feet in the Termination Premises. The amortization period shall be the First Renewal Term (less any period of abated Base Rent).

(c) In addition, if Tenant terminates this Lease with respect to the Termination Premises only, then in addition to the Lease Termination Fee, Tenant shall be solely responsible for all costs incurred by Landlord to demise the Premises ("Demising Work"), which shall include, but shall not be limited to, the following: (i) demising wall construction; (ii) splitting of the HVAC system; (iii) new metering for electrical; (iv) fire and safety requirements (i.e. sprinkler adjustment, alarms and alarm panels); (v) seismic upgrade of ceiling system in the Termination Premises and/or Surrender Premises (if required by the City of San Ramon); (vi) ADA and/or code upgrades in the Termination Premises, Surrender Premises and/or common areas (if required by the City of

San Ramon) (it being understood that if the ADA and/or code compliance issues are inside the Premises, then Tenant shall perform such improvements as may be required to satisfy such code compliance issues and if the code compliance issues are outside of the Premises, then Landlord shall perform such improvements as may be required to satisfy such code compliance issues and Tenant shall reimburse Landlord for the cost thereof (together with the construction management fee); (vii) new shipping access for Remaining Premises (as depicted on Exhibit "A" attached hereto) (if required by Tenant); (viii) new building entry to the Termination Premises (using materials substantially similar to those in the Building); (ix) architectural fees; (x) a construction management fee to Landlord (in the amounts set forth in Section 9.03 of the Lease); and (xi) building permit fees and all other City and agency related fees. If Tenant exercises the Termination Notice with respect to the Termination Premises only, Landlord shall bid the Demising Work to three (3) reputable general contractors selected by Landlord and shall select one of the contractors to perform the Demising Work. Tenant shall, within thirty (30) days after written request from Landlord, together with evidence of the estimated cost of the Demising Work as prepared by the contractor, escrow with an escrow company mutually acceptable to Landlord and Tenant the estimated amount of the Demising Work. Landlord shall have the right, from time to time, to draw down from the escrow to pay for the Demising Work. If the cost of the Demising Work exceeds the amount of the escrow, then Tenant shall replenish the escrow within thirty (30) days after written request from Landlord. If Landlord completes the Demising Work and there are funds remaining in the escrow, the same shall be returned to Tenant.

(d) Exhibit "A" attached hereto generally depicts the demising of the Termination Premises and Remaining Premises. The exact location of the demising wall will need to be determined when the Demising Work is being completed, based on the then applicable laws. Upon the completion of the Demising Work, Landlord shall, at Tenant's expense, cause the rentable square footage of the Remaining Premises to be verified by an architect selected by Landlord using the guidelines for such measurements specified in the American National Standard Institute Publication ANSI Z65.1-1996 as adopted by the Building Owners and Managers Association (the "BOMA Standard"). The Base Rental, Tenant's Pro Rata Share, the number of parking spaces allocated to Tenant under Exhibit G of the Lease, and any other matters in the Lease determined by the rentable square footage of the Premises shall be adjusted accordingly and Landlord and Tenant shall enter into an amendment to the Lease documenting the same.

(e) Tenant shall have no right to exercise this Termination Right and the same shall be null and void and irrevocably waived by Tenant if Tenant is in default under the Lease beyond any applicable notice or cure period, as amended hereby, as of the date of the Termination Notice or as of the Termination Date or if Tenant fails to comply with and perform each and every condition and obligation specified in this Section 8 at the time and in the manner provided herein after expiration of any applicable notice or cure period. In the event Tenant properly exercises its Termination Right, this Lease shall terminate on the Termination Date, in its entirety, if Tenant exercised the Termination Right with respect to the entirety of the Lease or as to the Termination Premises only if Tenant exercised the Termination Right with respect to the Termination Premises.

9. Renewal Option.

(a) Subject to the terms of this Section 9 and provided that no uncured default has occurred beyond any applicable notice and cure period, Tenant shall have one (1) option to extend ("Second Renewal Option") the Term for sixty (60) months commencing upon the expiration of the First Renewal Term ("Second Renewal Term"). In the event Tenant elects to exercise its option to extend the Term by the Second Renewal Term, as provided hereunder, Tenant shall provide Landlord irrevocable written notice of such election, no earlier than three hundred sixty five (365) days and no later than two hundred seventy (270) days prior to the then-existing expiration date of the Term of this Lease. Except for Base Rent, the terms and conditions of the Lease, as amended hereby, during the Second Renewal Term shall be identical to the terms and conditions of the Lease, as amended hereby.

