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

AMENDMENT NO. 1
TO
FORM 10-K

(Mark One)

/x/ Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended March 31, 1999 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 number: 0-27266

WESTELL TECHNOLOGIES, INC.
(Exact name of registrant as specified in its charter)

DELAWARE	36-3154957
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

750 N. COMMONS DRIVE AURORA, ILLINOIS	60504
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (630) 898-2500

Securities registered pursuant to Section 12(b) of the Act: NONE

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

CLASS A COMMON STOCK, $.01 PAR VALUE

(Title of Class)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes /x/ No / /

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (section 229.405 of this chapter) 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. / /

The registrant estimates that the aggregate market value of the registrant's Class A Common Stock (including Class B Common Stock which automatically converts into Class A Common Stock upon a transfer of such stock except transfers to certain permitted transferees) held by non-affiliates (within the meaning of the term under the applicable regulations of the Securities and Exchange Commission) on June 24, 1999 (based upon an estimate that 45.0% of the shares are so owned by non-affiliates and upon the average of the closing bid and asked prices for the Class A Common Stock on the NASDAQ National Market on that date) was approximately $103,366,344. Determination of stock ownership by non-affiliates was made solely for the purpose of responding to this requirement and registrant is not bound by this determination for any other purpose.

As of June 24, 1999, 16,945,030 shares of the registrant's Class A Common Stock were outstanding and 19,511,189 shares of registrant's Class B Common Stock (which automatically converts into Class A Common Stock upon a transfer of such stock except transfers to certain permitted transferees) were outstanding.

The following documents are incorporated into this Form 10-K by reference:

Proxy Statement for 1999 Annual Meeting of Stockholders (Part III).

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

Certain statements contained under "Management's Discussion and Analysis of Financial Condition and Results of Operations," such as those concerning future product sales and gross margins, certain statements contained under "Business," such as statements concerning the development and introduction of new products and the development of alternative Digital Subscriber Line ("DSL") technology, and other statements contained in this Annual Report on Form 10-K for the fiscal year ended March 31, 2000 (the "Form 10-K") regarding matters that are not historical facts are forward-looking statements (as such term is defined in the rules promulgated pursuant to the Securities Act of 1933, as amended (the "Securities Act")). Because such forward-looking statements include risks and uncertainties, actual results may differ materially from those expressed in or implied by such forward-looking statements. Factors that could cause actual results to differ materially include, but are not limited to, those discussed herein under "Risk Factors" set forth herein. Westell Technologies, Inc. ("Westell" or the "Company") undertakes no obligation to release publicly the result of any revisions to these forward-looking statements that may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

PART I

ITEM 1. BUSINESS

Since 1980, Westell has developed telecommunications products that address the needs of telephone companies to upgrade their existing network infrastructures in order to deliver advanced data and voice services to their customers. The Company designs, manufactures, markets and services a broad range of digital and analog products used by telephone companies to deliver services primarily over existing copper telephone wires that connect end users to a telephone company's central office. The copper wires that connect users to these central offices are part of the telephone companies' networks and are commonly referred to as the local loop or the local access network. The Company also markets its products and services to other telecommunications and information service providers seeking direct access to end-user customers.

Conference Plus, Inc., an 88% owned subsidiary, provides audio, video, and data conferencing services. Businesses and individuals use these services to hold voice, video or data conferences with many people at the same time. Conference Plus sells its services directly to large customers, including Fortune 100 companies and serves customers indirectly through its private reseller program. Conference Plus is one of the largest providers of conferencing services that is not directly affiliated with or owned by telephone carriers such as AT&T.

TELECOMMUNICATIONS INDUSTRY OVERVIEW

Since the early 1980s, the telecommunications industry has experienced an increased demand for the number of services provided to end users. Not only has traditional telephone voice traffic increased, but the growth of personal computers and modems has created significant data traffic from a wide variety of services such as fax, email and online access. For example, businesses with multiple locations increasingly require their local voice and data networks, often located in different places, to be linked to larger, more sophisticated wide area networks that must handle large volumes of telecommunications traffic. In addition, the Internet continues to expand beyond its traditional data transmission and file-sharing functions to offer email, video broadcasts, ecommerce, commercial services, transaction processing, independent bulletin boards, and voice transmission. Business and residential based demand for telecommunications services is expected to continue to grow as telephone companies and information service providers increase their offerings of new interactive multimedia services, including data and video applications such as high speed Internet access, local area network extension, telecommuting and video conferencing. These applications require individuals to remain on the line longer than the telephone networks were originally designed to handle, and telephone companies are installing an increasing number of second lines at end user sites. Also, the size and rate of the content being transmitted demands

more bandwidth, or greater speed and capacity, on both the main telephone wires and the telephone wires that connect a telephone company's central office to the end user. To handle the growing volume of data communications traffic and to provide faster and higher quality transmission, telephone companies and

information service providers must continually upgrade the capacity and speed of their networks typically by adding additional bandwidth to their telephone wires.

Deregulation. Deregulation also increased competition in the telecommunications industry. Cable operators are competing with telephone companies in the delivery of high-speed digital transmission and seek to compete in the delivery of traditional local telephone service as well. Currently available high-speed cable modems enable cable operators to provide data transmission services to customers in addition to standard television services. Alternative telephone access providers have deployed fiber and wireless systems for high volume data transmission to business centers and other high-density metropolitan areas. Competition will continue to increase as these alternatives to telephone companies develop new products and their costs decline. Deregulation allows telephone carriers, information service providers and cable operators to deploy competitive services in the local access network leading to a new class of service providers known as a competitive local exchange carrier. In addition, this trend toward continued deregulation of the telecommunications industry may further decrease the current restrictions and regulations affecting telephone companies' ability to provide high bandwidth services such as high speed Internet access and corporate local area network extensions. Telephone companies are responding to this competition by upgrading their networks and increasing their telecommunications service offerings.

Existing Telephone Company Infrastructure. Traditionally, telephone companies have provided local telephone services using analog technology, which does not have the bandwidth, or speed and capacity, to support the growing demand for new services over telephone wires such as Internet access. In contrast, digital technology permits high speed, high volume and more reliable data transmission, thereby increasing the variety of services that can be provided by telephone companies. To handle the growing demand for digital traffic, telephone companies have deployed broadband optical fiber to connect their geographically dispersed central offices and to connect their central offices to high-density telecommunications traffic areas. Deployment of fiber in the local access network to connect end users to a telephone company's central office, however, has proven labor intensive, complicated, time consuming and expensive. Consequently, these connections to end users still predominantly consist of low speed analog transmission over copper wire.

Given the challenges of widespread replacement of copper wire in the local access network, telephone companies have turned to systems suppliers for cost-effective technology that can expand the ability of the existing copper wire infrastructure to accommodate high speed digital transmission. Digital conversion of the analog network has been built on the aggregating or multiplexing format known as T-1 in the U.S. and E-1 in most countries outside of the U.S. T-1/E-1 transmission utilizes a data rate of 1.544 and 2.048 Megabits per second, respectively, and the transmission can be aggregated or subdivided into channels to deliver data communication services tailored to specific end user requirements. For example, a T-1 line can be up to 24 times faster than a traditional phone line. Products enabling T-1 and E-1 transmission, however, have typically required extensive engineering and provisioning, which make them cost prohibitive for residential and small business use.

Existing and Emerging Technologies. Telecommunications manufacturers have developed, and are currently developing, numerous products that have increased the quality, speed and cost-effectiveness of digital transmission over copper wire. These products include:

ISDN. In the early 1980s, telephone companies introduced basic rate Integrated Service Digital Network technology commonly known as ISDN. ISDN provides digital transmission at rates up to 144 Kilobits per second as well as a means to aggregate multiple channels into a single high speed link over copper wire. Demand for existing basic rate ISDN technology may be constrained due to:

- its limited bandwidth (which does not allow telephone companies to offer advanced data and video services),
- its inability to provide existing telephone service over the same wire, and
- its relatively high installation costs.

In addition, ISDN deployment will require telephone companies to increase their central office switch capacity to maintain network

reliability.

HDSL. In 1992, telephone companies introduced High bit-rate Digital Subscriber Line technology which is commonly known as HDSL. HDSL reduces the costs of installing and upgrading T-1/E-1 service. Traditional T-1/E-1 service requires the installation of one or more amplifiers called mid-span repeaters for line lengths greater than 6,000 feet and requires the expensive and time consuming conditioning of copper wire. HDSL increases the non-repeater distance of T-1/E-1 transmission over two pairs of copper wires to approximately 12,000 feet, which reduces the need for repeaters and conditioning of the copper telephone wire. As a result, telephone companies are deploying HDSL technology in their local access networks where the end user requires a high-speed symmetrical digital communication stream and does not require a telephone channel to run on the same wire.

DSL. The Digital Subscriber Line or ADSL technology permits even greater digital transmission capacity over copper wire than is possible with existing HDSL and ISDN products. DSL technology allows the simultaneous transmission of data at speeds up to 8.0 Mega bits per second in one direction and up to 1 Mega bits per second in the reverse direction, while also providing standard analog telephone service over a single pair of copper wires at distances of up to 18,000 feet, depending on the transmission rate. With DSL technology, a user can talk and have high speed data transmissions at the same time over a regular phone line. DSL products enable telephone companies to provide interactive multimedia services over copper wire while simultaneously carrying traditional telephone services, thus mitigating the need for the telephone companies to install second lines to support these services. DSL products are currently being developed which will increase the data transmission capacity to up to 52.0 Mega bits per second. DSL technology is also known as ADSL when it refers to products that provide bi-directional transmission capacity at varying speeds.

DSLAM. A DSL product commonly known as DSLAM is piece of equipment that typically resides in the telephone companies' central offices. It aggregates, or multiplexes, multiple DSL access lines into a telephone company's high speed line back to its core or central network. As network service providers begin deploying DSL based services the need for DSL line concentration at the central offices increases.

Digital Loop Carrier. The digital loop carrier product known as DLC is a mini-switch that extends central office services to remote locations. A digital loop carrier acts as a concentration point away from the telephone companies' central office for copper telephone lines in the local access network. DSL and DSLAM technology can be integrated into the digital loop carrier to provide a cost effective mechanism for delivering integrated services. This solution can sometimes be more cost effective than deployment directly from the telephone company central office.

G.Lite. This technology is a version of DSL under development that will allow manufacturers to produce DSL products that can operate with each other. It also will allow users to more easily deploy DSL technology in their homes or business sites because end users may be able to install the G.Lite product themselves. G.Lite provides lower transmission speeds than other DSL products.

DSL Routers (or DSL Local Area Network modems). These devices allow multiple computers to be networked together on a local area network and share access to the wide area network DSL line.

PPP over ATM. This is a protocol, or set of standards and rules, that allow allows telephone carriers to deploy DSL services in a manner similar to today's traditional dial-up modems. Unlike with dial-up or ISDN systems, DSL products permit telephone companies to avoid managing a computer's network address, and facilitates billing and security procedures.

TELECOMMUNICATIONS PRODUCTS

The Company offers a broad range of products that facilitate the transmission of high speed digital and analog data between a telephone company's central office and end-user customers. These products can be categorized into three groups:

- DSL products: products based on DSL technologies;
- T-1 products: products used by telephone companies to enable high speed digital T-1 transmission at approximately 1.5 megabits per second and E-1 transmission at approximately 2.0 megabits per second, which is approximately 24 times faster than standard analog telephone service; and
- Traditional products: products used by telephone companies to deliver digital services at relatively slower speeds than T-1 products, with speeds ranging from approximately 2.4 to 64 kilobits per second and traditional analog services with 4 kilohertz bandwidth.

The prices for the products within each of the product groups of the Company vary based upon volume, customer specifications and other criteria and are subject to change due to competition among telecommunications manufacturers. Increasing competition, in terms of the number of entrants and their size, continues to exert downward pressure on prices for the Company's products. The following table sets forth the revenues from Westell's three product groups for the periods indicated (for more information also see "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in this Annual Report on Form 10-K):

	Fiscal Year Ended March 31,		
	1997	1998	1999
	(in thousands)		
DSL products......................	$ 8,665	$12,448	$12,099
T-1 products......................	49,353	52,481	53,232
Traditional products..............	8,963	5,235	3,707

DSL Products. The Company is a developer and provider of DSL products. DSL products allow telephone companies and other local access providers to provide interactive multimedia services over existing copper telephone wire, thus offering a more cost-effective and faster deployment alternative to fiber optic cable. DSL systems support advanced data applications such as high speed Internet access, local area network extension, telecommuting, and virtual libraries.

ADSL technology permits the multiple transmissions of varying speeds over existing copper telephone wire. The transmission distances of current DSL systems vary based upon the data rate and telephone line condition, with a maximum distance of 18,000 feet.

The following table sets forth a representative list of the Company's current DSL products and their applications.

<TABLE>

Product	Description	Applications
SuperVision(R)DSLAM	Consolidates DSL lines into a single network interface. Users can achieve speeds of up to 8 megabits per second downstream and up to 1 megabit per second upstream. Facilitates the connection between copper wire digital transmission used in the local access network and the optical fiber transmission in the network.	Enables multiple services and applications such as high-speed Internet access, remote local area network access, and work at home, while providing simultaneous standard telephone service over copper telephone wires.
FlexCap2(TM)	Rate Adaptive DSL modem to modem system that operates at up to 2.24 Mega bits per second downstream and up to 1 Mega bits per second upstream over copper telephone wires. The rate adaptive capability enables the operating	Provides similar applications as DSLAM without the multiplexing, or aggregating feature. The rate adaptability allows telephone companies to maximize the digital

....	speed to be automatically adjusted based on the quality of the telephone wire and the transmission distance.	capacity of copper wire and facilitates the installation of DSL systems, thereby increasing the utilization of poor quality copper telephone wires which traditionally have required extensive installation and monitoring.
InterAccess 2	HDSL system that supports 1.5 or 2.0 mega bits per second bi-directional services over copper telephone wires. The Company's HDSL systems eliminate the need for telephone companies to improve the condition of the copper wire and to install amplifiers or line repeaters for distances of up to 12,000 feet. Contains performance and monitoring functions with remote accessibility that may supplant the need for telephone signal repeaters throughout the telephone line and products such as Westell's Network Interface Units.	Enables T-1 or E-1 transmission services. Increases transmission distance to up to 12,000 feet over copper telephone wires

</TABLE>

In the last five years, over 100 customers have purchased the Company's ADSL systems to conduct technical and marketing trials for interactive multimedia applications. DSL applications in these trials include interactive video-on-demand, music-on-demand, catalog shopping, financial services, games-on-demand, television-on-demand and long distance learning services. Internationally, Westell's DSL systems have been purchased by telephone administrations in 40 countries including Australia, Belgium, Canada, Hong Kong, Italy, Japan, Norway, Singapore, South Korea, Spain, Switzerland, Taiwan and the United Kingdom for trials and early deployments of DSL products. Westell is currently involved in Bell Atlantic's initial deployment of ADSL systems. Through its partnership with Fujitsu Telecom Europe, Ltd. (FTEL), Westell is involved in the initial deployment of ADSL products by British Telecom. Westell currently sells its HDSL systems primarily outside the U.S. and to U.S. federal government agencies.

Customers using the Company's DSL systems for initial service deployments are not contractually bound for future deployments or product sales. The Company is unable to predict whether customer initial service deployments or other technical or marketing trials will be successful or when significant commercial deployment will begin, if at all.

The Company's growth is dependent upon whether ADSL technology gains widespread commercial acceptance by telephone companies. Due to the Company's significant ongoing investment in DSL technology, the Company anticipates losses in each of the fiscal 2000 quarters. The Company's ability to achieve profitability or revenue growth in the future will be associated with market acceptance of the Company's DSL systems and the development and market acceptance of other DSL products introduced by the Company. See "Risk Factors."

The market for DSL products is intensely competitive. Bids for recent field trials and initial commercial deployments of DSL products implicitly assume "forward pricing," that is, pricing DSL products to reflect the expectation of large future volume sales and anticipated reductions in manufacturing costs. The Company has offered its DSL products to telephone companies at prices below current production costs. Such pricing has and could in the future cause the Company to incur losses on a substantial portion of its DSL product sales unless and until it can reduce manufacturing costs. The Company's ability to reduce its manufacturing costs is dependent upon (1) more cost-effective chipset and product design, some of which is dependent upon the Company's strategic partners, and (2) the achievement of economies of scale. The Company believes that, following the pronouncement of the International Telecommunication Union standard for G.Lite, competition will increase and result in pricing pressures and "forward pricing" of DSL products. There can be no assurance that the Company will be able to secure significant additional orders and reduce per unit manufacturing costs to accommodate these pricing pressures. Accordingly, the Company could incur losses in connection with sales of DSL products that could

have a material adverse effect on the Company's business and operating results.

T-1 Products. Westell's T-1 products provide telephone companies with cost-effective solutions to transport, maintain and improve the reliability of high speed or T-1 services over copper and fiber lines in the local access network. T-1 transmissions are digital transmissions that have a speed that is up to 24 times faster than a traditional analog phone line.

The following table sets forth a representative list of the Company's T-1 products and their applications:

<TABLE>

Product	Description	Applications
NIU (Network Interface Unit)	Network Interface Unit. An electronic module generally located in the phone companies' central office, that provides maintenance capabilities for telephone lines providing T-1 transmission.	Facilitates the maintenance of T-1 transmission.
NIU-PM	Network Interface Unit with Performance Monitoring that stores maintenance information for seven days.	Facilitates the maintenance and provides performance monitoring of T-1 facilities.
Mountings	Mechanical shelves used to house Westell's and other companies' traditional and higher speed modules.	Provides easy installation of end user electronics.
QuadJack(TM)	Transport system that provides transmission medium for one to four traditional signals over fiber.	Provides transport and facilitates maintenance for high-speed digital facilities.
SmartLink	Automatic protection system for up to 8 customer telephone lines providing T-1 transmission.	Increases the reliability of T-1 and other high-speed digital transmission. Used for critical circuits such as those used to provide service to cellular telephone sites.

</TABLE>

Many of the Company's T-1 products, such as its Network Interface Units, intelligent line repeaters, office repeaters and SmartLink automatic protection switches, function to monitor and control the quality of digital transmission over copper wire. The Company's Network Interface Units allow telephone companies to monitor transmission conditions and to detect performance problems in circuits from remote locations. All of the Regional Bell Operating Companies and GTE have purchased the Company's Network Interface Units. Westell also sells Network Interface Units that incorporate real time performance monitoring. This feature monitors the telephone line and returns status messages every second to the telephone company's central office. The deployment of HDSL systems in the U.S., which reduces telephone companies' need for T-1 repeaters used to boost transmission quality, may result in a decrease in demand for Westell's T-1 products such as its Network Interface Units. Network Interface Units represented 52.5%, 51.2% and 52.2% of the Company's revenues in fiscal 1997, 1998 and 1999, respectively.

The Company's SmartLink(TM) Automatic Protection Switch system monitors up to eight customer T-1 channels and allows telephone companies to provide uninterrupted service in the event of a fault on any channel. Once the SmartLink detects a fault in one channel, it automatically places that signal on a protection channel and generates a notification alarm at the telephone company's central office, thereby significantly reducing network downtime and costly data interruption.

