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CALIFORNIA AMPLIFIER INC  
Form 8-K  
June 19, 2002

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 8-K/A

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

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

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

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

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

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

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

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

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

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

#### (a) Financial Statements:

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

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

#### (b) Pro Forma Financial Information:

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

### SIGNATURES

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

CALIFORNIA AMPLIFIER, INC.

June 19, 2002

/s/ Richard K. Vitelle

\_\_\_\_\_  
Date

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

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

Richland Center, Wisconsin

COMBINED FINANCIAL STATEMENTS

Including Independent Auditors' Report  
December 31, 2001 and 2000

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

TABLE OF CONTENTS

Independent Auditors' Report

1

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### Financial Statements

Combined Balance Sheets	2
Combined Statements of Income and Retained Earnings	3
Combined Statements of Cash Flows	4
Notes to the Combined Financial Statements	5 - 10

### Supplemental Information

Combining Balance Sheets	11 - 14
Combining Statements of Income and Retained Earnings	15 - 16

### INDEPENDENT AUDITORS' REPORT

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

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

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

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

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

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

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

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

COMBINED BALANCE SHEETS  
December 31, 2001 and 2000

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

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

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES

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

LONG-TERM LIABILITIES

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

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

STOCKHOLDERS' EQUITY

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

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

See accompanying notes to combined financial statements.

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

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

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

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

See accompanying notes to combined financial statements.

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

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

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

See accompanying notes to combined financial statements.

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

NOTES TO COMBINED FINANCIAL STATEMENTS  
December 31, 2001 and 2000

NOTE 1 - Summary of Significant Accounting Policies

Nature of Operations

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

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

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

The companies currently sell their products to customers worldwide.

Basis of Combination



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

### Cash and Cash Equivalents

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

### Investment Securities Trading

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

### Accounts Receivable

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

### Inventories

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

### Property and Equipment

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

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

### Impairment Charges

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

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

### Intangibles

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

### Income Taxes

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

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for income taxes has been included in these financial statements.

### Estimates

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

### Advertising

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

### Research and Development

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

### Shipping and Handling Costs

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

### Revenue Recognition

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

### Warranty

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

### NOTE 2 - Inventories

Inventories consist of the following at December 31:

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

### NOTE 3 - Property and Equipment

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

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

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

NOTE 4 - Line of Credit

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

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

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

NOTE 5 - Long-Term Debt

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

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

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

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

NOTE 6 - Related Party Debt

Related party debt consists of the following at December 31:

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

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

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

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

### NOTE 7 - Retirement Plan

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

### NOTE 8 - Commitments and Contingencies

#### Pending Lawsuits

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

### NOTE 9 - Concentrations of Risk

#### Cash Balance

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

#### Major Customers

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

#### Major Suppliers

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

SUPPLEMENTAL INFORMATION

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

COMBINING BALANCE SHEET  
 December 31, 2001

ASSETS

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

See accompanying notes to combined financial statements.

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

LIABILITIES AND STOCKHOLDERS' EQUITY

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

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See accompanying notes to combined financial statements

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

COMBINING BALANCE SHEET  
December 31, 2000

ASSETS

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



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See accompanying notes to combined financial statements.

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

COMBINING BALANCE SHEET (cont.)  
December 31, 2000

LIABILITIES AND STOCKHOLDERS' EQUITY

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

See accompanying notes to combined financial statements.

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

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

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

See accompanying notes to combined financial statements.

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

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

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

See accompanying notes to combined financial statements.

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

Richland Center, Wisconsin

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

INTERACTIVE TECHNOLOGIES INTERNATIONAL, LLC  
KAUL-TRONICS, INC.  
NGP, INC.  
TABLE OF CONTENTS

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Independent Auditors' Report	1
Financial Statements	
Combined Balance Sheets	2
Combined Statements of Income and Retained Earnings	3
Combined Statements of Cash Flows	4 - 5
Notes to the Combined Financial Statements	6 - 11
Supplemental Information	
Combining Balance Sheets	12 - 15
Combining Statements of Income and Retained Earnings	16 - 17

INDEPENDENT AUDITORS' REPORT

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

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Richland Center, Wisconsin

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

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

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

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

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

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

COMBINED BALANCE SHEETS  
December 31, 2000 and 1999

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

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

See accompanying notes to combined financial statements.

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

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

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

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

See accompanying notes to combined financial statements.

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

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

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



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

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

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

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

NONCASH INVESTING AND FINANCING ACTIVITIES

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

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

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

See accompanying notes to combined financial statements.

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

NOTES TO COMBINED FINANCIAL STATEMENTS  
December 31, 2000 and 1999

NOTE 1 - Summary of Significant Accounting Policies  
Nature of Operations

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

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

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

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The companies currently sell their products to customers worldwide.

### Basis of Combination

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

### Cash and Cash Equivalents

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

### Investment Securities Trading

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

### Accounts Receivable

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

### Inventories

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

### Property and Equipment

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

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

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

### Intangibles

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

### Income Taxes

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

### Estimates

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

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management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### Advertising

Advertising costs are charged to operations when incurred.

### Research and Development

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

### Warranty

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

### Revenue Recognition

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

### NOTE 2 - Inventories

Inventories consist of the following at December 31:

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

### NOTE 3 - Property and Equipment

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

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

### NOTE 4 - Line of Credit

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

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

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

### NOTE 5 - Long-Term Debt

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

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

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

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

### NOTE 6 - Related Party Debt

Related party debt consists of the following at December 31:

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

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

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

### NOTE 7 - Retirement Plan

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

### NOTE 8 - Commitments and Contingencies

#### Purchase Commitment

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

#### Pending Lawsuit

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

### NOTE 9 - Concentrations of Risk

#### Cash Balance

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

#### Major Customers

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

#### Major Suppliers

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

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

COMBINING BALANCE SHEET  
 December 31, 2000

ASSETS

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

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

COMBINING BALANCE SHEET (cont.)  
 December 31, 2000

LIABILITIES AND STOCKHOLDERS' EQUITY

ASSETS

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



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

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

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

COMBINING BALANCE SHEET  
December 31, 1999

ASSETS

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

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

COMBINING BALANCE SHEET (cont.)  
 December 31, 1999

LIABILITIES AND STOCKHOLDERS' EQUITY

ASSETS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

CALIFORNIA AMPLIFIER, INC.

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

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

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

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

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

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

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

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

\$17,625  
=====

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

\$ 115  
=====

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

\$ 400  
=====

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

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

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

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

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



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

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

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

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

- (B) To reflect interest expense on the \$12 million bank term loan payable which partially financed the cash portion of the purchase price. The interest rate on the new debt is assumed to be 4.0%. A change of 1/4 percent in the interest rate would result in a change in interest expense and income from continuing operations of \$30k and \$21k, before and after taxes, respectively. \$ 480  
=====
  
- (C) To reflect amortization of debt issue costs of \$115k over the six year life of the \$12 million bank term loan payable. \$ 19  
=====
  
- (D) Kaul-Tronics Group is organized as an S-Corp for income tax purposes and therefore does not record income tax expense. This pro forma adjustment is to reflect imputed income tax expense on Kaul-Tronics' pretax income at an effective federal and state combined rate of 39%. \$1,829  
=====
  
- (E) To reflect the income tax effect of increased interest expense and debt issue cost amortization expense using an effective tax rate of 31.3%. \$ 156  
=====