(i) Base Rent for the Second Renewal Term shall be adjusted to one hundred percent (100%) of the fair market rental value ("FMV") for comparable properties and comparable uses in San Ramon and Pleasanton, as of the commencement of the Second Renewal Term, as such FMV is determined as set forth herein. Landlord shall give Tenant writing notice of its determination of FMV. If Tenant fails to accept or

dispute Landlord's determination of FMV within ten (10) business days after Landlord's delivery of written notice with Landlord's determination of the FMV, then Tenant shall be deemed to have waived the Second Renewal Option. If Tenant disputes Landlord's determination of FMV, Tenant shall so notify Landlord within ten (10) business days following Landlord's notice to Tenant of Landlord's determination and, in such case, the FMV shall be determined as follows:

(ii) Within thirty (30) days following Tenant's notice to Landlord that it disputes Landlord's determination of the FMV, Landlord and Tenant shall meet no less than two (2) times, at a mutually agreeable time and place, to attempt to agree upon the FMV.

(iii) If within this 30-day period Landlord and Tenant cannot reach agreement as to the FMV, they shall each select one appraiser to determine the FMV. Each such appraiser shall arrive at a determination of the FMV and submit his or her conclusions to Landlord and Tenant within thirty (30) days after the expiration of the 30-day consultation period described in (a) above.

(iv) If only one appraisal is submitted within the requisite time period, it shall be deemed to be the FMV. If both appraisals are submitted within such time period, and if the two appraisals so submitted differ by less than ten percent (10%) of the higher of the two, the average of the two shall be the FMV. If the two appraisals differ by more than ten percent (10%) of the higher of the two, then the two appraisers shall immediately select a third appraiser who will within thirty (30) days of his or her selection make a determination of the FMV and submit such determination to Landlord and Tenant. This third appraisal will then be averaged with the closer of the previous two appraisals and the result shall be the FMV.

(v) All appraisers specified pursuant hereto shall be members of the American Institute of Real Estate Appraisers with not less than five (5) years experience appraising office, research and development and industrial properties in the San Ramon/Pleasanton area. Each party shall pay the cost of the appraiser selected by such party and one-half of the cost of the third appraiser.

(b) No later than thirty (30) days prior to the commencement of the Second Renewal Term, Tenant shall deposit with Landlord an amount, that when taken together with the Security Deposit, equals the Base Rent due for the last month of the Second Renewal Term.

(c) Notwithstanding anything to the contrary set forth herein, Tenant shall have no right to exercise the Second Renewal Option (or if the Renewal Option has been exercised, but the following conditions are not satisfied, then the exercise of the Second Renewal Option shall be void) if: (i) there has been any materially adverse change in the financial condition of the Tenant, as of the Effective Date, or (ii) if the net worth (determined in accordance with generally accepted accounting principles consistently applied) of the Tenant at the time it desires to exercise the Second Renewal Option or as of the commencement date of the Renewal Term is less than the net worth (as so determined) of Tenant as of the Effective Date. Tenant shall be required, as a condition precedent to the Second Renewal Option being validly exercised, to provide evidence (which shall be reasonably acceptable to Landlord) that the foregoing conditions have been satisfied.

(d) Notwithstanding anything to the contrary contained herein, the Renewal Option is personal to Giga-tronics Incorporated, a California corporation or its successor by Permitted Transfer pursuant to Section 11.04 of the Lease, shall be exercisable only by Giga-tronics Incorporated, a California corporation or its successor by Permitted Transfer pursuant to Section 11.04 of the Lease, and may not be assigned or exercised by any other successor, assignee, sublessee or transferee of Giga-tronics Incorporated, a California corporation's interest in the Lease, nor may it be exercised if any portion of the Premises is sublet, other than to an Affiliate or if Giga-tronics Incorporated, a California corporation or its successor by Permitted Transfer pursuant to Section 11.04 of the Lease, is not occupying at least seventy-five (75%) of the Premises. As used herein, Giga-tronics Incorporated, a California corporation, includes any Affiliate that becomes the Tenant under the Lease pursuant to Section 11.04 of the Lease.

(e) Tenant agrees and acknowledges that notwithstanding anything to the contrary set forth in the Lease, Tenant has no options to renew or extend the Term other than as set forth in this Section 9.