Traditional Products. Westell's traditional products are used by telephone companies to deliver digital and analog service across copper wire in the local access network at speeds ranging from approximately 2.4 to 64 Kilobits

per second for digital transmission or 4 Kilohertz for analog transmission. In some circumstances, analog transmission is the most economical, most easily installed or the only service available.

The following table sets forth a representative list of the Company's traditional products and their applications:

Product	Description	Applications
Data Station Termination Unit	Provides maintenance and equalization of data transmission and provides the interface between analog transmission and an end user's modem.	Point of sale, lottery and other analog data.
Tandem................	Provides low speed and analog channel cross connections in tandem environments.	Connections between phone companies' offices.

The Company's other traditional products include:

- voice frequency channel units and mountings, which are used to provide dedicated analog data lines;
- smart repeaters, which boost analog signals; and
- monitoring functions designed to improve the quality of analog transmission over copper wire.

Revenues from traditional products have declined in recent years as telephone companies continue to move from lower speed analog and digital transmission services to networks that deliver higher speed services. The Company expects revenues in the traditional product category to continue to decline as a result of this migration.

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FlexCap, FlexCap2, FlexPak, QuadJack, SlimJack, SmartLink and PROACT are trademarks of Westell Technologies, Inc.
AccessVision and SuperVision are registered trademarks of Westell Technologies, Inc. All other names indicated by (R) or (TM) are registered trademarks or trademarks of their respective owners.

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RESEARCH AND PRODUCT DEVELOPMENT

The Company believes that its future success depends on its ability to maintain its technological leadership through enhancements of its existing products and development of new products that meet customer needs. Westell works closely with its current and potential customers as part of the product development process. Research and development expenses for fiscal 1997, 1998 and 1999 were $22.0 million $26.6 million and $26.6 million, respectively. To date, all research and development costs have been charged to operating expense as incurred. From time to time, development programs are conducted by other firms under contract with the Company, and related costs are also charged to operations as incurred.

There can be no assurance that the Company will be able to introduce products under development as planned, and the failure of the Company to do so would have a material adverse effect on the Company's business and results of operations. In addition, there can be no assurance that the Company's future development efforts will result in commercially successful products or that the Company's products will not be rendered obsolete by changing technology or new product announcements by competitors. See Risk Factors

The Company and products under development are subject to industry wide standardization organizations which include, the American National standards

Institute, the International Telecommunications Union and the European Telecommunications Standards Institute which are responsible for specifying transmission standards for telecommunications technologies. The industry transmission standard for ADSL adopted by American National Standards Institute and European Telecommunications Standards Institute is based upon a transceiver technology referred to as Discreet Multi-Tone technology or DMT. Westell incorporates DMT technology into its DSL products. The Company has not developed a transceiver technology for its product offerings and it is dependent on transceiver technologies from third parties. The Company has established multiple strategic relationships with transceiver technology vendors for transceiver technologies to be used in DSL systems by the Company. Absent the proper relationships with key transceiver technology vendors, the Company's products may not comply with the technology standards set for DSL products. If customers require standards based products that require transceiver technologies not available to the Company under reasonable terms and conditions, then the Company's business and results of operations would be materially and adversely affected.

The Company's DSL products are dependent upon transceiver technology licensed from third party suppliers. These licenses are nonexclusive and have been licensed to numerous other manufacturers or will not require a license to acquire. Without a third party transceiver technology the Company would not be able to produce any of its DSL systems. Consequently, if the Company's third party transceiver suppliers fail to deliver implementable or standards compliant transceiver solutions to the Company and other alternative sources of DSL transceiver technology are not available to the Company at commercially acceptable terms, then the Company's business and results of operations would be materially and adversely affected.

The International Telecommunications Union is expected to complete a final determination of a standard for an ADSL product called G.Lite in September 1999. The effect of a G.Lite standard on the Company is unknown. The Universal ADSL Working Group, formed by leading companies in the personal computer, telecommunications and networking industries, is in the process of establishing ADSL G.Lite standards based upon a technology standard that will allow manufacturers to manufacture DSL products that can be used with other telecommunications manufacturers' products. Although products based upon the expected G.Lite standard would reduce and simplify the telephone wiring modifications at the customer premises that is required by full DSL products, trials of the G.Lite products indicate that multiple distributed splitters may be required at the customer premises for G.Lite products which could make installation more expensive than other higher speed ADSL products. In addition, the differences in the initial costs, premises wiring requirements, and data rates between G.Lite products and higher speed ADSL products could confuse the marketplace and delay a mass market adoption of any ADSL products. Additionally, the Company's products will require design changes to achieve compliance with the expected G.Lite standard. Further, because the Company is dependent on its strategic silicon partners for providing G.Lite versions of transceiver technology and these standards are still not finalized, there can be no assurance that the Company will have a G.Lite transceiver technology in a timely manner for product development.

During the last fiscal year, the DSL industry has focused on achieving interoperability of the products manufactured by different vendors. The expectation is that widespread availability of interoperable equipment would speed market deployment by eliminating dependencies between customer equipment and the equipment used by the service provider. Although Westell participates in interoperability tests and programs, there is no assurance that widespread equipment interoperability would increase unit sales volumes as interoperability has not been an issue in the market to date. Additionally, improved equipment interoperability could also increase pricing pressures on the Company's ADSL products.

The Company's engineering is conducted in accordance with ISO 9001, which is the international standard for quality management systems for design, manufacturing and service. The Company's research and development personnel are organized into product development teams. Each product development team is generally responsible for sustaining technical support of existing products, decreasing manufacturing costs, conceiving new products in cooperation with

other groups within the Company and adapting standard products or technology to meet new customer needs. In particular, each product development team is charged with implementing the Company's engineering strategy of reducing product costs for each succeeding generation of the Company's products in an effort to be a

low cost, high quality provider, without compromising functionality or serviceability. The Company believes that the key to this strategy is choosing an initial architecture for each product that enables engineering innovations to result in future cost reductions. Successful execution of this strategy also requires that the Company continue to attract and recruit highly qualified engineers.

STRATEGIC ALLIANCES

The Company's business strategy involves entering into selected strategic alliances with other companies that are intended to secure complementary technologies, insure access to transceiver technology chipsets at the lowest possible cost and to better market its products. These relationships are expected to enable the Company to more quickly develop products and penetrate markets and to be able to price its products competitively. The success of the Company is and will be dependent on the efforts of its strategic alliances. The Company's strategic alliances primarily relate to the development, manufacture and marketing of DSL systems. Examples of the Company's alliances include the following:

Fujitsu Telecom Europe Limited - Effective April 1998, the Company entered into an agreement to design and manufacture DSL products for Fujitsu Telecom. Fujitsu Telecom will distribute the product in Europe. The Company will receive royalty payments in the event that Fujitsu chooses instead to manufacture the products.

Adtran - Effective March 1998, the Company entered into a nonexclusive agreement with Adtran, Inc. to develop and market ADSL products for Adtran's communications platform called Total Access. Total Access is used in phone companies' central offices to provide traditional and high speed services to customers. The Total Access partner program provides for different vendors to supply components of the Total Access System. Westell supplies the ADSL components and technology.

Alcatel (formerly DSC Telecom) - In January 1997, the Company and DSC Telecom L.P. entered into an agreement for the design and development of equipment and the incorporation of the Company's ADSL technology into DSC Telecom's Litespan(R) 2000 digital loop carrier system. In May 1997, the Company and DSC Telecom entered into an agreement for DSC Telecom to distribute the Company's DSL modem to its telecom customers to complement the DSL equipment and technology used in the Litespan(R) 2000 digital loop carrier system. In fiscal 1999, Alcatel, a competitor, acquired DSC Telecom. The Company is unable to predict what effect this acquisition, if completed, will have on this alliance.

Alcatel USA - In March 1999, the Company signed an agreement with Alcatel USA, a Division of Alcatel Networks to use Alcatel USA's central office DSL product to assist the Company in developing high speed modems that interoperate with Alcatel equipment.

Lucent Technologies - In September 1997, the Company and Lucent Technologies, Inc. entered into a nonexclusive agreement for the design and development of equipment incorporating the Company's ADSL technology for use in two of Lucent's digital loop carrier systems called SLC(R) Series 5 and SLC-2000. In November 1997, the Company and Lucent entered into a nonexclusive agreement to integrate the Company's SuperVision(R) DSLAM broadband capabilities with Lucent Technologies' central office switch product called 5ESS(R)..Under this agreement, Lucent Technologies will market and sell the ADSL enabled SLC and SuperVision(R) solutions.

CUSTOMERS

The Company's principal customers historically have been U.S. telephone companies. Since fiscal 1993, the Company has also marketed its products internationally. In addition, Westell sells products to several other entities, including public telephone administrations located outside the U.S., independent domestic local exchange carriers, competitive local exchange carriers, inter exchange carriers and the U.S. federal government. International revenues represented approximately $4.4 million, $8.5 million and $8.5 million of the Company's revenues in fiscal 1997, 1998 and 1999, respectively, accounting for 5.5%, 9.9% and 9.1% of the Company's revenues in such periods.

The Company depends, and will continue to depend, on Regional Bell Operating Companies, the large phone providers resulting from the break-up of

AT&T, and other smaller or independent telephone carriers for substantially all of its revenues. Sales to the Regional Bell Operating Companies accounted for 61.9%, 51.1% and 46.6% of the Company's revenues in fiscal 1997, 1998 and 1999, respectively and sales to Ameritech accounted for 16.2% of the Company's revenues in fiscal 1999. Consequently, the Company's future success will depend upon the timeliness and size of future purchase orders from the Regional Bell Operating Companies, the product requirements of the Regional Bell Operating Companies, the financial and operating success of the Regional Bell Operating Companies, and the success of the Regional Bell Operating Companies' services that use the Company's products. Any attempt by a Regional Bell Operating Company or other telephone company access providers to seek out additional or alternative suppliers or to undertake, as permitted under applicable regulations, the internal production of products would have a material adverse effect on the Company's business and results of operations. In addition, the Company's sales to its largest customers have in the past fluctuated and in the future are expected to fluctuate significantly from quarter to quarter and year to year. The loss of such customers or the occurrence of such sales fluctuations would materially adversely affect the Company's business and results of operations.

The Regional Bell Operating Companies and the Company's other customers are significantly larger than, and are able to exert a high degree of influence over, the Company. Prior to selling its products to telephone companies, the Company must undergo lengthy approval and purchase processes. The Company has supply contracts with most of its major customers, but these contracts typically do not establish minimum purchase commitments.

MARKETING, SALES AND DISTRIBUTION

The Company sells its products in the U.S. through its domestic field sales organization and selected distributors. The Company markets its products internationally in over 40 countries under various distribution arrangements that include strategic partnerships, OEM agreements, technology licenses, distributors, and internationally based sales personnel. As of March 31, 1999, the Company's equipment marketing, sales and distribution programs were conducted by 118 employees.

For large telephone companies, such as the Regional Bell Operating Companies and major European and Asian telephone carriers, the Company sells its DSL products indirectly through its strategic partners. These large telephone companies purchase their DSL products in a portfolio with other telecommunications products. Westell provides DSL equipment and services for the central office and telephone company networks to its strategic partners who then sell those products along with other related products to the telephone companies. See "--Strategic Alliances." The Company sells its DSL modems for use by residential and business customers on their premises directly to small and medium-sized providers.

International revenues represented 5.5%, 9.9% and 9.1% of the Company's revenues in fiscal 1997, 1998 and 1999, respectively. The Company's international operations are based in Aurora, Illinois.

The Regional Bell Operating Companies and the Company's other customers are significantly larger than, and are able to exert a high degree of influence over, the Company. Prior to selling its products to telephone companies, the Company must undergo lengthy approval and purchase processes. Evaluation can take as little as a few months for products that vary slightly from existing products in the local access network and a year or more for products based on new technologies such as DSL. Accordingly, the Company is continually submitting successive generations of its current products as well as new products to its customers for approval. The length of the approval processes is affected by a number of factors, including the complexity of the product involved, the priorities of the telephone companies, telephone companies' budgets and regulatory issues affecting telephone companies and other local access service providers. In addition, the requirement that telephone companies obtain FCC approval for certain services prior to their implementation has in the past delayed the approval processes.
See Risk Factors.

Although the telephone company approval processes may vary to some extent depending on the customer and the product being evaluated, they generally are conducted as follows:

Laboratory Evaluation. The product's function and performance are tested against all relevant industry standards.

Technical Trial. A number of telephone lines are equipped with the product for simulated operation in a field trial. The field trial is used to evaluate performance, assess ease of installation and establish troubleshooting procedures.

Marketing Trial. Emerging products such as DSL are tested for market acceptance of new services. Marketing trials usually involve a greater number of systems than technical trials because systems are deployed at several locations in the telephone company's network. This stage gives telephone companies an opportunity to establish procedures, train employees to install and maintain the new product and to obtain more feedback on the product from a wider range of operations personnel.

Commercial Deployment. Commercial deployment usually involves substantially greater numbers of systems and locations than the marketing trial stage. In the first phase of commercial deployment, a telephone company initially installs the equipment in select locations for select applications. This phase is followed by general deployment involving greater numbers of systems and locations. General deployment does not usually mean that one supplier's product is purchased for all of the telephone companies' needs throughout the system as telephone companies often rely upon multiple suppliers to ensure that their needs can be met. Subsequent orders, if any, are generally placed under single or multi-year supply agreements that are generally not subject to minimum volume commitments.

In most international markets, there is one major telephone company per country with limited or few alternate telephone carriers or independent telephone companies. Typically, these telephone companies are highly regulated, government-owned agencies that have approval and purchase processes similar to those followed by the Regional Bell Operating Companies.

CUSTOMER SERVICE AND SUPPORT

Westell maintains 24-hour, 7-day-a-week telephone support and provides on-site support. The Company also provides technical consulting, research assistance and training to its customers with respect to the installation, operation and maintenance of its products.

The Company has supply contracts with most of its major customers. These contracts may require the Company to accept returns of products or indemnify such customers against certain liabilities arising out of the use of the Company's products. Although, to date, the Company has not experienced any

significant product returns or indemnification claims under these contracts, any such claims or returns could have a material adverse effect on the Company's business and results of operations.

The Company's products are required to meet rigorous standards imposed by its customers. Most of the Company's products carry a limited warranty ranging from one to seven years, which generally covers defects in materials or workmanship and failure to meet published specifications, but excludes damages caused by improper use and all other express or implied warranties. In the event there are material deficiencies or defects in the design or manufacture of the Company's products, the affected products could be subject to recall. For the past five fiscal years, the Company's warranty expenses have been relatively insignificant. The Company's standard limited warranty for its ADSL products ranges from one to five years. Since the Company's DSL products are new, with limited time in service, the Company cannot predict the level of warranty claims that it will experience for these products. See Risk Factors

MANUFACTURING

The Company purchases parts and components for its products from a number of suppliers through a worldwide sourcing program. Key components used in the Company's products, such as integrated circuits and other electronic components, are currently available from only one source or a limited number of suppliers. In addition, some of the electronic components used in the Company's products are currently in short supply and are provided on an allocation basis to the Company and other users, based upon past usage. There can be no assurance that the Company will be able to continue to obtain sufficient quantities of

integrated circuits or other electronic components as required, or that such components, if obtained, will be available to the Company on commercially reasonable terms. Integrated circuits and electronic components are key components in all of the Company's products and are fundamental to the Company's business strategy of developing new and succeeding generations of products at reduced unit costs without compromising functionality or serviceability. In the past, however, the Company has experienced delays in the receipt of integrated circuits and other key product, which have resulted in delays in related product deliveries. There can be no assurance that delays in key components or product deliveries will not occur in the future due to shortages resulting from the limited number of suppliers, financial or other difficulties of such suppliers or the possible limitations in integrated circuit production capacity or electronic component availability because of significant worldwide demand for these components. The inability to obtain sufficient key components or to develop alternative sources for such components, if and as required in the future, could result in delays or reductions in product shipments, which in turn could have a material adverse effect on the Company's customer relationships, its business and results of operations.

The Company currently manufactures most of its products internally while relying on a few subcontractors in the U.S. and the United Kingdom for various assemblies. As part of its strategic plan to meet the potential worldwide demand for its DSL systems, the Company currently is in the process of developing the manufacturing capabilities necessary to supply and support large volumes of ADSL systems and in the future may become increasingly dependent on subcontractors. Reliance on third-party subcontractors involves several risks, including the potential absence of adequate capacity and reduced control over product quality, delivery schedules, manufacturing yields and costs. The use of subcontractors could result in material delays or interruption of supply as a consequence of required re-tooling, retraining and other activities related to establishing a new subcontractor relationship.

A substantial portion of the Company's shipments in any fiscal period relate to orders for products received in that period. Further, a significant percentage of orders, such as Network Interface Units, or NIUs, require delivery within 48 hours. To meet this demand, the Company maintains raw materials inventory and limited finished goods inventory at its manufacturing facility. In addition, the Company maintains some finished goods inventory at the customer's site pursuant to an agreement that the customer will eventually purchase such inventory. Final testing and shipment of products to customers occurs in the

Company's Aurora, Illinois facilities. The Company's domestic facilities are certified pursuant to ISO 9001.

The Company believes that because a substantial portion of customer orders for its traditional and T-1 products are filled within the quarter of receipt, the Company's backlog is not a meaningful indicator of actual revenues for these products for any succeeding period. In general, customers purchasing DSL products may reschedule orders without penalty to the customer. As a result, the quantities of the Company's products to be delivered and their delivery schedules may be revised by customers to reflect changes in their DSL product needs. Since backlog of DSL products can be rescheduled without penalty, the Company does not believe that its backlog of DSL products is a meaningful indicator of future revenues from DSL products.

COMPETITION

The markets for the Company's products are intensely competitive and the Company expects competition to increase in the future, especially in the emerging ADSL market. Westell's principal competitors with respect to its Traditional Products are Adtran, Inc., Pulsecom, Tellabs, Inc. and Teltrend, Inc. Westell's principal competitors in the T-1 market are ADC Telecommunications Inc., Applied Digital Access Inc., PairGain Technologies, Inc. and Teltrend, Inc. The Company's current competitors in the ADSL market include Alcatel Network Systems, Nokia, ECI Telecom, Ltd., Ericsson, Cisco Systems, Nortel, Orckit Communications, Ltd. PairGain Technologies, Inc., Paradyne, 3Com, and Siemens. Many of the Company's competitors and potential competitors have greater financial, technological, manufacturing, marketing and human resources than the Company. Our competitors include full network level system suppliers who are much larger than the Company and can offer all elements of a network solution. The Company has addressed this competition by entering into strategic alliances to offer complete systems of which our ADSL product offering is a part. The Company's ability to compete with these larger system

suppliers will depend on the success of the alliances we form and the system solutions created to meet customers needs. The inability to form successful alliances and develop systems that meet customers' requirements will materially adversely affect the Company's business and results of operations.

The Company expects competition in the ADSL market in the near future from numerous other companies. In addition, the Telecommunications Act permits the Regional Bell Operating Companies to engage in manufacturing activities. Therefore, Regional Bell Operating Companies, which are the Company's largest customers, may potentially become the Company's competitors as well. Any increase in competition could reduce the Company's gross margin, require increased spending by the Company on research and development and sales and marketing, and otherwise materially adversely affect the Company's business and results of operations.

Products that increase the efficiency of digital transmission over copper wire face competition from fiber, wireless, cable modems and other products delivering broadband digital transmission. Many telephone companies and other local access providers have adopted policies that favor the deployment of fiber. To the extent that customers choose to install fiber and other transmission media between the central office and the end user, the Company expects that demand for its copper wire-based products will decline. Telephone companies face competition from cable operators, new local access providers and wireless service providers that are capable of providing high speed digital transmission to end users. To the extent telephone companies decide not to aggressively respond to this competition and fail to offer high speed digital transmission, the overall demand for ADSL products could decline. In addition, the deployment of products and technologies for copper wire may also reduce the demand for the types of products currently manufactured by the Company. Specifically, the development of G.Lite products may reduce the demand for the Company's existing ADSL products. The deployment of HDSL systems in the U.S., which reduces telephone companies' need for T-1 repeaters, may result in a decrease in demand for Westell's T-1 products such as its Network Interface Units. The Company believes that the domestic market for many of its traditional products is decreasing, and will likely continue to decrease, as high capacity digital transmission becomes less expensive and more widely deployed. See Risk Factors

TELECONFERENCE SERVICES

Conference Plus, Inc., founded in 1988, is a leading provider of conferencing services. Conference Plus allows multiple individuals and/or businesses to conduct conference calls using a combination of voice, video or data such as graphs or spreadsheets. The Company is an 88.2% owned subsidiary of Westell and manages its teleconferencing services through its operations center in Schaumburg, Illinois and facilities in Lombard, Illinois and Dublin, Ireland. By enabling its customers to share information, Conference Plus can increase productivity and save money by reducing travel time, bringing down travel costs, and make it easier for people in remote locations to work together. Teleconferencing technologies also allow organizations and individuals to collect and disseminate information faster, more accurately and without the associated costs of face-to-face meetings.

Conference Plus services generated $10.3 million, $14.1 million and $21.3 million in revenues in fiscal 1997, 1998 and 1999, respectively. A majority of Conference Plus' revenues come from private label commercial teleconferencing services to customers who market Conference Plus services under their own brand name. Such companies choose to outsource and private label audio and video teleconferencing services to maintain continuity and save costs. Audio and video teleconferencing is a people-intensive service, requiring high levels of concentration on the execution of each and every call. In addition to privately branded teleconferencing services, Conference Plus offers a wide range of direct commercial teleconferencing and video services. The audio conferencing services include:

- operator initiated calls where the Conference Plus operator calls the participants
- operator assisted calls where the customer dials in on a regular number or their own network, or the customers call into a toll free network and
- fully automated services where the customers use a pre-assigned code to access the conference call without the assistance of an operator.

Expanded capabilities also provide for advanced meeting options that include call polling, questions & answer queuing, broadcast/listen only, integrated

voice response digital playback, conference call tape recording and playback and transcription and reservation/resource management services.

Conference Plus received the first ISO 9002 certification in the audio and video conferencing services industry.

Conference Plus' strategic focus includes the following key objectives:

Private Label Services - Build off of leadership in private label services by offering flexibility in the choice of networks or carriers, superior tailored reservations, confirmation, billing and customer service features and extensive experience in the design, implementation and ongoing management of private label programs.

Automated Conferencing - Deliver solutions for automated conferencing through promoting electronic and Internet access to reservation and billing systems, and improved, convenient and cost effective use of automated (pass code) teleconferencing systems.

International Expansion - Expand beyond the US. Conference Plus currently serves its teleconferencing needs of customers headquartered in the United States from its Schaumburg, Illinois facility. As these customers globalize their telecommunications services, Conference Plus will be required to expand its operational presence internationally to meet these needs. In addition, the international market for teleconferencing is expected to grow substantially as a result of deregulation and improved networks with associated reductions in end user costs.

Multimedia and IP Capability- Offer customers the ability to conduct conferencing services from multiple sites using a variety of media including voice, video and Internet Protocol applications.

Commitment to Service Quality, Customer Service and Low-Cost Operations - Conference Plus recognizes that providing high quality service is an important aspect affecting Conference Plus' ability to compete in both the domestic and international teleconferencing markets. The Company's commitment to continuous improvement and total customer satisfaction is evidenced by its use of a total quality management program which has resulted in Conference Plus becoming ISO 9002 certified in November 1997. Conference Plus will continue to focus on total quality management and continuous improvement to meet and exceed customer expectations. In addition, Conference Plus' focus will also include implementation of cost improvements to allow Conference Plus to offer world class services at low cost to remain competitive in its teleconference service offerings.

Conference Plus sells its services in the U.S. principally through its domestic in-house sales organization, through agents under contract to Conference Plus and through the efforts of the Company's Private Label customers. As of March 31, 1999, Conference Plus' sales, service representative and agent support programs were conducted by 35 employees.

The private label customers and many of the Company's other customers are significantly larger than, and are able to exert a high degree of influence over Conference Plus. Prior to selling its services, the Company must undergo lengthy approval and purchase processes. Evaluation can take as little as a few months for services that vary slightly from existing services used by the prospective customer to a year or more for services based on technologies such as video or data teleconferencing or which represent a new strategic direction for the customer, as in the case with private labeling teleconference services for a Regional Bell Operating Company.

Conference Plus maintains 24 hour, 7 day a week telephone support and provides on-site support for larger, more complex teleconferences. The Company also provides technical consulting, call planning assistance and usage analysis to its customers with respect to the introduction, enhancement and expanded utilization of its services.

Competition in the teleconferencing business is intense and the Company expects that competition will increase due to low barriers to entry and recent entrants into the audio teleconferencing service market. Many of Conference Plus' competitors, including AT&T, MCI Communications and Sprint Communications,

have much greater name recognition, more extensive customer service and marketing capabilities and substantially greater financial, technological and personnel resources than the Company. There can be no assurance that the Company will be able to successfully compete in this market in the future or that competitive pressures will not result in price reductions that would materially adversely affect the Company's business and results of operations.

GOVERNMENT REGULATION

The telecommunications industry, including most of the Company's customers, is subject to regulation from federal and state agencies, including the FCC and various state public utility and service commissions. While such regulation does not affect the Company directly, the effects of such regulations on the Company's customers may, in turn, adversely impact the Company's business and results of operations. For example, FCC regulatory policies affecting the availability of telephone company services and other terms on which telephone companies conduct their business may impede the Company's penetration of local access markets. The Telecommunications Act lifted certain restrictions on telephone companies' ability to provide interactive multimedia services including video on demand. Under the Telecommunications Act, new regulations have been established whereby telephone companies may provide various types of video services. Rules to implement these new regulations have been established whereas statutory provisions are now being considered by the FCC.

In addition, the Telecommunications Act permits the Regional Bell Operating Companies to engage in manufacturing activities after the FCC authorizes Regional Bell Operating Company to provide long distance services within its service territory. A Regional Bell Operating Company must first meet specific statutory and regulatory tests demonstrating that its monopoly market for local exchange services is open to competition before it will be permitted to enter the long distance market. When these tests are met, a Regional Bell Operating Company will be permitted to engage in manufacturing activities and the Regional Bell Operating Companies, which are the Company's largest customers, may become the Company's competitors as well. See Risk Factors.

PROPRIETARY RIGHTS

The Company's success and future revenue growth will depend, in part, on its ability to protect trade secrets, obtain or license patents and operate without infringing on the rights of others. Although the Company regards its technology as proprietary, it has only one patent on such technology related to Network Interface Units. The Company expects to seek additional patents from time to time related to its research and development activities. The Company relies on a combination of technical leadership, trade secrets, copyright and trademark law and nondisclosure agreements to protect its unpatented proprietary know-how. See Risk Factors.

Many of the Company's products incorporate technology developed and owned by third parties. For example, the Company is dependent upon third party suppliers for DSL transceiver technology. Consequently, the Company must rely upon third parties to develop and introduce technologies which enhance the Company's current products and enable the Company, in turn, to develop its own products on a timely and cost-effective basis to meet changing customer needs and technological trends in the telecommunications industry. Any impairment or termination of the Company's relationship with any licensors of third-party technology would force the Company to find other developers on a timely basis or develop its own technology. There can be no assurance that the Company will be able to obtain the third-party technology necessary to continue to develop and introduce new and enhanced products, that the Company will obtain third-party technology on commercially reasonable terms or that the Company will be able to replace third-party technology in the event such technology becomes unavailable, obsolete or incompatible with future versions of the Company's products. The absence of or any significant delay in the replacement of third-party technology would have a material adverse effect on the Company's business and results of operations.

EMPLOYEES

As of March 31, 1999, the Company had 740 full-time employees. Westell's equipment manufacturing business had a total of 533 full-time employees, consisting of 118 in sales, marketing, distribution and service, 161 in research and development, 219 in manufacturing and 35 in administration.

Conference Plus had a total of 207 full-time employees. None of the Company's employees are represented by a collective bargaining agreement nor has the Company ever experienced any work stoppage. The Company believes its relationship with its employees is good.

RISK FACTORS

You should carefully consider the following risk factors in addition to the other information contained and incorporated by reference in this Annual Report on Form 10-K before purchasing our stock.

WE MAY FACE OTHER RISKS NOT DESCRIBED IN THE FOREGOING RISK FACTORS WHICH MAY IMPAIR OUR BUSINESS OPERATIONS.

The risks and uncertainties described in the foregoing risk factors may not be the only ones facing us. Additional risks and uncertainties not presently known to us may also impair our business operations. If any of the following risks actually occur, our business, financial condition and results of operations could be materially adversely affected. In this case, the trading price of our common stock could decline, and you may lose all or part of your investment.

WE HAVE INCURRED AND CONTINUE TO EXPECT LOSSES.

Due to our significant ongoing investment in DSL technology, we have incurred and anticipate that our losses may extend at least through each of our fiscal 2000 quarters. To date, we have incurred operating losses, net losses and negative cash flow on both an annual and quarterly basis. For the year ended March 31, 1999, we had net losses of $35.0 million.

We believe that our future revenue growth and profitability will depend on:

- creating sustainable DSL sales opportunities;
- developing new and enhanced T-1 products;
- developing other niche products for both DSL and T-1 markets; and
- growing our teleconference service revenues.

In addition, we expect to continue to evaluate new product opportunities and engage in extensive research and development activities. As a result, we will continue to invest heavily in research and development and sales and marketing, which will adversely affect our short-term operating results. We can offer no assurances that we will achieve profitability in the future.

WE DEPEND ON DSL MARKET ACCEPTANCE AND GROWTH FOR FUTURE SUCCESS.

We expect to continue to invest significant resources in the development of DSL products. Because the DSL market is in its early stages, our DSL revenues have been difficult to forecast. If the DSL market fails to grow or grow more slowly than anticipated, then our business, revenues and operating results would be materially adversely affected.

Our analog-based and T-1 based products (such as our Network Interface Units) are not expected to generate sufficient revenues or profits to offset any losses that we may experience due to a lack of sales of DSL systems. If we fail to generate significant revenues from DSL sales, then we would not be able to implement our business goals and our business and operating results would suffer significantly.

Customers have only recently begun to consider implementing DSL products in their networks. We have shipped most of our DSL products for trials and early deployment. Most of our customers are in initial service deployments and are not contractually bound to purchase our DSL systems in the future. We are unable to predict whether these initial service deployments or other technical or marketing trials will be successful and when significant commercial

deployment of our DSL products will begin, if at all. The timing of DSL orders

and shipments can significantly impact our revenues and operating results.

Even if our customers adopt policies favoring full-scale implementation of DSL technology, our DSL-based sales may not become significant. There is no guaranty that our customers will select our DSL products instead of competitive products. If we fail to significantly increase our DSL sales, then our business, operating results and financial condition will suffer.

PRICING PRESSURES ON OUR PRODUCTS MAY AFFECT OUR ABILITY TO BECOME PROFITABLE.

Due to competition in the DSL market, bids for recent field trials of DSL products reflect:

- the forward pricing of DSL products below production costs to take into account the expectation of large future volumes and corresponding reductions in manufacturing costs; or
- suppliers providing DSL products at a lower price as part of a sale of a package of products and/or services.

We are offering DSL products based upon forward pricing. For example, in the September and December 1998 quarters, we shipped ADSL products to customers that were priced below our current production costs. As a result, we recognized forward pricing losses of approximately $1.7 million and $800,000, respectively, for DSL orders received during those quarters. Such pricing will cause us to incur losses on a substantial portion of our DSL product sales unless and until we can reduce manufacturing costs. We believe that manufacturing costs may decrease when:

- more cost-effective transceiver technologies are available;
- product design efficiencies are obtained; and
- economies of scale are obtained related to increased volume.

There is no guaranty that we will be able to secure significant additional orders and reduce per unit manufacturing costs that we have factored into our forward pricing of DSL products. We could continue to incur losses in connection with sales of DSL products even if our DSL unit volume increases. Losses from our sales of DSL products would materially and adversely affect our ability to achieve profitability and implement our business goals.

Moreover, the International Telecommunication Union is expected to announce a standard for a DSL product called G.Lite in late 1999, which will allow consumers to install DSL technology on their computer themselves. We believe this announcement will increase competition in the DSL market and result in greater pricing pressures with respect to all DSL products.

OUR QUARTERLY OPERATING RESULTS ARE LIKELY TO FLUCTUATE SIGNIFICANTLY, CAUSING OUR STOCK PRICE TO BE VOLATILE OR DECLINE.

We expect to continue to experience significant fluctuations in quarterly operating results. Factors that have had and may continue to influence our quarterly operating results include:

- the size and timing of customer orders and subsequent shipments, including customer order deferrals in anticipation of new products or anticipated sale or merger of the customer's business or other reasons;

- the impact of changes in the customer mix or product mix sold;
- long and unpredictable sales cycles and customer purchasing programs;

- the absence of unconditional minimum purchase commitments from any customer;
- timing of product introductions or enhancements by us or our competitors;
- acceptance of new products by our customers;
- technological changes in the telecommunications industry;
- competitive pricing pressures;
- accuracy of customer forecasts of end-user demand;
- write-offs for obsolete inventory;
- changes in our operating expenses which can occur because of product development costs, pricing pressures and other factors;
- personnel changes;

- o quality control of products sold;
- o disruption in supplies of key components of our products;
- o regulatory changes; and
- o delays of payments by customers.

Sales to our largest customers have fluctuated and are expected to fluctuate significantly between financial periods. Sales to our customers typically involve long approval and procurement cycles and can involve large purchase commitments. Customers purchasing DSL products may generally reschedule orders without penalty to the customer. Cancellation or deferral of one or a small number of orders could cause significant fluctuations in our quarterly operating results. Due to our fluctuations in quarterly results, we believe that period-to-period comparisons of our quarterly operating results are not necessarily meaningful and should not be relied upon as indications of future performance.

In addition, these quarterly fluctuations make it more difficult to forecast our revenues. It is likely that in some future quarters our operating results will be below the expectations of securities analysts and investors, which may adversely affect our stock price. This occurred in fiscal 1999. We attempt to address this possible divergence through our public announcements and reports. The degree of specificity we can offer in such announcements, however, and the likelihood that any forward-looking statements we make will prove correct, can and will vary. As long as we continue to depend on DSL and new products, there is substantial risk of widely varying quarterly results, including the so-called "missed quarter" relative to investor expectations.

EVOLVING INDUSTRY STANDARDS MAY ADVERSELY AFFECT OUR DSL SALES

Industry wide standardization organizations such as the American National Standards Institute and the European Telecommunications Standards Institute are responsible for setting transceiver technology standards for DSL products. Because we have not internally developed a transceiver technology for our products, we are dependent on transceiver technologies from third parties. Absent the proper relationships with key transceiver technology vendors, our products may not comply with the developing standards for DSL. If customers require standards-based products that require transceiver technologies not available to us under reasonable terms, then our DSL revenues would significantly decrease and our business and operating results would materially suffer.

We will continue to rely on third party suppliers for access to transceiver technologies for new DSL products such as the DSL product under development called G.Lite, which will allow consumers to install DSL technology on their computer themselves. Since standards have not been established for G.Lite products, there can be no assurance that standards-compliant transceiver technologies will be available to us in a timely manner for the purpose of product development.

In addition, the introduction of competing standards or implementation specifications could result in confusion in the market and delay any decisions regarding deployment of DSL systems. For example, the anticipated announcement of G.Lite standard could also delay our customer's deployment of other DSL products. Delay in the announcement of standards would materially and adversely impact sales of our DSL product offerings and could have a material adverse effect on our business and operating results.

OUR PRODUCTS FACE COMPETITION FROM OTHER EXISTING PRODUCTS, PRODUCTS UNDER DEVELOPMENT AND CHANGING TECHNOLOGY, AND WE MUST DEVELOP NEW COMMERCIALLY SUCCESSFUL PRODUCTS TO ACHIEVE OUR BUSINESS GOALS AND GENERAL REVENUE.

The markets for our products are characterized by:

- o intense competition,
- o rapid technological advances,
- o evolving industry standards,
- o changes in end-user requirements,
- o frequent new product introductions and enhancements, and
- o evolving telephone company service offerings.

New products introductions or changes in telephone company services could render our existing products and products under development obsolete and

unmarketable. For example, HDSL, product that enhances the signal quality of the transmission over copper wire, may reduce the demand for the types of products that we currently manufacture such as our Network Interface Units product, which provide performance monitoring of copper telephone wires. Our Network Interface Units accounted for at least 50% of our revenues in each of the last three fiscal years. Further, we believe that the domestic market for many of our traditional analog products is decreasing, and will likely continue to decrease, as high capacity digital transmission becomes less expensive and more widely deployed. Our future success will largely depend upon our ability to continue to enhance our existing products and to successfully develop and market new products on a cost-effective and timely basis.

Our current product offerings apply primarily to the delivery of digital communications over copper wire in the local access network. We expect that the increasing deployment of fiber and wireless broadband transmission in the local access network will reduce the demand for our existing products. Telephone companies also face competition from cable operators, new local access providers and wireless service providers that are capable of providing high speed digital transmission to end-users. If telephone companies decide not to aggressively respond to this competition and fail to offer high speed digital transmission, then the overall demand for DSL products will decline. Consequently, to remain competitive we must develop new products to meet the demands of these emerging transmission media and new local access network providers.

If our products become obsolete or fail to gain widespread commercial acceptance due to competing products and technologies, then our product revenues would significantly decrease and business and operating results will be materially adversely affected.

WE MAY EXPERIENCE DELAYS IN THE DEPLOYMENT OF NEW PRODUCTS.

Our past sales have resulted from our ability to anticipate changes in technology, industry standards and telephone company service offerings, and to develop and introduce new and enhanced products and services. Our continued ability to adapt to such changes will be a significant factor in maintaining or improving our competitive position and our prospects for growth. Factors resulting in delays in product development include:

- rapid technological changes in the telecommunications industry;
- the Regional Bell Operating Companies' lengthy product approval and purchase processes; and
- our reliance on third-party technology for the development of new products.

There can be no assurance that we will successfully introduce new products on a timely basis or achieve sales of new products in the future. In addition, there can be no assurance that we will have the financial and manufacturing resources necessary to continue to successfully develop new products or to otherwise successfully respond to changing technology standards and telephone company service offerings. If we fail to deploy new products on a timely basis, then our product sales will decrease and our competitive position and financial condition would be materially and adversely affected.

THE HIGHLY COMPETITIVE MARKET IN WHICH WE OPERATE MAY RESULT IN OPERATING LOSSES, A DECREASE IN OUR MARKET SHARE, AND FLUCTUATIONS IN OUR REVENUE.