10. Monument Signage. So long as (i) Tenant is not in default under the terms of the Lease, beyond any applicable notice and cure period; (ii) Tenant has not abandoned the Premises; (iii) Tenant has not assigned the Lease to an entity other than an Affiliate of Tenant that becomes the Tenant under the Lease pursuant to Section 11.04 of the Lease, in addition the existing signage rights afforded to Tenant under the Lease, and (iv) subject to receipt by Tenant of all applicable permits and approvals (including those required under any covenants, conditions and restrictions encumbering the Property) Tenant shall have the right during the term of the Lease, as amended hereby, to have its name placed on the outside of the Building in a location mutually acceptable to Landlord and Tenant (the "Building Sign"). Following installation of Tenant's Building Sign, Tenant shall be liable for all costs related to the maintenance and, if applicable, illumination of the Building Sign. The Building Sign shall comply with all Laws and is be subject to any covenants, conditions and restrictions encumbering the Property. Tenant shall be solely responsible for the costs in connection with the design, fabrication and installation of the Building Sign. Tenant must obtain Landlord's written consent to any proposed signage and lettering prior to its fabrication and installation. Landlord reserves the right to withhold consent to any sign that, in the reasonable judgment of Landlord, is not harmonious with the design standards of the Building. To obtain Landlord's consent, Tenant shall submit design drawings to Landlord showing the type and sizes of all lettering; the colors, finishes and types of materials used; and (if applicable and Landlord consents) any provisions for illumination. Tenant shall be responsible for the cost of removal of the Building Sign and to repair any damage resulting from the installation or removal upon the earliest to occur of: (i) termination or expiration of the Lease, as amended hereby; (ii) the abandonment of the Premises by Tenant; or (iii) the assignment of the Lease, as amended hereby, to an entity other than an Affiliate of Tenant that becomes the Tenant under the Lease pursuant to Section 11.04 of the Lease. If Tenant exercises its Termination Right with respect to the Termination Premises only, then Tenant shall, not later than the Termination Date, remove the Building Sign and repair any damage from the installation and removal thereof.

11. Right of First Offer.

(a) Subject to the current renewal or expansion options of the tenants in the ROFO Premises (as hereinafter defined) ("Prior Rights"), Tenant shall have the right, from time to time, during the term of the Lease, as amended hereby, to lease up to twenty thousand (20,000) square feet of space on the second floor of the Building as such space becomes available for lease to the general marketplace, but subject to a space configuration which is reasonably acceptable to Landlord, taking into consideration access, cost and the leasability of the remnant space (in each instance, the "ROFO Premises"). Landlord shall provide Tenant written notice, from time to time (in each instance, "ROFO Initial Notice"): (i) describing the ROFO Premises that will become available (as Landlord determines such space is becoming available); (ii) stating Landlord's non-binding estimated delivery date of the ROFO Premises; and (iii) the terms on which Landlord would lease such ROFO Premises to Tenant ("ROFO Terms"). The ROFO Terms must be at equal to FMV.

(b) Tenant shall have the right ("ROFO"), to be exercised within ten (10) business days of the ROFO Initial Notice ("ROFO Notice"), or waived if not so exercised, to provide written notice to Landlord to elect to lease the ROFO Premises on the ROFO Terms. If Tenant exercises the ROFO, Landlord and Tenant shall enter into an agreement documenting and incorporating the ROFO Terms (the "ROFO Amendment") within ten (10) business days after the ROFO Notice.

(c) If Tenant fails to deliver the ROFO Notice as and when required above or if Landlord and Tenant fail to enter into the ROFO Amendment, Landlord shall then be free to offer the ROFO Premises and negotiate a lease therefor with any other party, and Tenant shall have no further right to lease the space which is the subject of the ROFO Initial Notice; provided, however, that if the terms of the lease for the ROFO Premises with the other party are materially more favorable than those given to Tenant in the original ROFO Notice, then Landlord must give Tenant a new ROFO Notice reflecting the more favorable terms and thereafter the terms of this Section 11 shall apply (including the timing of Tenant exercising the ROFO). The right to lease the space by Tenant hereunder shall apply only to the entire space described in the ROFO Initial Notice.

(d) Notwithstanding anything to the contrary contained herein, the ROFO is personal to Gigatronics Incorporated, a California corporation or its successor by Permitted Transfer pursuant to Section 11.04 of

the Lease, shall be exercisable only by Giga-tronics Incorporated, a California corporation or its successor by Permitted Transfer pursuant to Section 11.04 of the Lease, and may not be assigned or exercised by any other successor, assignee, sublessee or transferee of Giga-tronics Incorporated, a California corporation's interest in the Lease, nor may it be exercised if any portion of the Premises is sublet, other than to an Affiliate or if Giga-tronics Incorporated, a California corporation or its successor by Permitted Transfer pursuant to Section 11.04 of the Lease, is not occupying at least seventy-five (75%) of the Premises. As used herein, Giga-tronics Incorporated, a California corporation, includes any Affiliate that becomes the Tenant under the Lease pursuant to Section 11.04 of the Lease.

12. As-Is. Tenant agrees and acknowledges that the Premises remain acceptable for Tenant's use and Tenant acknowledges that neither Landlord nor any broker or agent has made any representations or warranties in connection with the physical condition of the Premises or their fitness for Tenant's use upon which Tenant has relied directly or indirectly for any purpose. Tenant accepts the Premises in an "AS IS" condition. Tenant shall be responsible for any and all code compliance issues that are triggered as a result of the Renewal Term Improvements (it being understood that if the code compliance issues are inside the Premises, then Tenant shall perform such improvements as may be required to satisfy such code compliance issues and if the code compliance issues are outside of the Premises, then Landlord shall perform such improvements as may be required to satisfy such code compliance issues and deduct the cost thereof (together with the construction management fee) from the Renewal Term Allowance). Except as expressly provided to the contrary in the Lease, as amended hereby, Landlord shall not be required to make any expenditure, incur any obligation, or incur any liability of any kind whatsoever in connection with the Lease as amended hereby or the ownership, construction, maintenance, operation or repair of the Premises.

13. Brokers. Tenant warrants that it has had no dealings with any real estate broker or agent other than Colliers International, on behalf of Landlord and Jones Lang LaSalle Americas, Inc., on behalf of Tenant, whose commissions shall be payable by Landlord pursuant to a separate written agreement. If Tenant has dealt with any other person or real estate broker with respect to leasing or renting space in the Building, Tenant shall be solely responsible for the payment of any fee due said person or firm and Tenant shall hold Landlord free and harmless against any liability in respect thereto, including attorneys' fees and costs. Landlord warrants that it has had no dealings with any real estate broker or agent other than Colliers International, on behalf of Landlord and Jones Lang LaSalle Americas, Inc., on behalf of Tenant, whose commissions shall be payable by Landlord pursuant to a separate written agreement. If Landlord has dealt with any other person or real estate broker with respect to leasing or renting space in the Building, Landlord shall be solely responsible for the payment of any fee due said person or firm and Landlord shall hold Tenant free and harmless against any liability in respect thereto, including attorneys' fees and costs.

14. Tenant's Representations and Warranties. Tenant hereby represents and warrants to Landlord that the Lease as amended hereby constitutes a valid and binding obligation of Tenant, enforceable against Tenant in accordance with their terms, and Tenant has no defenses, offsets or counterclaims with respect to its obligations thereunder. Tenant also represents and warrants that there is no existing Default on the part of the Landlord or the Tenant in any of the terms and conditions of the Lease and no event has occurred which, with the passing of time or giving of notice or both, would constitute a Default under the Lease by Landlord or Tenant.

15. Express Changes Only. Except as set forth in this Amendment, all of the terms and provisions of the Lease shall remain unmodified and in full force and effect, and shall be incorporated herein.

16. Counterparts. This Amendment may be executed in any number of counterparts, each of which when executed and delivered shall be deemed to be an original and all such counterparts together, shall constitute one and the same instrument. The execution of facsimiles or electronic copies of this Amendment shall be binding on the parties hereto.

17. Entire Agreement. Other than the Lease, there are and were no oral or written representations, warranties, understandings, stipulations, agreements, or promises made by either party, or by any agent, employee, or other representative of either party, pertaining to the subject matter of this Amendment which have

not been incorporated into this Amendment. This Amendment shall not be modified, changed, terminated, amended, superseded, waived, or extended except by a written instrument executed by the parties hereto.

18. Attorneys' Fees. In the event that either party hereto brings any action or files any proceedings in connection with the enforcement of its respective rights under this Amendment or as a consequence of any breach by the other party hereto of its obligations hereunder, the prevailing party in such action or proceeding shall be entitled to have all of its attorneys' fees and out-of-pocket expenditures paid by the losing party.

[SIGNATURE PAGE ATTACHED]

This Amendment is executed by the parties hereto as of the date first written above.