We expect competition to increase in the future especially in the emerging DSL market. Because we are significantly smaller than most of our competitors, we may lack the financial resources needed to increase our market share. Our principal competitors are as follows:

- DSL products: Alcatel Network Systems, AGCS, Cabletron, ECI Telecom, Ltd., Nokia, Copper Mountain, Cabletron, Ltd., Ericsson, Cisco Systems, Lucent Technologies, Inc., Nortel, Orckit Communications, Ltd. PairGain Technologies, Inc., Paradyne, 3Com, and Siemens;
- T-1 products: ADC Telecommunications Inc., Applied Digital Access Inc., PairGain Technologies, Inc. and Teltrend, Inc.; and
- Traditional products: Adtran, Inc., Pulsecom, Tellabs, Inc. and Teltrend, Inc.

In addition, under the Telecommunications Act , the Regional Bell Operating Companies may engage in manufacturing activities. So our largest customers may potentially become our competitors as well.

We expect continued aggressive tactics from many of our competitors such as:

- Forward pricing of products;
- Early announcements of competing products;
- Bids that bundle DSL products with other product offerings;
- Customer financing assistance; and
- Intellectual property disputes.

These tactics can be particularly effective in a highly concentrated customer base such as ours.

Many of our competitors are much larger than us and can a wide array of different products and services that are required for all of the telephone companies' business. Conversely, our products are used in the local access network which is just one element of a telephone companies' network. Instead of directly competing with these large suppliers, we have entered into strategic alliances with companies such as Lucent and Fujitsu Telecom Europe, Ltd. (FTEL) to offer our products within a package of products sold by these companies. Our ability to sell our DSL products will depend on the success of our alliances with large suppliers and our system solutions. Our inability to form successful alliances and develop systems that meet customer requirements will affect our ability to sell our DSL Products which would materially adversely affect our business and operating results.

In addition, the development of the G.Lite DSL product could enable other companies with less technological expertise than us to more readily enter the DSL market and could place additional pricing pressures on our other DSL products.

Conference Plus participates in the highly competitive industry of voice, video, and multimedia conferencing services. Competitors include stand-alone conferencing companies and major telecommunications providers. In addition, internet service providers may attempt to expand their revenue base by providing conferencing services. Conference Plus's ability to sustain growth and performance is dependent on its:

- maintenance of high quality standards and low cost position;
- continued operational excellence;
- strong alliances and partnerships;
- international expansion; and
- evolving technological capability.

Any increase in competition could reduce our gross margin, require increased spending on research and development and sales and marketing, and otherwise materially adversely affect our business and operating results.

OUR LACK OF BACKLOG MAY AFFECT OUR ABILITY TO ADJUST TO AN UNEXPECTED SHORTFALL IN ORDERS.

Because we generally ship products within a short period after receipt of an order, we typically do not have a material backlog of unfilled orders, and our revenues in any quarter are substantially dependent on orders booked in that quarter. Our expense levels are based in large part on anticipated future revenues and are relatively fixed in the short-term. Therefore, we may be unable to adjust spending in a timely manner to compensate for any unexpected shortfall of orders. Accordingly, any significant shortfall of demand in relation to our expectations or any material delay of customer orders would have immediate adverse impact on our business and operating results.

INDUSTRY CONSOLIDATION COULD MAKE COMPETING MORE DIFFICULT.

Consolidation of companies offering high speed telecommunications products is occurring through acquisitions, joint ventures and licensing arrangements involving our competitors, our customers and our customers' competitors. We cannot provide any assurances that we will be able to compete successfully in an increasingly consolidated telecommunications industry. Any

heightened competitive pressures that we may face may have a material adverse effect on our business, prospects, financial condition and result of operations.

WE DEPEND ON A LIMITED NUMBER OF CUSTOMERS WHO ARE ABLE TO EXERT A HIGH DEGREE OF INFLUENCE OVER US.

We have and will continue to depend on the large Regional Bell Operating Companies, those companies emerging from the break-up of AT&T, as well as and other telephone carriers including smaller local telephone carriers and new alternative telephone carriers such as Qwest, for substantially all of our revenues. Sales to the Regional Bell Operating Companies accounted for 61.9%, 51.1% and 46.6% of our revenues in fiscal 1997, 1998 and 1999, respectively. Consequently, our future success will depend significantly upon:

- o the timeliness and size of future purchase orders from the Regional Bell Operating Companies;
- o the product requirements of the Regional Bell Operating Companies;
- o the financial and operating success of the Regional Bell Operating Companies; and
- o the success of the Regional Bell Operating Companies' services that use our products.

The Regional Bell Operating Companies and our other customers are significantly larger than we are and are able to exert a high degree of influence over us. Customers purchasing our products may generally reschedule orders without penalty to the customer. Even if demand for our products is high, the Regional Bell Operating Companies have sufficient bargaining power to demand low prices and other terms and conditions that may materially adversely affect our business and operating results.

Any attempt by a Regional Bell Operating Company or our other customers to seek out additional or alternative suppliers or to undertake the internal production of products would have a material adverse effect on our business and operating results. The loss of any or our customer could result in an immediate decrease in product sales and materially and adversely affect our business.

Conference Plus's customer base is very concentrated as its top ten customers represent a large portion of revenue. Customers of Conference Plus have expanded their requirements for our services, but there can be no assurance that such expansion will increase in the future. Additionally, Conference Plus's customers continually undergo review and evaluation of their conferencing services to evaluate the merits of bringing those services in-house rather than outsourcing those services. There can be no assurance in the future that Conference Plus's customers will bring some portion or all of their conferencing services in-house. Conference Plus must continually provide higher quality, lower cost services to provide maintain and grow their customer base. Any loss of a major account, would have a material adverse effect on Conference Plus. In addition, any merger or acquisition of a major customer could have a material adverse effect on Conference Plus.

OUR CUSTOMERS HAVE LENGTHY PURCHASE CYCLES WHICH AFFECT OUR ABILITY TO SELL OUR PRODUCTS.

Prior to selling products to telephone companies, we must undergo lengthy approval and purchase processes. Evaluation can take as little as a few months for products that vary slightly from existing products or up to a year or more for products based on new technologies such as DSL products. Accordingly, we are continually submitting successive generations of our current products as well as new products to our customers for approval. The length of the approval process can vary and is affected by a number of factors, including:

- o the complexity of the product involved,
- o priorities of telephone companies,
- o telephone companies' budgets, and o regulatory issues affecting telephone companies.

The requirement that telephone companies obtain FCC approval for most new telephone company services prior to their implementation has in the past delayed the approval process. Such delays in the future could have a material adverse affect on our business and operating results. While we have been successful in the past in obtaining product approvals from our customers, there is no guaranty

that such approvals or that ensuing sales of such products will continue to occur.

THE FAILURE TO MAINTAIN AND FURTHER DEVELOP PARTNERS AND ALLIANCES WOULD ADVERSELY AFFECT OUR BUSINESS.

We have developed and maintain partnerships and alliances with other companies in order to secure complementary technologies, to lower costs, and to better market and sell our products. These partnerships and alliances provide important resources and channels for us to compete successfully. For example, our partnership with Lucent Technologies for the development of an ADSL product that may be integrated in a product sold by Lucent enables us to access to a significant number of potential customers. We cannot provide any assurances that these partnerships will continue in the future. As competition increases in the DSL market, our alliances will become even more important to us. A loss of one or more partnerships and alliances could affect our ability to sell our products and therefore could materially adversely affect our business and operating results.

WE ARE DEPENDENT ON THIRD PARTY TECHNOLOGY AND WE WOULD NOT BE ABLE TO COMPETE WITHOUT THIRD PARTY TECHNOLOGY.

Many of our products incorporate technology developed and owned by third parties. Consequently, we must rely upon third parties to develop and introduce technologies which enhance our current products and to develop new products. Any impairment or termination of our relationship with any licensors of technology would force us to find other developers on a timely basis or develop our own technology. There is no guaranty that we will be able to obtain

the third-party technology necessary to continue to develop and introduce new and enhanced products, that we will obtain third-party technology on commercially reasonable terms or that we will be able to replace third-party technology in the event such technology becomes unavailable, obsolete or incompatible with future versions of our products. We would have severe difficulty competing if we cannot obtain or replace the third-party technology used in our products. Any absence or delay would materially adversely affect our business and operating results.

For example, our ability to produce DSL products is dependent upon third party transceiver technologies. Our licenses for DSL transceiver technology are nonexclusive and the transceiver technologies either have been licensed to numerous other manufacturers or do not require a license to acquire. If our DSL transceiver licensors fail to deliver implementable or standards compliant transceiver solutions to us and other alternative sources of DSL transceiver technologies are not available to us at commercially acceptable terms, then our business and operating results would be materially and adversely affected.

WE ARE DEPENDENT ON SOLE OR LIMITED SOURCE SUPPLIERS AND COULD NOT SELL OUR PRODUCTS WITHOUT THESE SUPPLIERS.

Integrated circuits and other electronic components used in our products are currently available from only one source or a limited number of suppliers. For example, we currently depend on GlobeSpan Technologies, Alcatel and Analog Devices, Inc. to provide critical integrated transceiver circuits used in the Company's DSL products. In addition, some of the electronic components used in our products are currently in short supply and are provided on an allocation basis to us and other users based upon past usage. There is no guaranty that we will be able to continue to obtain sufficient quantities of integrated circuits or other electronic components as required, or that such components, if obtained, will be available to us on commercially reasonable terms. Integrated transceiver circuits and electronic components are key components in all of our products and are fundamental to our business strategy of developing new and succeeding generations of products at reduced unit costs without compromising functionality or serviceability. In the past we have experienced delays in the receipt of key components which have resulted in delays in related product deliveries. We anticipate that integrated circuit production capacity and availability of some electronic components may be insufficient to meet the demand for such components in the future. The inability to obtain sufficient key components or to develop alternative sources for such components as required, could result in delays or reductions in product shipments, and consequently have a material adverse effect on our customer relationships and our business and operating results.

OUR SERVICES ARE AFFECTED BY UNCERTAIN GOVERNMENT REGULATION AND CHANGES IN CURRENT OR FUTURE LAWS OR REGULATIONS COULD RESTRICT THE WAY WE OPERATE OUR BUSINESS.

Many of our customers are subject to regulation from federal and state agencies, including the FCC and various state public utility and service commissions. While such regulation does not affect us directly, the effects of such regulations on our customers may adversely impact our business and operating results. For example, FCC regulatory policies affecting the availability of telephone company services and other terms on which telephone companies conduct their business may impede our penetration of local access markets. The Telecommunications Act lifted certain restrictions on telephone companies' ability to provide interactive multimedia services including video on demand. The Telecommunications Act establishes new regulations whereby telephone companies may provide various types of video services. Rules to implement these new statutory provisions are now being considered by the FCC. While the statutory and regulatory framework for telephone companies providing video products has become more favorable, it is uncertain at this time how this will affect telephone companies' demand for products based upon DSL technology. In addition, our business and operating results may also be adversely affected by the imposition of tariffs, duties and other import restrictions on components that we obtain from non-domestic suppliers or by the imposition of export restrictions on products that we sell internationally. Internationally, governments of the United Kingdom, Canada, Australia and numerous other countries actively promote and create competition in the telecommunications industry. Changes in current or future laws or regulations, in the U.S. or elsewhere, could materially and adversely affect our business and operating results.

In addition, the Telecommunications Act permits the Regional Bell Operating Companies to engage in manufacturing activities after the FCC authorizes a Regional Bell Operating Company to provide long distance services within its service territory. A Regional Bell Operating Company must first meet specific statutory and regulatory tests demonstrating that its monopoly market for local telephone services is open to competition before it will be permitted to enter the long distance market. When these tests are met, a Regional Bell Operating Company will be permitted to engage in manufacturing activities and the Regional Bell Operating Companies, which are our largest customers, may become our competitors as well.

POTENTIAL PRODUCT RECALLS AND WARRANTY EXPENSES COULD ADVERSELY AFFECT OUR ABILITY TO BECOME PROFITABLE.

Our products are required to meet rigorous standards imposed by our customers. Most of our products carry a limited warranty ranging from one to seven years. In addition, our supply contracts with our major customers typically require us to accept returns of products or indemnify such customers against certain liabilities arising out of the use of our products. Complex products such as those offered by us may contain undetected errors or failures when first introduced or as new versions are released. Because we rely on new product development to remain competitive, we cannot predict the level of these type of claims that we will experience in the future. Despite our testing of products and our comprehensive quality control program, there is no guaranty that our products will not suffer from defects or other deficiencies or that we will not experience material product recalls, product returns, warranty claims or indemnification claims in the future. Such recalls, returns or claims and the associated negative publicity could result in the loss of or delay in market acceptance of our products, affect our product sales, our relationships with customers, and our ability to generate a profit

OUR INTERNATIONAL OPERATIONS EXPOSE US TO THE RISKS OF CONDUCTING BUSINESS OUTSIDE THE UNITED STATES.

International revenues represented 5.5%, 9.9% and 9.1% of our revenues in fiscal 1997, 1998 and 1999, respectively. The Company also has a relationship with Fujitsu Telecom Europe, Ltd. (FTEL) for the supply of ADSL equipment to British Telecom. Our international revenues are subject to the risks of conducting business internationally, which include:

- unexpected changes in regulatory requirements,

- foreign currency fluctuations
- tariffs and trade barriers,
- potentially longer payment cycles,
- difficulty in accounts receivable collection,
- foreign taxes,
- burdens of complying with a variety of foreign laws and telecommunications standards, and
- the failure of the laws of foreign countries to protect our proprietary technology.

There can be no assurance that the risks associated with our international operations will not materially adversely affect our business and operating results in the future or require us to modify significantly our current business practices.

OUR FAILURE TO MANAGE OUR GROWTH EFFECTIVELY COULD IMPAIR OUR ABILITY TO SUPPLY AND SUPPORT THE MANUFACTURE OF LARGE VOLUMES OF DSL PRODUCTS.

We are in the process of planning for the manufacturing capabilities necessary to supply and support large volumes of DSL products and in the future may become increasingly dependent on subcontractors. Reliance on third-party subcontractors involves several risks, including the potential absence of adequate capacity and reduced control over product quality, delivery schedules, manufacturing yields and costs. Although we believe that alternative subcontractors or sources could be developed if necessary, the use of subcontractors could result in material delays or interruption of supply as a consequence of required re-tooling, retraining and other activities related to establishing and developing a new subcontractor or supplier relationship. Any material delays or difficulties in connection with increased manufacturing production or the use of subcontractors could have a material adverse effect on our business and operating results. If we are not successful in increasing our manufacturing capacity in a timely and cost-effective manner, then the possible transition to subcontracting will materially adversely affect our business and operating results. Our failure to effectively manage our growth would have a material adverse effect on our business and operating results.

THE CLASS A COMMON STOCK ISSUABLE UPON CONVERSION OF OUR CONVERTIBLE DEBENTURES MAY SIGNIFICANTLY INCREASE THE SUPPLY OF OUR CLASS A COMMON STOCK IN THE PUBLIC MARKET, WHICH MAY CAUSE OUR STOCK PRICE TO DECLINE.

On April 16, 1999, we issued $20,000,000 aggregate principal amount of convertible debentures. The convertible debentures are convertible into a number of shares of class A common stock as is determined by dividing the principal amount of the convertible debentures by the lesser of:

- a variable conversion price which is initially $6.372 per share, but will be increased under the terms of the convertible debentures; and
- the floating market price of our class A common stock at the time of conversion (except that the market price can be imposed only under specific conditions).

Assuming a conversion price of $6.372 per share, the convertible debentures will be convertible into approximately 3,138,731 shares of class A common stock. If our class A common stock trades at a price less than the variable conversion price, then the convertible debentures will be convertible into shares of our class A common stock at variable rates based on future trading prices of the class A common stock and events that may occur in the future. Therefore, if the conversion price is less than $6.372 per share, then the number of shares of class A common stock issuable upon conversion of the convertible debentures will be inversely proportional to the market price of the class A common stock at the time of conversion. The number of shares of class A common stock that may ultimately be issued upon conversion is therefore presently indeterminable and could fluctuate significantly. Depending on market conditions at the time of conversion, however, the number of shares issuable could prove to be significantly greater if our stock's trading price declines. Purchasers of class A common stock could therefore experience substantial dilution upon conversion of the convertible debentures.

Also, the warrants are subject to anti-dilution protection, which may result in the issuance of more shares than originally anticipated if we issue securities at less than market value or the applicable exercise price. These factors may result in substantial future dilution to the holders of our class A common stock.

WE WILL NOT BE ABLE TO SUCCESSFULLY COMPETE, DEVELOP AND SELL NEW PRODUCTS IF WE FAIL TO RETAIN KEY PERSONNEL AND HIRE ADDITIONAL KEY PERSONNEL.

Because of our need to continually evolve our business with new product developments and strategies, our success is dependent, in part, on our ability to attract and retain qualified technical, marketing, sales and management personnel. To remain competitive in the telecommunications industry, we must maintain top management talent, employees who are involved in the development and testing of new products, and employees who have developed important relationships with key customers. Because of the high demand to these types of key employees, especially in the DSL market, it is difficult to retain existing key employees and attract new key employees. While most of our executive officers, have severance agreements in which the officers agreed not to compete with us and not to solicit any of our employees for a period of one year after termination of the officer's employment in most circumstances, we do not have similar noncompetition and nonsolicitation agreements for other employees who are important in our product development and sales. Our inability to attract and retain additional key employees or the loss of one or more of our current key employees could materially adversely affect our ability to successfully develop new products and implement our strategy.

WE RELY ON OUR INTELLECTUAL PROPERTY WHICH WE MAY BE UNABLE TO PROTECT, OR WE MAY BE FOUND TO INFRINGE THE RIGHTS OF OTHERS.

Our success will depend, in part, on our ability to protect trade secrets, obtain or license patents and operate without infringing on the rights of others. Although we regard our technology as proprietary, we have only one patent on such technology related to Network Interface Units. We expect to seek additional patents from time to time related to our research and development activities. We rely on a combination of technical leadership, trade secrets, copyright and trademark law and nondisclosure agreements to protect our unpatented proprietary know-how. These measures, however, may not provide meaningful protection for our trade secrets or other proprietary information. Moreover, our business and operating results may be materially adversely affected by competitors who independently develop substantially equivalent technology. In addition, the laws of some foreign countries do not protect our proprietary rights to the same extent as U.S. law. The telecommunications industry is also characterized by the existence of an increasing number of patents and frequent litigation based on allegations of patent and other intellectual property infringement. From time to time we receive communications from third parties alleging infringement of exclusive patent, copyright and other intellectual property rights to technologies that are important to us. There is no guaranty that third parties will not assert infringement claims against us in the future, that assertions by such parties will not result in costly litigation, or that we would prevail in any such litigation or be able to license any valid and infringed patents from third parties on commercially reasonable terms. Further, such litigation, regardless of its outcome, could result in substantial costs to and diversion of our efforts. Any infringement claim or other litigation against or by us could have a material adverse effect on our business and operating results.

OUR STOCK PRICE IS VOLATILE WHICH MAY AFFECT YOUR ABILITY TO REALIZE A PROFIT WHEN PURCHASING OUR STOCK.

Our class A common stock price has experienced substantial volatility in the past and is likely to remain volatile in the future due to factors such as:

- Our historical and anticipated quarterly and annual operating results;
- Variations between our actual results and analyst and investor expectations;
- Announcements by us or others and developments affecting our business;
- Investor perceptions of our company and comparable public companies; and
- Conditions and trends in the data communications and Internet-related industries.

In particular, the stock market has from time to time experienced significant

price and volume fluctuations affecting the common stocks of technology companies, which may include telecommunications manufacturers like Westell. Volatility can also arise as a result of the activities of short sellers and risk arbitrageurs regardless of our performance. This volatility may result in a material decline in the market price of our class A common stock, and may have little relationship to our financial results or prospects.

WE WILL NEED ADDITIONAL FINANCING IF WE DO NOT MEET OUR BUSINESS PLAN OR WE WILL NOT BE ABLE TO FUND OUR OPERATIONS.

We must continue to enhance and expand our product and service offerings in order to maintain our competitive position and increase our market share. As a result and due to our net losses, the continuing operations of our business may require substantial capital infusions. Whether or when we can achieve cash flow levels sufficient to support our operations cannot be

accurately predicted. Unless such cash flow levels are achieved, we may require additional borrowings or the sale of debt or equity securities, or some combination thereof, to provide finding for our operations. In April 1999, we completed a private placement of convertible debentures and warrants for $20 million to fund our operations. If we cannot generate sufficient cash flow from our operations, or are unable to borrow or otherwise obtain additional funds to finance our operations when needed, then our financial condition and operating results would be materially adversely affected and we would not be able to operate our business. Under the terms of the sale of the convertible debentures and warrants, in most circumstances, we are not permitted to issue any equity securities or any equity-like securities until October 11, 1999.

OUR PRINCIPAL STOCKHOLDERS CAN EXERCISE SIGNIFICANT INFLUENCE WHICH COULD DISCOURAGE TRANSACTIONS INVOLVING A CHANGE OF CONTROL OF WESTELL AND MAY AFFECT YOUR ABILITY TO RECEIVE A PREMIUM FOR CLASS A COMMON STOCK THAT YOU PURCHASE.

At March 31, 1999, as trustees of a voting trust containing common stock held for the benefit of the Penny family and the Simon family, Robert C. Penny III and Melvin J. Simon have the exclusive power to vote over 75% of the votes entitled to be cast by the holders of our common stock. In addition, all members of the Penny family who are beneficiaries under this voting trust are parties to a stock transfer restriction agreement which prohibits the beneficiaries from transferring any class B common stock or their beneficial interests in the voting trust without first offering such class B common stock to the other Penny family members. Consequently, Westell is effectively under the control of Messrs. Penny and Simon, as trustees, who have sufficient voting power to elect all of the directors and to determine the outcome of most corporate transactions or other matters submitted to the stockholders for approval. Such control may have the effect of discouraging transactions involving an actual or potential change of control of Westell, including transactions in which the holders of class B common stock might otherwise receive a premium for their shares over the then-current market price.

IF WE DO NOT ADEQUATELY ADDRESS YEAR 2000 ISSUES, WE MAY INCUR SIGNIFICANT COSTS AND OUR BUSINESS COULD SUFFER.

The Year 2000 issue is the result of computer programs being written using two digits rather than four to define the applicable year. As a result, our computer programs that have date-sensitive software and software of companies into which our network is interconnected may recognize a date using "00" as the year 1900 rather than the year 2000. This could result in system failures or miscalculations causing disruptions of operations, including, among other things, a temporary inability to process transactions, send invoices or engage in similar normal business activities. If the system of other companies on whose services we depend or with whom our systems interconnect are not year 2000 compliant, it could have a material adverse effect on our business, prospects, financial condition and operating results. The year 2000 issue is discussed at greater length in the SEC documents that are incorporated by reference into this prospectus.

ITEM 2. PROPERTIES

During fiscal 1997 the Company moved into approximately 185,000 square feet of office, development and manufacturing space in Aurora, Illinois, a suburb of Chicago. As of March 31, 1999 the Company also leases facilities in Schaumburg, Illinois and Lombard, Illinois for Conference Plus, and Cambridge, England and Dublin Ireland for its international operations. The Aurora facility that the Company began occupying in December 1996 was constructed through a majority owned Limited Liability Corporation ("LLC") with a real estate developer. During the construction period, the Company advanced the LLC the construction funding which as of March 31, 1997, was $14.4 million. In fiscal 1998 the LLC received proceeds of $16.2 million upon the sale of the Aurora facility at cost. The LLC repaid the Company the advanced construction funding during the second quarter of fiscal 1998 upon completing the sale of the facility to a third party. The Aurora facility was subsequently leased back by the Company in a related transaction with the same third party under a 20-year lease that runs through 2017.

While the Company believes its current facilities are adequate to support its present level of operations, it believes that additional space for expansion will be driven by the success of the DSL business. The Company estimates that its manufacturing facilities are operating at a utilization rate of approximately 75%.

ITEM 3. LEGAL PROCEEDINGS

The Company has been involved from time to time in litigation in the normal course of business. The Company is not presently involved in any legal proceedings that the Company believes are material to its business.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

On April 20, 1998, the majority stockholder approved, by majority written consent, an amendment to the Company's Amended and Restated Certificate of Incorporation to increase the number of shares of Class A Common Stock, authorized for issuance from 43,500,000 to 65,500,000 and approved an amendment to increase the number of shares available for grant under the Company's 1995 Stock Incentive Plan to 5,000,000.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

The Company effected its initial public offering on November 30, 1995 at a price to the public of $6.50 per share. The Company's Class A Common Stock is quoted on the NASDAQ National Market under the symbol "WSTL." The following table sets forth for the periods indicated the high and low closing sale prices for the Class A Common Stock as reported on the NASDAQ National Market.

	High	Low
Fiscal Year 1998		
First Quarter	25 7/8	103/4
Second Quarter	27 5/8	171/4
Third Quarter	24 7/8	101/2
Fourth Quarter	15 1/4	103/4
Fiscal Year 1999		
First Quarter	13 7/8	87/8
Second Quarter	10	33/4
Third Quarter	8 1/4	23/4
Fourth Quarter	9	313/16
Fiscal Year 2000		
First Quarter (through June 30, 1999)	10 3/16	37/8

As of June 30, 1999, there were approximately 589 holders of record of the outstanding shares of Class A Common Stock.

Dividends

The Company has never declared or paid any cash dividends on its Common Stock and does not anticipate paying any cash dividends in the foreseeable future. The Company currently intends to retain any future earnings to finance the growth and development of its business.

ITEM 6. SELECTED FINANCIAL DATA.

The following selected consolidated financial data as of March 31, 1995, 1996, 1997, 1998 and 1999 and for each of the five fiscal years in the period ended March 31, 1999 have been derived from the Company's consolidated financial statements, which have been audited by Arthur Andersen LLP, independent public accountants. The data set forth below is qualified by reference to, and should be read in conjunction with, "Management's Discussion and Analysis of Financial Condition and Results of Operations," the Consolidated Financial Statements and the related Notes thereto and other financial information appearing elsewhere in this Form 10-K.

<TABLE>

	Fiscal Year Ended March 31,				
	1995	1996	1997	1998	1999
	(in thousands, except per share data)				
<S>	<C>	<C>	<C>	<C>	<C>
Statement of Operations Data:					
Revenues	$74,029	$83,236	$79,385	$86,351	$93,180
Cost of goods sold	44,494	50,779	57,832	58,859	68,316
Gross margin	29,535	32,457	21,553	27,492	24,864
Operating expenses:					
Sales and marketing	12,169	13,744	16,214	19,296	19,442
Research and development	10,843	12,603	21,994	26,558	26,605
General and administrative	6,701	8,364	9,757	13,151	13,117
Restructuring charge	--	--	--	1,383	800
Total operating expenses	29,713	34,711	47,965	60,388	59,964
Operating loss from continuing operations	(178)	(2,254)	(26,412)	(32,896)	(35,100)
Other income (expense), net	34	(226)	2,221	14,290	404
Interest expense	769	859	330	502	296
Loss from continuing operations before income taxes	(913)	(3,339)	(24,521)	(19,108)	(34,992)
Benefit for income taxes	(788)	(1,886)	(9,820)	(5,137)	--
Loss from continuing operations	(125)	(1,453)	(14,701)	(13,971)	(34,992)
Discontinued operations (loss)	(383)	(622)	(5)	--	--
Net loss	$ (508)	$ (2,075)	$(14,706)	$(13,971)	$(34,992)
Net loss per basic and diluted share: (1)					
Continuing operations	$(0.01)	$ (0.05)	$ (0.41)	$ (0.38)	$ (0.96)
Discontinued operations	(0.01)	(0.02)	(0.00)	(0.00)	(0.00)
Net loss per basic and diluted share	$(0.02)	$ (0.07)	$ (0.41)	$ (0.38)	$ (0.96)
Dividends declared per share	$ --	$ --	$ --	$ --	$ --
Average number of basic and diluted common shares outstanding (1)	28,952	30,846	35,940	36,348	36,427

	March 31,				
	1995	1996	1997	1998	1999

Balance Sheet Data:

Working capital.....................................	$ 1,280	$ 28,741	$ 65,105	$ 47,481	$ 12,213
Total assets..	40,276	64,448	108,049	98,405	64,407
Revolving promissory notes..........................	11,089	--	--	--	500
Long-term debt, including current portion...........	4,129	4,427	6,487	4,420	4,814
Total stockholders' equity..........................	7,558	38,985	86,188	73,141	39,124

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(1) Adjusted to reflect the two for one stock split of the Company's Class A Common Stock effected June 7, 1996. See Notes 1 and 6 of Notes to Consolidated Financial Statements.

</TABLE>

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

OVERVIEW

The Company commenced operations in 1980 as a provider of telecommunications network transmission products that enable advanced telecommunications services over copper telephone wires. Until fiscal 1994, the Company derived substantially all of its revenues from its DS0 and DS1 product lines, particularly the sale of Network Interface Units and related products, which accounted for at least 50% of revenues in each of the last three fiscal years. The Company introduced its first DSL products in fiscal 1993 and these products represented 10.9%, 14.4% and 13.0% of revenues in fiscal 1997, 1998 and 1999, respectively. The Company has also provided audio teleconferencing services since fiscal 1989 which constituted 13.0%, 16.4% and 22.9% of the Company's revenues in fiscal 1997, 1998 and 1999, respectively. In July 1996, the Company completed the disposition of KPINS, its consumer products claims processing subsidiary, which is presented in the results of operations as a discontinued operation.

The Company's customer base is comprised primarily of the RBOCs, independent domestic local exchange carriers and public telephone administrations located outside the U.S. Due to the stringent quality specifications of its customers and the regulated environment in which its customers operate, the Company must undergo lengthy approval and procurement processes prior to selling its products. Accordingly, the Company must make significant up front investments in product and market development prior to actual commencement of sales of new products. In late fiscal 1992, the Company significantly increased its investment in new product development based on emerging technologies, particularly ADSL, and began expanding its sales and marketing efforts to cover new product lines. As a result of the significant increases in research and development and sales and marketing expenses related to new product and market development, the Company's results of operations were adversely impacted in fiscal 1997, 1998 and 1999.

The Company expects to continue to evaluate new product opportunities and engage in extensive research and development activities and expects to receive funding from certain partners to offset a portion of these development costs. This will require the Company to continue to invest in research and development and sales and marketing, which is expected to adversely affect short-term results of operations. Due to the Company's significant ongoing investment in DSL technology, management anticipates losses in each of the fiscal 2000 quarters. The Company believes that its future revenue growth and profitability will principally depend on its success in increasing sales of ADSL products and developing new and enhanced DS1 and other DSL products. In view of the Company's reliance on the emerging ADSL market for growth and the unpredictability of orders and subsequent revenues, the Company believes that period to period comparisons of its financial results are not necessarily meaningful and should not be relied upon as an indication of future performance. Revenues from DS0 products have declined in recent years as telcos continue to move to networks that deliver higher speed from analog to digital transmission services. The Company also expects that revenues from NIU products in its DS1 product group may decline as telcos increase the use of alternative technologies such as HDSL. Failure to increase revenues from new products, whether due to lack of market acceptance, competition, technological change or otherwise, would have a material adverse effect on the Company's business and results of operations.

RESULTS OF OPERATIONS

The following table sets forth the percentage of revenues represented by certain items in the Company's statements of operations for the periods indicated:

<TABLE>

	Fiscal Year Ended March 31,		
	1997	1998	1999
Equipment	87.0%	83.6%	77.1%
Services	13.0	16.4	22.9
Total revenues	100.0	100.0	100.0
Cost of equipment	64.9	59.9	59.5
Cost of services	8.0	8.3	13.8
Total cost of goods sold	72.9	68.2	73.3
Gross margin	27.1	31.8	26.7
Operating expenses:			
Sales and marketing	20.4	22.3	20.9
Research and development	27.7	30.8	28.5
General and administrative	12.3	15.2	14.1
Restructuring charge	0.0	1.6	0.9
Total operating expenses	60.4	69.9	64.4
Operating loss from continuing operations	(33.3)	(38.1)	(37.7)
Other income, net	2.8	16.6	0.4
Interest expense	0.4	0.6	0.3
Loss from continuing operations before income taxes	(30.9)	(22.1)	(37.6)
Benefit for income taxes	(12.4)	(5.9)	(0.0)
Loss from continuing operations	(18.5)	(16.2)	(37.6)
Discontinued operations (loss)	(0.0)	(0.0)	(0.0)
Net loss	(18.5)%	(16.2)%	(37.6)%

</TABLE>

FISCAL YEARS ENDED MARCH 31, 1997, 1998 AND 1999

Revenues. Revenues were $79.4 million, $86.4 million and $93.2 million in fiscal 1997, 1998 and 1999 respectively. Revenues increased 8.8% and 7.9% in fiscal 1998 and 1999, respectively, from the preceding years. The fiscal 1998 increase of $7.0 million was primarily due to expanded service revenue of $3.8 million, or a 37.1% increase from the previous year, resulting from increased audio conference calling volume from Conference Plus. The fiscal 1998 increase was also attributed to increases of $3.8 million and $3.1 million in DSL and DS1 equipment revenues, respectively. Higher unit shipments were offset in part by lower average unit selling prices due to changes in product mix and competitive pricing pressures. These revenue increases were partially offset by a $3.7 million decrease in DS0 equipment revenue. The decrease in DS0 revenue, which was anticipated, was due to lower unit shipments and lower average unit sale prices as a result of changes in product mix as network providers continue their

transition to digital products. The fiscal 1999 increase of $6.8 million was primarily due to increased service revenue of $7.2 million, or a 50.7% increase from the previous year, resulting from increased audio conference calling volume from the Company's Conference Plus, Inc. subsidiary. The fiscal 1999 increase was also attributed to an increase of $751,000 in DS1 equipment revenues. Higher unit shipments were offset in part by lower average unit selling prices due to changes in product mix and competitive pressures. These revenue increases were partially offset by decreases of $1.5 million and $349,000 in DS0 and DSL equipment revenue, respectively. The decrease in DS0 revenue was due to lower unit shipments as network providers continue their transition to digital products. The decrease in DSL revenue was due to lower average unit selling prices offset in part by increased unit volume.

Gross Margin. Gross margin as a percentage of revenues was 27.1%, 31.8% and 26.7% in fiscal 1997, 1998 and 1999, respectively. The fiscal 1997 gross profit margin was significantly effected by a reserve taken for ADSL Phase III piece part inventories in the amount of $5.0 million during the third quarter of 1997. This inventory reserve was the result of the new generation product reducing demand for the prior generation FlexCap III ADSL products. Excluding the impact of this inventory reserve, the gross profit margin would have been 33.4% for fiscal 1997. Fiscal 1998 gross margin decreased to 31.8% from the adjusted fiscal 1997 gross margin of 33.4%. The decrease in gross margin was primarily the result of continued pricing pressures and product mix changes for DS0 and DS1 products as well as aggressive pricing of DSL products to capture and stimulate early market activity. Fiscal 1999 gross margin decreased to 26.7% from the fiscal 1998 gross margin of 31.8%. The decrease in gross margin was primarily the result of continued pricing pressures and product mix changes for the DS0 and DS1 products as well as aggressive forward pricing of DSL systems.

Sales and Marketing. Sales and marketing expenses were $16.2 million, $19.3 million and $19.4 million in fiscal 1997, 1998 and 1999, respectively, constituting 20.4%, 22.3% and 20.9% of revenues, respectively. The increase in sales and marketing expenses in fiscal 1998 was primarily due to staff additions, in both domestic and international markets, to support and promote the Company's product lines, particularly ADSL products. Sales and marketing was up slightly in fiscal 1999 due to increases at Conference Plus to support growth in the teleconference service revenue. This increase was partially offset by decreases resulting from management initiatives undertaken late fiscal 1998 to streamline DSL sales and marketing. The Company believes that continued investment in sales and marketing will be required to expand its product lines, bring new products to market and service customers.

Research and Development. Research and development expenses were $22.0 million, $26.6 million and $26.6 million in fiscal 1997, 1998 and 1999, respectively, constituting 27.7%, 30.8% and 28.6% of revenues, respectively. The fiscal 1998 increase in research and development expense was due primarily to costs associated with additional personnel and increased contract development expenses to support new and existing product development. Research and development expenses were essentially unchanged in fiscal 1999 reflecting positive results from management initiatives undertaken late fiscal 1998 to streamline DSL research and development. The Company believes that a continued investment in research and development will be required for the Company to remain competitive.

General and Administrative. General and administrative expenses were $9.8 million, $13.2 million and $13.1 million in fiscal 1997, 1998 and 1999, respectively, constituting 12.3%, 15.2% and 14.1% of revenues, respectively. The fiscal 1998 increase in general and administration expense was due primarily to additional personnel to handle expanded corporate infrastructure in domestic and international markets. The increase in fiscal 1998 general and administrative expenses also included a one-time charge of approximately $600,000 related to retirement benefits granted to Gary F. Seamans, former Chairman and Chief Executive Officer. The fiscal 1999 decrease was primarily due to decreases resulting from management initiatives undertaken late fiscal 1998 to streamline DSL general and administrative functions. These decreases were offset in part by infrastructure increases at Conference Plus to support growing teleconference service revenues.

Restructuring charge. The Company recognized a restructuring charge of

$1.4 million in the three months ended December 31, 1997 and $800,000 in the three months ended March 31, 1999. These charges included personnel, facility, and certain development contract costs related to restructuring global operations. As of March 31, 1999, the Company has paid $1.2 million of the restructuring costs charged in fiscal 1998 and $200,000 of the restructuring costs charged in fiscal 1999.

The Fiscal 1998 restructuring plan was to decrease costs and streamline operations related to DSL products. The Fiscal 1999 restructuring plan was to further decrease costs, primarily by reducing the workforce by approximately 11%, and focus DSL sales efforts on indirect sales to the major phone companies through licensing and OEM arrangements with strategic partners. The Company anticipates most of the material expenditures related to this restructuring reserve to occur in the first quarter of fiscal 2000. The Company also expects costs savings of approximately $5.0 million in fiscal 2000 related to this restructuring.

A table which summarizes the restructuring charges and their utilization can be found in Note 9 to the Consolidated Financial Statements.