LANDLORD:

VIF/ZKS NORRIS TECH CENTER, LLC,
a Delaware limited liability company

By: Stephens RE San Ramon I, LLC,
a California limited liability company,
its Member

By: /s/ Jonathan Winslow
Name: Jonathan Winslow
Its: Manager

TENANT:

GIGA-TRONICS INCORPORATED,
a California corporation

By: /s/ John R. Regazzi
Name: John R. Regazzi
Its: CEO

EXHIBIT 21

SIGNIFICANT SUBSIDIARIES

<u>Name</u>	<u>Jurisdiction of incorporation</u>
Microsource, Inc.	California

EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors
Giga-tronics Incorporated
San Ramon, California

We consent to the incorporation by reference in the Registration Statements Nos. 333-45476, 333-34719, 333-48889, 333-39403, 333-69688 and 333-135578 on Form S-8 of Giga-tronics Incorporated of our report dated May 24, 2010, relating to our audit of the consolidated financial statements, which report appears elsewhere in this Annual Report on Form 10-K of Giga-tronics Incorporated for the year ended March 27, 2010.

/s/ Perry-Smith LLP

San Francisco, California
May 24, 2010

EXHIBIT 31.1

CERTIFICATIONS UNDER SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, John R. Regazzi, certify that:

1. I have reviewed this Annual Report on Form 10-K of Giga-tronics, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: 5/25/10

/s/ JOHN R. REGAZZI

John R. Regazzi
Chief Executive Officer

EXHIBIT 31.2

CERTIFICATIONS UNDER SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Patrick J. Lawlor, certify that:

1. I have reviewed this Annual Report on Form 10-K of Giga-tronics, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: 5/25/10

/s/ PATRICK J. LAWLOR
Patrick J. Lawlor
Vice President Finance/
Chief Financial Officer & Secretary

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Giga-tronics Incorporated (the "Company") on Form 10-K for the period ending March 29, 2008, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John R. Regazzi, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: 5/25/10

/s/ JOHN R. REGAZZI

John R. Regazzi
Chief Executive Officer

EXHIBIT 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Giga-tronics Incorporated (the "Company") on Form 10-K for the period ending March 29, 2008, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Patrick J. Lawlor, Vice President, Finance, Chief Financial Officer and Secretary of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: 5/25/10

/s/ PATRICK J. LAWLOR

Patrick J. Lawlor
Vice President Finance,
Chief Financial Officer & Secretary

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CORPORATE INFORMATION

Board of Directors

George H. Bruns, Jr.

James A. Cole ^{2,3}
General Partner, Windward Ventures
General Partner, Spectra Enterprises

Garrett A. Garrettson ¹
Chairman of the Board
President, Garrettson Consulting

Kenneth A. Harvey ^{1,2}
President, Peak Consulting Group

John R. Regazzi
Chief Executive Officer

Robert C. Wilson ^{1,2,3}
Former Chairman, Wilson & Chambers

¹ Member, Compensation Committee

² Member, Audit Committee

³ Member, Nominating Committee

Executive Officers

John R. Regazzi
Chief Executive Officer

Patrick J. Lawlor
Vice President, Finance
Chief Financial Officer & Secretary

Jeffrey T. Lum
Chief Technology Officer
President, ASCOR Inc.

Malcolm E. Levy
Vice President, Sales & Marketing

Headquarters

Giga-tronics Incorporated
4650 Norris Canyon Road
San Ramon, CA 94583
Tel. (925) 328-4650
Fax. (925) 328-4700
www.gigatronics.com

Subsidiaries

ASCOR Inc.
4650 Norris Road
San Ramon, CA 94583
(925) 328-4650
(925) 328-4700 (FAX)
www.gigatronics.com

Microsource, Inc
1269 Corporate Center Parkway
Santa Rosa, CA 94507
Tel. (707) 527-7010
Fax. (707) 527-7176
www.gigatronics.com

Independent Auditors

Perry-Smith LLP
575 Market Street, Suite 3300
San Francisco, CA 94105
www.perry-smith.com

Legal Counsel

Bingham McCutchen
Three Embarcadero Center
18th Floor
San Francisco, CA 94111
www.bingham.com

Transfer Agent

American Stock Transfer & Trust Company
59 Maiden Lane, Plaza Level
New York, NY 10038
www.amstock.com

Annual Meeting

The Company's Annual Shareholder Meeting will be held at 9:30 a.m. on Tuesday, August 17, 2010 at Giga-tronics' corporate office, located at 4650 Norris Canyon Road, San Ramon, CA 94583 USA

Form 10-K

A copy of the Company's complete annual report on Form 10-K for fiscal year 2010, filed with the Securities and Exchange Commission, may be obtained without charge by a written request to:

Corporate Secretary
Giga-tronics Incorporated
4650 Norris Canyon Road
San Ramon, CA 94583 USA



925.328.4650
800.726.4442
investors@gigatronics.com

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