Other income, net. In fiscal 1998, the Company recognized other income of $12.0 million, net of expenses, related to a one-time fee received from Texas Instruments for the break-up of the proposed Westell/Amati merger. Excluding the effect of this one time benefit, Other income, net would have been $2.3 million for fiscal year ended March 31, 1998. Excluding the one time item, Other income, net for the years ended March 31, 1997, 1998 and 1999 was primarily due to interest income earned on temporary cash investments made as a result of investing available funds.

Interest Expense. Interest expense was $330,000, $502,000 and $296,000 for fiscal 1997, 1998 and 1999, respectively. The fiscal 1998 increase in interest expense was a result of additional borrowings under equipment notes made during fiscal 1997 to finance property and equipment purchases. The fiscal 1999 decrease in interest expense was a result of reduced borrowings.

Benefit for Income Taxes. Benefit for income taxes was $9.8 million, $5.1 million and $0.0 in fiscal 1997, 1998 and 1999, respectively. In each of these fiscal years, in addition to the tax benefit generated by the loss before income taxes, the Company was able to utilize $398,000, $700,000 and $750,000 respectively, in tax credits primarily generated by increasing research and development activities. The Company recorded valuation allowances of $2.9 million in the fourth quarter of fiscal 1998 and $12.3 million in fiscal 1999 which represents the amount that the deferred tax benefit exceeded the value of the tax planning strategy available to the Company. The Company has approximately $4.4 million in income tax credit carry forwards and a tax benefit of $27.3 million related to a net operating loss carryforward that is available to offset future taxable income. The tax credit carryforwards begin to expire in 2008 and the net operating loss carryforward begins to expire in 2012.

QUARTERLY RESULTS OF OPERATIONS

The following tables present the Company's results of operations for each of the last eight fiscal quarters and the percentage relationship of certain items to revenues for the respective periods. The Company believes that the information regarding each of these quarters is prepared on the same basis as the audited Consolidated Financial Statements of the Company appearing elsewhere in this Form 10-K. In the opinion of management, all necessary adjustments (consisting only of normal recurring adjustments) have been included to present fairly the unaudited quarterly results when read in conjunction with the audited Consolidated Financial Statements of the Company and the Notes thereto appearing elsewhere in this Form 10-K. These quarterly results of operations are not necessarily indicative of the results for any future period.

<TABLE>

Quarter Ended							
Fiscal 1998				Fiscal 1999			
June 30, 1997	Sept. 30, 1997	Dec. 31, 1997	Mar. 31, 1998	June 30, 1998	Sept. 30, 1998	Dec. 31, 1998	Mar. 31, 1999

(in thousands)

<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Equipment	$16,336	$18,439	$18,082	$19,349	$18,386	$17,942	$18,140	$17,395
Services...................	3,001	3,251	3,540	4,353	4,627	4,718	5,245	6,727
Total revenues..........	19,337	21,690	21,622	23,702	23,013	22,660	23,385	24,122
Cost of equipment..........	11,367	13,418	13,154	13,804	13,608	15,210	13,922	12,699
Cost of services...........	1,558	1,436	2,004	2,118	2,491	2,852	3,372	4,162
Total cost of goods sold	12,925	14,854	15,158	15,922	16,099	18,062	17,294	16,861
Gross margin..........	6,412	6,836	6,464	7,780	6,914	4,598	6,091	7,261
Operating expenses:								
Sales and marketing......	5,419	4,703	5,052	4,122	4,768	5,261	5,376	4,037
Research and development............	6,087	6,680	7,111	6,680	6,132	6,578	6,975	6,920
General and administrative.........	2,947	3,099	3,294	3,811	2,991	3,282	3,420	3,424
Restructuring charge.....	--	--	1,383	--	--	--	--	800
Total operating expenses.............	14,453	14,482	16,840	14,613	13,891	15,121	15,771	15,181
Operating loss	(8,041)	(7,646)	(10,376)	(6,833)	(6,977)	(10,523)	(9,680)	(7,920)
Other income (expense), net	494	362	12,714	720	435	348	142	(521)
Interest expense...........	63	62	122	255	89	66	115	26
Income (loss) before income taxes.............	(7,610)	(7,346)	2,216	(6,368)	(6,631)	(10,241)	(9,653)	(8,467)
Provision (benefit) for income taxes.............	(3,090)	(2,830)	783	--	--	--	--	--
Net income (loss)..........	$ (4,520)	$ (4,516)	$ 1,433	$ (6,368)	$ (6,631)	$ (10,241)	$ (9,653)	$ (8,467)

</TABLE>

<TABLE>

	Quarter Ended							
	Fiscal 1998				Fiscal 1999			
	June 30, 1997	Sept. 30, 1997	Dec. 31, 1997	Mar. 31, 1998	June 30, 1998	Sept. 30, 1998	Dec. 31, 1998	Mar. 31, 1999
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Equipment..................	84.5%	85.0%	83.6%	81.6%	79.9%	79.2%	77.6%	72.1%
Service....................	15.5	15.0	16.4	18.4	20.1	20.8	22.4	27.9
Total revenues...........	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Cost of equipment sales....	58.8	61.9	60.8	58.2	59.1	67.1	59.5	52.6
Cost of services...........	8.0	6.6	9.3	8.9	10.8	12.6	14.4	17.3
Total cost of goods sold...	66.8	68.5	70.1	67.2	69.9	79.7	73.9	69.9
Gross margin.............	33.2	31.5	29.9	32.8	30.1	20.3	26.1	30.1
Operating expenses:								
Sales and marketing......	28.0	21.7	23.4	17.4	20.7	23.2	23.0	16.7
Research and development............	31.5	30.8	32.9	28.2	26.6	29.0	29.8	28.7

General and administrative.........	15.3	14.3	15.2	16.1	13.0	14.5	14.6	14.2
Restructuring charge.....	0.0	0.0	6.4	0.0	0.0	0.0	0.0	3.3
Total operating expenses.............	74.8	66.8	77.9	61.7	60.4	66.7	67.4	62.9
Operating loss.............	(41.6)	(35.3)	(48.0)	(28.8)	(30.3)	(46.4)	(41.4)	(32.8)
Other income (expense), net	2.5	1.7	58.8	3.0	1.9	1.5	0.6	(2.2)
Interest expense...........	0.3	0.3	0.6	1.1	0.4	0.3	0.5	0.1
Income (loss) before income taxes.............	(39.4)	(33.9)	10.2	(26.9)	(28.8)	(45.2)	(41.3)	(35.1)
Provision (benefit) for income taxes.............	(16.0)	(13.0)	3.6	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Net income (loss)............	(23.4)%	(20.8)%	6.6%	(26.9)%	(28.8)%	(45.2)%	(41.3)%	(35.1)%

</TABLE>

The Company's quarterly equipment revenues have varied from quarter to quarter due to quarterly fluctuations in DSL revenues from uneven levels of trials and deployments. A majority of DSL shipments made in fiscal 1998 and 1999 were for trials and initial service deployments and therefore have not created steady or predictable demand for these products on a quarter to quarter basis. DS1 revenues have increased fairly steadily in fiscal 1998 and 1999 due to a combination of changes in product mix and increased unit shipments offset in part by continued competitive pricing pressures. Revenues in the DS0 product family have declined steadily in fiscal 1998 and 1999 as telcos migrate from lower signal level analog networks to local access networks based upon higher signal level digital products. Service revenues have seen steady growth throughout the eight quarters presented due primarily to increased audio conference calling traffic volume.

Gross margin as a percentage of revenue has also varied from quarter to quarter. The decreases in gross margins are primarily due to competitive pricing pressures and product mix changes in each of the Company's equipment product lines as well as investments in manufacturing infrastructure. The decreased gross margins in the second, third and fourth quarters of fiscal 1999 were primarily the result of recording forward pricing losses of $1.7 million, $800,000 and $200,000, respectively, for DSL orders received. Additionally, the Company's Conference Plus, Inc. subsidiary opened a second facility and made additional infrastructure enhancements to handle increased call minutes which also impacted margins. The Company believes that its gross margin in future periods will depend on a number of factors, including market demand for the Company's DSL products, pricing pressures, competitive technologies and manufacturing expenses. There can be no assurance that the Company will be able to increase gross margins in future periods due to these factors, even if its DSL products achieve market acceptance.

Operating expenses increased during the first two quarters of fiscal primarily due to the hiring of additional personnel to support the development, introduction and promotion of DSL systems and other new products. In the third quarter of fiscal 1998 the Company recorded a restructuring charge of $1.4 million for personnel, facility and certain development contract costs related to restructuring global operations. Operating expenses in the fourth quarter of fiscal 1998 decreased as a result of restructuring actions taken in the previous quarter. Operating expenses increased in each of the first three quarters of fiscal 1999 and decreased in the forth quarter of fiscal 1999 when compared to the same quarter in the previous year, excluding the restructuring charges. As a percentage of revenue, operating expenses decreased in each quarter of fiscal 1999 when compared to the same quarter in the previous year, excluding the restructuring charges. As a result of fluctuations in the timing of revenues of DSL products and research and development and sales and marketing expenses, the Company currently anticipates net losses in each of the quarters of fiscal 2000.

The Company expects to continue to experience significant fluctuations

in quarterly results of operations. The Company believes that fluctuations in quarterly results may cause the market price of the Class A Common Stock to fluctuate, perhaps substantially. Factors which have had an influence on and may continue to influence the Company's results of operations in a particular quarter include the size and timing of customer orders and subsequent shipments, customer order deferrals in anticipation of new products, timing of product introductions or enhancements by the Company or its competitors, market acceptance of new products, technological changes in the telecommunications industry, competitive pricing pressures, accuracy of customer forecasts of end-user demand, write-offs for obsolete inventory, changes in the Company's operating expenses, personnel changes, foreign currency fluctuations, changes in the mix of products sold, quality control of products sold, disruption in sources of supply, regulatory changes, capital spending, delays of payments by customers and general economic conditions. Sales to the Company's customers typically involve long approval and procurement cycles and can involve large purchase commitments. Accordingly, cancellation or deferral of one or a small number of orders could cause significant fluctuations in the Company's quarterly results of operations. As a result, the Company believes that period-to-period comparisons of its results of operations are not necessarily meaningful and should not be relied upon as indications of future performance.

Because the Company generally ships products within a short period after receipt of an order, the Company typically does not have a material backlog of unfilled orders, and revenues in any quarter are substantially dependent on orders booked in that quarter. The Company's expense levels are based in large part on anticipated future revenues and are relatively fixed in the short-term. Therefore, the Company may be unable to adjust spending in a timely manner to compensate for any unexpected shortfall of orders. Accordingly, any significant shortfall of demand in relation to the Company's expectations or any material delay of customer orders would have an almost immediate adverse impact on the Company's business and results of operations and on its ability to achieve profitability.

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 1999 the Company had $6.7 million in cash and cash equivalents consisting primarily of federal government agency instruments and the highest rated grade corporate commercial paper. As of March 31, 1999, the Company had $500,000 outstanding under its secured revolving promissory notes and $4.2 million outstanding under its equipment borrowing facility. As of March 31, 1999, the Company had approximately $16.0 million available under the secured revolving promissory note facility. The revolving promissory notes and the equipment borrowing facility required the maintenance of a minimum cash to current maturity ratio, a current ratio and a maximum debt to net worth ratio. The Company is currently in compliance with all such covenants.

The Company's operating activities used cash of $22.5 million, $4.2 million and $31.3 million in fiscal 1997, 1998 and 1999, respectively. Cash used by operations in fiscal 1997 resulted primarily from a loss from continuing operations before income tax of $18.3 million (net of depreciation) and working capital required by an increase in short term investments and receivables, and a decrease in customer deposits. Cash used by operations in fiscal 1998 resulted primarily from a loss from continuing operations before income tax of $12.1 million (net of depreciation) offset by increases in accounts payable and accrued compensation and a decrease in prepaid expenses. Cash used by operations in fiscal 1999 resulted primarily from a loss from continuing operations of $28.0 million (net of depreciation) and working capital required by increases in prepaid expenses and receivables, and a decrease in accrued compensation offset by an increase in accounts payable.

Capital expenditures in fiscal 1997, 1998 and 1999 were $9.4 million, $5.8 million and $6.9 million, respectively. These expenditures were principally for machinery, computer and research equipment purchases. The Company expects to spend approximately $6.0 million in fiscal 2000 for capital equipment.

At March 31, 1999, the Company's principal sources of liquidity were $6.7 million of cash and cash equivalents and $16.0 million under its secured revolving promissory notes facility. Borrowings under the secured revolving promissory notes facility (which was unused at March 31, 1998 and had $500,000 outstanding at March 31, 1999) bear interest at the bank's prime rate (8.5% and 7.5% at March 31, 1998 and 1999, respectively).

The Company recorded forward pricing losses of $2.7 million during

fiscal 1999 for DSL orders received. These losses effected results of operations in the quarters in which the orders were received. Substantially all of this loss has impacted liquidity as of the March 31, 1999 as products related to $2.3 million of the reserved were shipped prior to March 31, 1999 with the remainder of the related products being in finished goods inventory at March 31, 1999.

The Company had a deferred tax asset of approximately $18.6 million at March 31, 1999. This deferred tax asset relates to (i) tax credit carryforwards of approximately $4.4 million, (ii) a net operating loss carryforward tax benefit of approximately $27.3 million and (iii) temporary differences between the amount of assets and liabilities for financial reporting purposes and such amounts measured by tax laws. Of such tax credit carryforwards, the first $243,000 of credits expire in 2008 and $722,000 of credits may be carried forward indefinitely. The net operating loss carryforward begins to expire in 2012. Realization of deferred tax assets associated with the Company's future

deductible temporary differences, net operating loss carryforwards and tax credit carryforwards is dependent upon generating sufficient taxable income prior to their expiration.

Realization of deferred tax assets associated with the Company's future deductible temporary differences, net operating loss carryforwards and tax credit carryforwards is dependent upon generating sufficient taxable income prior to their expiration. Although realization of the deferred tax asset is not assured and the Company has incurred operating losses for the 1997, 1998 and 1999 fiscal years, management believes that it is more likely than not that it will generate taxable income sufficient to realize the majority of the tax benefit associated with future temporary differences, NOL carryforwards and tax credit carryforwards prior to their expiration through a tax planning strategy available to the Company. At March 31, 1998, management determined that the strategy was no longer sufficient to realize all of the deferred tax asset and as such the Company recorded a valuation allowance of $2.9 million and recorded an additional 12.3 million in fiscal 1999. On a quarterly basis, management will assess whether it remains more likely than not that the deferred tax asset will be realized. If the tax planning strategy is not sufficient to generate taxable income to recover the deferred tax benefit recorded, an increase in the valuation allowance will be required through a charge to the income tax provision. However, if the Company achieves sufficient profitability or has available additional tax planning strategies to utilize a greater portion of the deferred tax asset, an income tax benefit would be recorded to decrease the valuation allowance.

In April 1999, the Company completed a subordinated secured convertible debenture private placement totaling $20 million. The conversion price of the debentures is the lower of (a) a periodically reset fixed price, which is initially $6.372 per share and which will reset on April 16, 2000 and April 16, 2001 to the ten day average market price then in effect (provided that the fixed price may not be less than $4.4604 or greater than $6.372 per share), and (b) the floating market price of our Class A Common Stock at time of conversion (except that the floating market price may only be imposed under specific conditions set forth in the securities purchase agreement under which the debentures were sold). The reset fixed price can not fall below $4.4604. In addition, under the terms of the debentures, additional shares are issuable due to anti-dilution price protection provisions and/or if the Company enters into certain major transactions (such as the sale of substantially all of our assets, a merger or a change in actual voting control). In connection with the financing, the Company issued five-year warrants for approximately 909,000 shares of Class A Common stock at an exercise price equal to $8.921 per share, which is approximately 140% of the initial conversion price of the debentures.

In June 1999, the Company entered into a strategic agreement with Fujitsu Telecommunications Europe Limited ("FTEL") on ADSL and HDSL product development, manufacturing, and global marketing. As part of this agreement, FTEL will assist the Company in the funding of certain future developments of ADSL products. Additionally, employees of Westell Europe Limited ("WEL"), the Company's United Kingdom operations, headquartered in Cambridge, England, became employees of FTEL. Furthermore, FTEL assumed WEL's lease of office space, purchased certain fixed assets and inventories of WEL and earned manufacturing rights.

YEAR 2000 COMPLIANCE ISSUE

The Company has determined that it is required to modify and/or replace

portions of its software systems so that they will properly utilize dates beyond December 31, 1999 (the "year 2000 compliance"). The Company believes that with software upgrades and modifications and with the conversion to new software, the impact of the year 2000 on its computer systems can be mitigated. However, if the upgrades, modifications and conversions are not made, or are not made in a timely manner, the year 2000 could have a material adverse impact on the Company's operations. The implementation of the plan to remediate the Company's Information Technology ("IT") systems, which included efforts to mitigate the impact that the year 2000 will have on the Company, was substantially completed as of March 31, 1999 (the "Project").

The Project included upgrading system software, hardware and processes that are not exclusively related to year 2000 compliance. The Project utilized

both internal and external resources. The Company has a full-time manager dedicated to the Project as well as addressing other year 2000 compliance issues. The Project cost for the Company is estimated to be 1.8 million. These costs are expensed as incurred, except for approximately $800,000 that was capitalized unrelated to year 2000 compliance. The Company has expensed approximately $300,000 related this Project, as of March 31, 1999 with the remaining $700,000 to be expensed over the next two years as operating lease payments come due. The upgrading of system software, hardware and processes was essentially completed as of March 31, 1999, as planned and within previous cost estimates.

The Company has assessed how the year 2000 will impact both internal and external non-IT systems including product compliance, machinery and equipment, engineering support systems and tools, human resource data bases, payroll processing, banking systems, benefit plan third party administrators, and customer systems and vendor compliance. The Company has made an assessment that products produced by the Company, and systems used by the Company to manufacture products, are year 2000 compliant; however, the Company is currently testing its products and manufacturing systems to assure that year 2000 issues have been entirely addressed. The Company is continuing to question customers and vendors to determine whether their systems and products are year 2000 compliant. The Company has received sufficient information from a majority of its customers and vendors that year 2000 compliance of customers or vendors will not materially impact the Company's operations. The Company expects to complete the assessment of the impact of vendor and/or customer year 2000 compliance deficiency by October 31, 1999. The Company has completed its assessment of year 2000 compliance of its engineering support systems and automated engineering tools. The engineering systems and tools utilized by the Company that are integral to product development schedules are upgraded annually through license renewals. The current upgrades of the engineering support systems and automated engineering tools are year 2000 compliant. The Company has completed its testing of year 2000 compliance of the engineering systems and tools. Management believes that year 2000 compliance will not have a significant impact on the Company's development schedules. The Company's human resource database and the payroll processing systems have been evaluated for year 2000 compliance and must be upgraded in order to be year 2000 compliant. The cost of this upgrade will not be significant and the Company anticipates that this upgrade will be completed by October 31, 1999. The Company has received confirmation that its primary banks and its benefit plan third party administrators systems are or will be year 2000 compliant.

The Company believes that it is proactive in assessing the impact that the year 2000 will have on both its internal and external IT and non-IT systems. Where material and where feasible, the cost of year 2000 compliance has been quantified. The Company is at varying stages of evaluating the impacts of the year 2000 on its business and its results of operations. The Company believes that its actions, evaluations and processes currently undertaken are sufficient to assess and mitigate the impacts that the year 2000 will have on the Company. However, since the evaluations described above are, at this time, not complete, the Company may discover ways in which the lack of year 2000 compliance, whether by the Company or by third parties, could materially affect the Company's operations.

The Company has developed a contingency plan to address all possible effects that the year 2000 may have on its operations. Management believes that its actions, evaluations and processes should provide sufficient time to address the year 2000 risks as they are revealed. Risks related to customer year 2000 noncompliance are not within the Company's control, however, and therefore, the

noncompliance of customer systems may materially adversely impact the Company's operations. Year 2000 compliance of the Company's vendors is also not within the control of the Company. However, the Company believes that it will have sufficient time to mitigate vendor year 2000 noncompliance and replace such vendors with vendors that are year 2000 compliant due to the general availability of electrical component material in the Company's products.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Westell is subject to certain market risks, including foreign currency and interest rates. The Company has foreign subsidiaries in Canada and Ireland that develop and sell products and services in those respective countries. The Company is exposed to potential gains and losses from foreign currency fluctuation affecting net investments and earnings denominated in foreign currencies. After the sale of Westell's European subsidiary in June 1999, the Company's future primary exposure is to changes in exchange rates for the U.S. Dollar versus the Canadian dollar and the Irish pound.

In the 1999 fiscal year, the net change in the cumulative foreign currency translation adjustments account, which is a component of stockholders' equity, was an unrealized gain of $455,000. The Company also recorded a transaction gain of $284,000 for fiscal 1998 and a transaction loss of $729,000 for fiscal 1999 in Other income (expense) for fluctuations on foreign currency rates on intercompany accounts anticipated by management to be settled in the foreseeable future.

The Company does not have significant exposure to interest rate risk related to its debt obligations, primarily U.S. Dollar denominated. The Company's market risk is the potential loss arising from adverse changes in interest rates. As further described in Note 2 to the financial statements included herein at Part II, Item 8, the Company's debt consists primarily of a floating-rate bank line-of credit. Market risk is estimated as the potential decrease in pretax earnings resulting from a hypothetical increase in interest rates of 10% (i.e. from approximately 8% to approximately 18%) average interest rate on the Company's debt. If such an increase occurred, the Company would incur approximately $450,000 per annum in additional interest expense based on the average debt borrowed during the twelve months ended March 31, 1999. The Company does not feel such additional expense is significant.

The Company does not currently use any derivative financial instruments relating to the risk associated with changes in interest rates.

ITEM 8 FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The Company's financial statements required by Item 8, together with the report thereon of the independent accountants dated May 11, 1999 are set forth on pages 47 - 66 of this report. The financial statement schedules listed under Item 14(a)2, together with the report thereon of the independent accountants dated May 11, 1999 are set forth on pages 67 and 68 of this report and should be read in conjunction with the financial statements.

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

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

(a) Directors of the Company

The information required by this Item is set forth in registrant's Proxy Statement for the Annual Meeting of Stockholders to be held on September 15, 1999 under the caption "Election of Directors," which information is herein by reference.

(b) Executive officers of the Company

The information required by this Item is set forth in registrant's Proxy Statement for the Annual Meeting of Stockholders to be held on September 15, 1999 under the caption "Executive Officers," which information is herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is set forth in registrant's Proxy Statement for the Annual Meeting of Stockholders to be held on September 15, 1999 under the caption "Compensation of Directors and Executive Officers," and "Report of the Compensation of the Board of Directors," which information is herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this Item is set forth in registrant's Proxy Statement for the Annual Meeting of Stockholders to be held on September 15, 1999 under the caption "Ownership of the Capital Stock of the Company," which information is herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

The information required by this Item is set forth in registrant's Proxy Statement for the Annual Meeting of Stockholders to be held on September 15, 1999 under the caption "Certain Relationships and Related Transactions," which information is herein by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) (1) Financial Statements

The consolidated financial statements of Westell Technologies, Inc. for the fiscal year ended March 31, 1999, together with the Report of Independent Public Accountants, are set forth on pages 48 through 67 of this Report.

The supplemental financial information listed and appearing hereafter should be read in conjunction with the consolidated financial statements included in the report.

(2) Financial Statement Schedules

The following are included in Part IV of this Report for each of the years ended March 31, 1997, 1998 and 1999 as applicable:

Report of Independent Public Accountants - page 68

Schedule II - Valuation and Qualifying Accounts - page 69

Financial statement schedules not included in this report have been omitted either because they are not applicable or because the required information is shown in the consolidated financial statements or notes thereto, included in this report.

(3) Exhibits

3.1 Amended and Restated Certificate of Incorporation, as amended (incorporated herein by reference to Exhibit 3.2 to Westell Technologies, Inc.'s Registration

Statement on Form S-1, as amended,
Registration No. 33-98024).

3.2 Amended and Restated By-laws (incorporated herein by reference to Exhibit 3.3 to Westell Technologies, Inc.'s Registration Statement on Form S-1, as amended, Registration No. 33-98024).

9.1 Voting Trust Agreement dated February 23, 1994, as amended (incorporated herein by reference to Exhibit 9.1 to Westell Technologies, Inc.'s Registration Statement on Form S-1, as amended, Registration No. 33-98024).

*10.1 Form of Restricted Stock Award granted by the Company to its officers and directors other thanMelvin J. Simon (incorporated herein by reference to Exhibit 10.1 to the Westell Technologies, Inc.'s Registration Statement on Form S-1, as amended, Registration No. 33-98024).

10.2 Loan and Security agreement dated as of October 13, 1998 among LaSalle National Bank, Westell Technologies, Inc., Westell, Inc., Westell International, Inc., and Conference Plus, Inc. (incorporated herein by reference to Exhibit 10.1 to the Company's form 10-Q for period ended September 30, 1998).

*10.3 Form of Restricted Stock Awards granted by the Company to Melvin J. Simon (incorporated herein by reference to Exhibit 10.3 to Westell Technologies, Inc.'s Registration Statement on Form S-1, as amended, Registration No. 33-98024).

10.4 Stock Transfer Restriction Agreement entered into by members of the Penny family, as amended, (incorporated herein by reference to Exhibits 10.4 and 10.16 to Westell Technologies, Inc.'s Registration Statement on Form S-1, as amended, Registration No. 33-98024).

10.5 Form of Registration Rights Agreement among the Company and Robert C. Penny III and Melvin J. Simon, as trustees of the Voting Trust dated February 23, 1994 (incorporated herein by reference to Exhibit 10.5 to Westell Technologies, Inc.'s Registration Statement on Form S-1, as amended, Registration No. 33-98024).

*10.6 1995 Stock Incentive Plan (incorporated herein by reference to Exhibit 10.6 to Westell Technologies, Inc.'s Registration Statement on Form S-1, as amended, Registration No. 33-98024).

*10.7 Employee Stock Purchase Plan (incorporated herein by reference to Exhibit 10.7 to Westell Technologies, Inc.'s Registration Statement on Form S-1, as amended, Registration No. 33-98024).

10.8 (Intentionally omitted).

10.9 Lease Agreement dated July 15, 1986 between Kendall Point Associates, Ltd. and Westell, Inc., as amended on August 26, 1991 (incorporated herein by reference to Exhibit 10.9 to Westell Technologies, Inc.'s Registration Statement on Form S-1, as amended, Registration No. 33-98024).

10.10 Limited Liability Company Operating Agreement dated as of September 23, 1995 by Westell, Inc. and Kingsland Properties, Ltd. (incorporated herein by reference to Exhibit 10.10 to Westell Technologies, Inc.'s Registration Statement on Form S-1, as amended, Registration No. 33-98024).

10.11 Lease dated September 25, 1995 between Westell-Meridian LLC and Westell, Inc. (incorporated herein by reference to Exhibit 10.11 to Westell Technologies, Inc.'s Registration Statement on Form S-1, as amended, Registration No. 33-98024).

10.12 Term Note dated as of October 13, 1998 payable to LaSalle National Bank and made by Westell Technologies, Inc., Westell, Inc., Westell International, Inc., and Conference Plus, Inc. (incorporated herein by reference to Exhibit 10.2 to the Company's form 10-Q for period ended September 30, 1998).

+10.13 Cooperation and Development Agreement between Westell, Inc. and GlobeSpan Technologies Inc.

10.14 Agreement dated September 13, 1988 between Richard Riviere and Westell Technologies, Inc., as amended (incorporated herein by reference to Exhibit 10.14 to Westell Technologies, Inc.'s Registration Statement on Form S-1, as amended, Registration No. 33-98024).

10.15 Revolving Note dated as of October 13, 1998 payable to LaSalle National Bank and made by Westell Technologies, Inc., Westell, Inc., Westell International, Inc., and Conference Plus, Inc. (incorporated herein by reference to Exhibit 10.2 to the Company's form 10-Q for period ended September 30, 1998).

10.16 Equipment Loan Note dated as of October 13, 1998 payable to LaSalle National Bank and made by Westell Technologies, Inc., Westell, Inc., Westell International, Inc., and Conference Plus, Inc. (incorporated herein by reference to Exhibit 10.3 to the Company's form 10-Q for period ended September 30, 1998).

10.17 Lease for Three National Plaza at Woodfield dated December 24, 1991 by and between the First National Bank of Boston, as Trustee pursuant to that certain Pooling and Security Agreement dated April 1, 1988, and Conference Plus, Inc., as amended and modified. (incorporated herein by reference to the exhibit of equal number to the Company's form 10-K for fiscal year ended March 21, 1996).

10.18 Lease dated December 10, 1993 between LaSalle National Trust, N.A., as Trustee under Trust Agreement dated August 1, 1979, known as Trust No. 101293, and Westell Incorporated, as amended and modified. (incorporated herein by reference to the exhibit of equal number to the Company's form 10-K for fiscal year ended March 21, 1996).

21.1 Subsidiaries of the Registrant (incorporated herein by reference to Exhibit 21.1 to Westell Technologies, Inc.'s Registration Statement on Form S-1, as amended, Registration No. 33-98024).

23.1 Consent of Arthur Andersen LLP.

**27 Financial Data Schedule.

+ Confidential treatment granted requested for certain portions of this document. Certain portions of this document are being filed separately with the Securities and Exchange Commission.

* Management contract or compensatory plan or arrangement.

** Previously filed.

(b) Reports on Form 8-K

There were no reports on Form 8-K filed for the three months ended March 31, 1999. Subsequent to year-end, on April 20, 1999, a Form 8-K was filed which included a press release announcing the issuance of

$20 million subordinated convertible debentures dated April 15, 1999. Additionally, on June 14, 1999 a Form 8-K was filed which included a press release announcing an expanded strategic alliance between Westell and Fujitsu Telecommunications Europe Limited.

(c) Exhibits

The exhibits filed as part of this Annual Report on Form 10-K are as specified in Item 14(a)(3) herein.

(d) Financial Statement Schedules

Thefinancial statement schedules filed as part of this Annual Report on Form 10-K are as specified in item 14(a)(2) herein.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this amendment to its Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized on August 4, 1999.

WESTELL TECHNOLOGIES, INC.

By /s/ ROBERT H. GAYNOR
Robert H. Gaynor,

Chairman of the Board of Directors,
and Chief Executive Officer

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY DATA

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors and Stockholders of
Westell Technologies, Inc.:

We have audited the accompanying consolidated balance sheets of Westell Technologies, Inc. (a Delaware corporation) and Subsidiaries as of March 31, 1998 and 1999, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended March 31, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. 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 financial statements referred to above present fairly, in all material respects, the financial position of Westell Technologies, Inc. and Subsidiaries as of March 31, 1998 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 1999 in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Chicago, Illinois
May 11, 1999

<TABLE>

WESTELL TECHNOLOGIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

ASSETS

<CAPTION>

<S>	March 31, 1998 <C>	March 31, 1999 <C>
	(in thousands)	
Current assets:		
Cash and cash equivalents	$43,515	$6,715
Short term investments	684	-
Accounts receivable (net of allowance of $730,000 and $703,000 respectively)	12,399	14,132
Inventories	9,428	10,376
Prepaid expenses and other current assets	100	1,108
Refundable income taxes	110	60
Deferred income tax asset	2,498	1,000
Total current assets	68,734	33,391
Property and equipment:		

Machinery and equipment	15,630	18,561
Office, computer and research equipment	17,090	18,230
Leasehold improvements	1,584	2,091
	34,304	38,882
Less accumulated depreciation and amortization	20,816	25,531
Property and equipment, net	13,488	13,351
Deferred income tax asset and other assets	16,183	17,665
Total assets	$ 98,405	$ 64,407

The accompanying notes are an integral part of these Consolidated Balance Sheets.

</TABLE>

<TABLE>

WESTELL TECHNOLOGIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

LIABILITIES AND STOCKHOLDERS' EQUITY

<CAPTION>

<S>	March 31, 1998 (in thousands) <C>	March 31, 1999 (in thousands) <C>
Current liabilities:		
Accounts payable	$ 7,472	$ 7,616
Accrued expenses	6,296	6,655
Accrued compensation	5,664	4,305
Current portion of long-term debt	1,407	2,189
Deferred revenue	414	413
Total current liabilities	21,253	21,178
Long-term debt	3,013	2,625
Other long-term liabilities	998	1,480
Commitments		
Stockholders' equity:		
Class A common stock, par $0.01	154	169
Authorized -- 65,500,000 shares		
Issued and outstanding - 15,371,900 at March 31, 1998 and 16,928,650 at March 31, 1999		
Class B common stock, par $0.01	210	195
Authorized -- 25,000,000 shares		
Issued and outstanding -- 21,030,857 at March 31, 1998 and 19,527,569 at March 31, 1999		
Preferred stock, par $0.01	--	--
Authorized -- 1,000,000 shares		
Issued and outstanding -- none		
Additional paid-in capital	97,254	97,561
Cumulative translation adjustment	(213)	455

Retained deficit	(24,264)	(59,256)
Total stockholders' equity	73,141	39,124
Total liabilities and stockholders' equity	$ 98,405	$ 64,407

The accompanying notes are an integral part of these Consolidated Balance Sheets.

</TABLE>

<TABLE>

WESTELL TECHNOLOGIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

<CAPTION>

	Fiscal Year Ended March 31,		
	1997	1998	1999
	(in thousands, except per share data)		
Equipment revenue	$69,066	$72,206	$71,863
Service revenue	10,319	14,145	21,317
Total revenues	79,385	86,351	93,180
Cost of equipment sales	51,543	51,743	55,439
Cost of services	6,289	7,116	12,877
Total cost of goods sold	57,832	58,859	68,316
Gross margin	21,553	27,492	24,864
Operating expenses:			
Sales and marketing	16,214	19,296	19,442
Research and development	21,994	26,558	26,605
General and administrative	9,757	13,151	13,117
Restructuring charge	--	1,383	800
Total operating expenses	47,965	60,388	59,964
Operating loss from continuing operations	(26,412)	(32,896)	(35,100)
Other income, net	2,221	14,290	404
Interest expense	330	502	296
Loss from continuing operations before income taxes	(24,521)	(19,108)	(34,992)
Benefit for income taxes	(9,820)	(5,137)	-
Loss from continuing operations	(14,701)	(13,971)	(34,992)
Loss from discontinued operations (net of tax benefits of $ 3,000, $ 0 and $ 0, respectively)	(5)	-	-
Net loss	$(14,706)	$(13,971)	$(34,992)
Loss per share:			
Continuing operations	$ (0.41)	$ (0.38)	$ (0.96)
Discontinued operations	(0.00)	(0.00)	(0.00)

Net loss per basic and diluted common share	$ (0.41)	$ (0.38)	$ (0.96)
Average number of basic and diluted common shares outstanding	35,940	36,348	36,427

The accompanying notes are an integral part of these Consolidated Financial Statements.

</TABLE>

<TABLE>

WESTELL TECHNOLOGIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

<CAPTION>

(in thousands)

<S> <C> <C> <C> <C> <C> <C> <C> <C> <C>

	Comprehensive Loss	Common Stock Shares Issued and Outstanding Class A	Common Stock Shares Issued and Outstanding Class B	Par Value Class A	Par Value Class B	Additional Paid-in Capital	Cumulative Translation Adjustment	Retained Earnings (Deficit)	Total Stockholders' Equity
Balance, March 31, 1996		12,802	21,838	$ 128	$ 218	$ 34,285	$ (59)	$ 4,413	$ 38,985
Net loss	$(14,706)	--	--	--	--	--	--	(14,706)	(14,706)
Stock awards		--	--	--	--	68	--	--	68
Translation adjustment	(108)	--	--	--	--	--	(108)	--	(108)
Total Comprehensive Loss	(14,814)								
Class B Stock Converted to Class A Stock		502	(502)	5	(5)	--	--	--	--
Issuance of Class A Common Stock		1,665	--	17	--	61,586	--	--	61,603
Shares granted under Stock Incentive Plan		1	--	--	--	30	--	--	30
Shares sold under Employee Stock Purchase Plan		15	--	--	--	316	--	--	316
Balance, March 31, 1997		14,985	21,336	150	213	96,285	(167)	(10,293)	86,188
Net loss	(13,971)	--	--	--	--	--	--	(13,971)	(13,971)
Stock awards		--	--	--	--	48	--	--	48
Translation adjustment	(46)	--	--	--	--	--	(46)	--	(46)
Total Comprehensive Loss	(14,017)								
Class B Stock Converted to Class A Stock		305	(305)	3	(3)	--	--	--	--
Options Exercised		63	--	1	--	649	--	--	650
Shares granted under Stock Incentive Plan		2	--	--	--	25	--	--	25
Shares sold under Employee Stock Purchase Plan		17	--	--	--	247	--	--	247
Balance, March 31, 1998		15,372	21,031	154	210	97,254	(213)	(24,264)	73,141
Net loss	(34,992)	--	--	--	--	--	--	(34,992)	(34,992)
Translation adjustment	668	--	--	--	--	--	668	--	668
Total Comprehensive Loss	$(34,324)								
Class B Stock Converted to Class A Stock		1,503	(1,503)	15	(15)	--	--	--	--
Options Exercised		11	--	--	--	108	--	--	108
Shares granted under Stock Incentive Plan		--	--	--	--	--	--	--	--
Shares sold under Employee Stock Purchase Plan		42	--	--	--	199	--	--	199
Balance, March 31, 1999		16,928	19,528	$ 169	$ 195	$ 97,561	$ 455	$ (59,256)	$ 39,124

The accompanying notes are an integral part of these Consolidated Financial Statements.

</TABLE>

<TABLE>

WESTELL TECHNOLOGIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

<CAPTION>

	Fiscal Year Ended March 31,		
	1997	1998	1999
	(in thousands)		
Cash flows from operating activities:			
<S>	<C>	<C>	<C>
Net loss	$(14,706)	$(13,971)	$(34,992)
Reconciliation of net loss to net cash used in operating activities:			
Depreciation and amortization	6,175	6,953	7,022
Stock awards	98	73	-
Deferred taxes	(9,190)	(4,714)	-
Change in assets and liabilities:			
Increase in accounts receivable	(2,404)	(324)	(1,441)
Decrease (increase) in inventories	177	980	(552)
(Increase) decrease in prepaid expenses and other current assets	(463)	1,077	(1,008)
Decrease in refundable income taxes	124	210	50
(Decrease) increase in accounts payable and accrued expenses	(513)	2,938	985
Increase (decrease) in accrued compensation	138	2,531	(1,359)
(Decrease) increase in deferred revenues	(1,928)	1	(1)
Net cash used in operating activities	(22,492)	(4,246)	(31,296)
Cash flows from investing activities:			
Purchases of property and equipment	(5,716)	(5,802)	(5,985)
Decrease (increase) in other assets	4	(78)	16
(Increase) decrease in short term investments	(7,663)	10,166	684
(Purchase) sale of land and building held for sale	(14,741)	16,203	-
Net cash (used in) provided by investing activities	(28,116)	20,489	(5,285)
Cash flows from financing activities:			
Repayment of long-term debt and leases payable	(1,543)	(2,067)	(506)
Proceeds from issuance of Common Stock	61,919	896	307
Net cash provided by (used in) financing activities	60,376	(1,171)	(199)
Effect of exchange rate changes on cash	67	6	(20)
Net increase (decrease) in cash and cash equivalents	9,835	15,078	(36,800)
Cash and cash equivalents, beginning of period	18,602	28,437	43,515
Cash and cash equivalents, end of period	$ 28,437	$ 43,515	$ 6,715

The accompanying notes are an integral part of these Consolidated Financial Statements.

</TABLE>

WESTELL TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Description of Business

Westell Technologies, Inc. (the "Company") is a holding company. Its wholly owned subsidiary, Westell, Inc., designs, manufactures and distributes telecommunications equipment which is sold primarily to major telephone companies. Westell International, Inc., a wholly owned subsidiary of the Company, and Westell Europe, Ltd., a wholly owned subsidiary of Westell International, Inc., market and distribute the Westell, Inc. product line in international markets. Conference Plus, Inc., an 88.2%-owned subsidiary, provides teleconferencing , multipoint video conferencing, broadcast fax and multimedia teleconferencing services to various customers. During fiscal year 1997, the Company had a majority interest in Westell-Meridian LLC, established in fiscal 1996 for the purpose of developing a new corporate facility site that was sold and leased back during fiscal 1998 (see Note 5).

Principals of Consolidation

The accompanying Consolidated Financial Statements include the accounts of the Company and its subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Cash and Cash Equivalents

Cash and cash equivalents generally consist of cash, certificates of deposit, time deposits, commercial paper, short-term government obligations and other money market instruments. The Company invests its excess cash in deposits with major financial institutions, in government securities and the highest grade commercial paper of companies from a variety of industries. These securities have original maturity dates not exceeding three months. Such investments are stated at cost, which approximates fair value, and are considered cash equivalents for purposes of reporting cash flows.

Short Term Investments

Short term investments generally consist of certificates of deposit, time deposits, commercial paper and short-term government obligations. These securities have original maturity dates exceeding three months and less than one year. Such investments are stated at cost, which approximates fair value.

Inventories

Inventories are stated at the lower of first-in, first-out (FIFO) cost or market. The components of inventories are as follows:

	March 31, 1998	March 31, 1999
	(in thousands)	
Raw materials	$ 6,237	$ 4,631
Work in process	582	328
Finished goods	5,819	8,109
Reserve for excess and obsolete inventory	(3,210)	(2,692)
	$9,428	$10,376

Property and Equipment

Property and equipment are stated at cost. Depreciation is provided over the estimated useful lives of the assets which range from 2 to 10 years using the straight-line method for financial reporting purposes and accelerated

methods for tax purposes. Leasehold improvements are amortized over the lives of the respective leases, or the useful life of the asset, whichever is shorter.

Revenue Recognition

Revenue is generally recognized upon shipment of product. On certain sales contracts, revenue is not recognized until specific customer product acceptance terms have been met.

The Company's product return policy allows customers to return unused equipment for partial credit if the equipment is currently being manufactured. Credit is not offered on returned products that are no longer manufactured.

Product Warranties

Most of the Company's products carry a limited warranty ranging from one to seven years. The Company accrues for estimated warranty costs as products are shipped.

Deferred Revenue

Deferred revenue represents prepayments for goods or services.

Research and Development Costs

Engineering and product development costs are charged to expense as incurred.

Supplemental Cash Flow Disclosures

The following represents supplemental disclosures to the consolidated statements of cash flows:

	March 31, 1997	March 31, 1998	March 31, 1999
	(in thousands)		
Schedule of noncash investing and financing activities:			
Property purchased under equipment notes	$3,669	$ --	$ 900
Cash paid (received) for:			
Interest	350	516	236
Income taxes	125	(633)	5

Disclosures about Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instrument held by the Company:

Cash and cash equivalents, short term investments, trade receivables and trade payables: the carrying amounts approximate fair value because of the short maturity of these items.

Revolving promissory notes and installment notes payable to a bank: due to the floating interest rate on these obligations, the carrying amounts approximate fair value.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 revenue and expenses during the period reported. Actual results could differ from those estimates. Estimates are used when accounting for

allowance for uncollectible accounts receivable, inventory obsolescence, product warranty, depreciation, employee benefit plans, taxes, and contingencies, among other things.

Foreign Currency Translation

The financial position and the results of operations of the Company's foreign subsidiary are measured using local currency as the functional currency. Assets and liabilities of this subsidiary are translated at the exchange rate in effect at the end of each period. Income statement accounts are translated at the average rate of exchange prevailing during the period. Translation adjustments arising from differences in exchange rates from period to period are included in the foreign currency translation adjustments account in stockholders' equity. Gains and losses attributable to intercompany foreign accounts anticipated by management to be settled in the foreseeable future have been included with foreign currency transaction gains or losses in other income.

The Company recorded a transaction gain of $8,000, a gain of $13,000 and a loss of $0 in Other income (expense) for fluctuations on foreign currency rates on accounts receivable in the fiscal years ended March 31, 1997, 1998 and

1999, respectively. The Company also recorded a transaction gain of $284,000 for fiscal 1998 and a transaction loss of $729,000 for fiscal 1999 in Other income (expense) for fluctuations on foreign currency rates on intercompany accounts anticipated by management to be settled in the foreseeable future.

Computation of Net Loss Per Share

In February 1997, the Financial Accounting Standards Board ("FASB") issued SFAS No. 128 which requires companies to present basic and diluted earnings per share effective for financial statements issued for periods ending after December 15, 1997. The computation of basic earnings per share is computed using the weighted average number of common shares outstanding during the period. Diluted earnings per share includes the number of additional common shares that would have been outstanding if the dilutive potential common shares had been issued. The effect of this computation on the number of outstanding shares is antidilutive for the periods ended March 31, 1997, 1998 and 1999, and therefore the net loss per basic and diluted earnings per share are the same.

New Accounting Pronouncements:

In June 1997, the FASB issued SFAS No. 130, "Reporting Comprehensive Income". SFAS No. 130 requires the reporting and display of comprehensive income and its components, in a full set of general-purpose financial statements. In addition to net income, comprehensive income includes all non-owner changes in equity. SFAS No. 130 is effective for financial statements for fiscal years beginning after December 15, 1997, and reclassification of financial statements for earlier periods for comparative purposes is required. The Company adopted SFAS No. 130 in fiscal year 1999 by displaying comprehensive income for fiscal years 1997, 1998 and 1999 within the Consolidated Statements of Stockholders' Equity.

In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivation Instruments and Hedging Activities", which addresses the accounting for derivative instruments. SFAS No. 133 is effective for financial statements for the Company's fiscal year ended March 31, 2001. The company does not expect that SFAS No. 133 will have a significant effect on its current financial reporting.

NOTE 2. REVOLVING PROMISSORY NOTES:

As of March 31, 1998, the Company had secured revolving promissory notes with a bank, which enabled the Company to borrow up to $15.0 million, which was due on demand, and bore interest at the bank's prime rate (8.5% at March 31, 1998). The Company also had an equipment borrowing facility with the same bank, which expired on December 15, 1997.

During fiscal year 1999 the company secured a revolving promissory note and a equipment borrowing facility with a different bank. The new revolver enables the Company to borrow up to $16.0 million as of March 31, 1999, and is

due on demand. The new revolver bears interest at the bank's prime rate (7.5% at March 31, 1999), and is secured by substantially all of the assets of the Company. The new equipment borrowing facility allows the Company to borrow up to $5.0 million as of March 31, 1999.

The Company had no borrowings outstanding under the revolving notes as of March 31, 1998, and had borrowings outstanding of $500,000 as of March 31, 1999. Borrowings under equipment borrowing facilities totaled $4.2 million and

$3.3 million at March 31, 1998 and 1999, respectively, and are included as installment notes payable to a bank described in Note 3.

Both borrowing facilities require the maintenance of a minimum cash to current maturity ratio, a current ratio and a maximum debt to net worth ratio. The Company was in compliance with all such covenants as of March 31, 1998 and 1999.

Borrowings under the revolving promissory notes facility were limited to 80% of eligible accounts receivable and 40% of eligible inventory. Given these limitations, the Company had available borrowings of $12.9 million under the revolving promissory notes facility as of March 31, 1999.

NOTE 3. LONG-TERM DEBT:

Long-term debt consists of the following:

<TABLE>

	March 31, 1998	March 31, 1999
	(in thousands)	
Revolving Promissory note payable to a bank, interest at prime, secured by substantially all assets of the Company, due through August 1999	$ --	$ 500
Equipment Promissory note payable to a bank, interest at prime, secured by certain assets of the Company, due through August 2002	--	900
Capitalized lease obligations secured by related equipment	213	81
Installment notes payable to a bank, interest at prime on March 31, 1998 and, LIBOR +2.5% on March 31, 1999, secured by substantially all assets of the Company, due through 2002	4,207	3,333
	4,420	4,814
Less current portion	(1,407)	(2,189)
	$3,013	$2,625

</TABLE>

Future maturities of long-term debt at March 31, 1999 are as follows (in thousands):

1999	$2,189
2000	1,633
2001	967
2002	25
	$4,814

NOTE 4. INCOME TAXES:

The Company follows the provisions of SFAS No. 109, "Accounting for Income Taxes." SFAS No. 109 utilizes the liability method and deferred taxes are determined based on the differences between the financial statements and tax basis of assets and liabilities given the provisions of the enacted tax laws. The income tax benefits charged to net income are summarized as follows:

<TABLE>

	Fiscal Year Ended March 31,		
	1997	1998	1999
	(in thousands)		
Federal:			
Current	$ (540)	$ (374)	$ --
Deferred	(8,012)	(4,098)	--
	(8,552)	(4,472)	--
State:			
Current	(93)	(49)	--
Deferred	(1,178)	(616)	--
	(1,271)	(665)	--
Total	$(9,823)	$(5,137)	$ --

</TABLE>

The Company utilizes the flow-through method to account for tax credits. In fiscal 1997, 1998 and 1999, the Company recognized approximately $398,000, $700,000 and $750,000, respectively, of tax credits.

The statutory federal income tax rate is reconciled to the Company's effective income tax rates below:

<TABLE>

	Fiscal Year Ended March 31,		
	1997	1998	1999
Statutory federal income tax rate	(34.0)%	(34.0)%	(34.0)%
Meals and entertainment	1.0	1.6	0.7
State income tax, net of federal tax effect	(4.9)	(4.9)	(4.9)
Income tax credits recognized	(1.6)	(3.7)	(2.1)
Stock option benefit	--	(2.3)	(0.1)
Valuation allowance	--	15.2	40.5
Other	(0.5)	1.2	(0.1)
	(40.0)%	(26.9)%	0.0%

</TABLE>

Components of the net deferred income tax asset are as follows:

	March 31, 1998	March 31, 1999
	(in thousands)	
Deferred income tax assets:		
Allowance for doubtful accounts	$ 283	$ 259
Alternative minimum tax credit	446	446
Research and development credit carryforward	3,062	3,918
Compensation accruals	247	320
Inventory reserves	1,245	923
Warranty reserve	477	532
Net operating loss carryforward	15,565	27,276
Other	148	99
	21,473	33,773
Valuation allowance	(2,900)	(15,200)
Net deferred income tax asset	$18,573	$18,573

Realization of deferred tax assets associated with the Company's future deductible temporary differences, net operating loss carryforwards and tax credit carryforwards is dependent upon generating sufficient taxable income prior to their expiration. Although realization of the deferred tax asset is not assured and the Company has incurred operating losses for the 1997, 1998 and 1999 fiscal years, management believes that it is more likely than not that it will generate taxable income sufficient to realize the portion of the tax benefit associated with future temporary differences, NOL carryforwards and tax credit carryforwards prior to their expiration through a tax planning strategy available to the Company. At March 31, 1998, management determined that the strategy was no longer sufficient to realize all of the deferred tax asset and as such the Company recorded a valuation allowance of $2.9 million and recorded an additional allowance of $12.3 million in 1999. On a quarterly basis, management will assess whether it remains more likely than not that the deferred tax asset will be realized. If the tax planning strategy is not sufficient to generate taxable income to recover the deferred tax benefit recorded, an increase in the valuation allowance will be required through a charge to the income tax provision. However, if the Company achieves sufficient profitability or has available additional tax planning strategies to utilize a greater portion of the deferred tax asset, an income tax benefit would be recorded to decrease the valuation allowance.

The Company has approximately $4.4 million in income tax credit carryforwards and a tax benefit of $27.3 million related to a net operating loss carryforward that is available to offset taxable income in the future. The tax credit carryforwards begin to expire in 2008 and the net operating loss carryforward begins to expire in 2012.

NOTE 5. COMMITMENTS:

In September 1995, the Company entered into an agreement to form a limited liability company, Westell-Meridian LLC ("LLC"), for the purpose of developing a 16.4 acre site in Aurora, Illinois into a 185,000 square foot

corporate facility to house manufacturing, engineering, sales, marketing and

administration. In connection therewith, the Company has a majority equity ownership interest in the LLC. In December 1996, the Company began occupying the constructed facility owned by the LLC (the "Aurora facility"). During the construction period, the Company advanced the LLC the construction funding which as of March 31, 1997, was $14.4 million. In fiscal 1998 the LLC received proceeds of $16.2 million upon the sale of the Aurora facility at cost. The LLC repaid the Company the advanced construction funding during the second quarter of fiscal 1998 upon completing the sale of the Aurora facility to a third party. The Aurora facility was leased back in a related transaction with the same third party, whereby, the Company entered into a 20 year lease that runs through 2017.

The Company also has lease commitments to lease other office facilities at various locations. All of the leases require the Company to pay utilities, insurance and real estate taxes on the facilities.

Total minimum future rental payments at March 31, 1999 are as follows (in thousands):

2000	$3,145
2001	3,080
2002	2,759
2003	2,634
2004	2,639
Thereafter	30,496
	$44,753

NOTE 6. CAPITAL STOCK AND STOCK RESTRICTION AGREEMENTS:

Capital Stock Activity:

On March 24, 1998 the Company filed a 14(c) information statement to amend the Company's Amended and Restated Certificate of Incorporation to increase the number of shares of Class A Common Stock authorized for issuance from 43,500,000 to 65,500,000. In the same filing the Company amended the Westell Technologies, Inc. 1995 Stock Incentive Plan to increase the number of shares of Class A Common Stock available for grant thereunder by 5,000,000 shares of Class A Common Stock. This was adopted through a consent of the majority shareholder on April 20, 1998.

The Board of Directors has the authority to issue the newly authorized Preferred Stock up to 1,000,000 shares in one or more series and to fix the rights, preferences, privileges and restrictions thereof, including dividend rights, conversion rights, voting rights, terms of redemption, liquidation preferences, sinking fund terms and the number of shares constituting any series or the designation of such series, without any further vote or action by stockholders.

The Company has granted restricted common shares to certain employees. The number of restricted shares vested at March 31, 1997 and 1998 for these stock awards was 1,613,780 and 1,706,894 shares, respectively. The Company valued the stock awards based on independent appraisals done at the approximate date of the grants. Compensation expense of $68,000 and $48,000 was recognized

in fiscal 1997 and 1998, respectively, based on the fair market value of the shares granted. The shares were fully vested as of March 31, 1998, therefore there was no vesting or compensation expense for fiscal 1999.

On May 8, 1996, the Board of Directors authorized a two-for-one stock split in the form of a dividend to be distributed on June 7, 1996, to stockholders of record on May 20, 1996. All references in the financial statements to number of shares and per share amounts of the Company's common stock have been retroactively restated to reflect the two-for-one stock split.

Stock Restriction Agreements:

The members of the Penny family (major stockholders) have a Stock Transfer Restriction Agreement which prohibits, with limited exceptions, such members from transferring their Common Stock acquired prior to November 30, 1995, without first offering such stock to the other members of the Penny family. A total of 18,749,587 shares of Common Stock are subject to this Stock Transfer Restriction Agreement.

NOTE 7. EMPLOYEE BENEFIT PLANS:

401(k) Benefit Plan:

The Company sponsors a 401(k) benefit plan (the "Plan") which covers substantially all of its employees. The Plan is a salary reduction plan which allows employees to defer up to 15% of wages subject to Internal Revenue Service allowed limits. The Plan also allows for Company discretionary contributions. The Company provided for discretionary and matching contributions to the Plan totaling approximately $190,000, $208,000 and $395,000 for fiscal 1997, 1998 and 1999, respectively.

Employee Stock Purchase Plan:

The Company maintains a stock purchase plan that allows participating employees to purchase, through payroll deductions, shares of the Company's Class A Common Stock for 85% of the average of the high and low reported sales prices at specified dates. Under the stock purchase plan, 217,950 shares are authorized. As of March 31, 1997, 1998 and 1999 there were 199,060, 182,068 and 139,936 shares, respectively, available for future issuance.

Employee Stock Incentive Plan:

In October 1995, the Company adopted a stock incentive plan that permits the issuance of Class A Common Stock, restricted shares of Class A Common Stock, nonqualified stock options and incentive stock options to purchase Class A Common Stock, performance awards and stock appreciation rights to selected employees, officers, and non-employee directors of the Company. Under the stock incentive plan 7,688,050 shares were authorized and there were 5,005,829 shares available for future issuance at March 31, 1999. The Company issued 1,270 and 1,561 shares for stock awards under this plan in fiscal 1997 and 1998, respectively. Compensation expense of $30,000 and $25,000 was recognized in fiscal 1997 and 1998, respectively, for the stock awards granted. No stock awards were issued in fiscal 1999.

The stock option activity under the Company's Stock Incentive Plan are as follows:

	Outstanding Options	Weighted Average Exercise Price
Outstanding at March 31, 1996...........	89,900	$ 6.50
Granted......................	2,104,250	16.98
Exercised....................	--	--
Expired......................	--	--
Canceled.....................	(1,086,500)	22.08
Outstanding at March 31, 1997...........	1,107,650	9.45
Granted......................	2,079,450	14.55
Exercised....................	(63,480)	10.25
Expired......................	--	--
Canceled.....................	(458,200)	12.29
Outstanding at March 31, 1998...........	2,665,420	12.92

Granted......................	3,068,876	7.12
Exercised....................	(11,330)	9.53
Expired......................	--	--
Canceled.....................	(3,079,520)	12.43
Outstanding at March 31, 1999..........	2,643,446	$ 6.69

The exercise price of the stock options granted is generally established at the market price on the date of the grant. During fiscal 1997, nonqualified stock options issued previously during fiscal 1997 were canceled and reissued on July 24, 1996 at the then current market price of $21.625. On March 12, 1997, options issued during fiscal 1997 were repriced to the then current market price of $9.6875. On August 6, 1998 nonqualified stock options issued to non-board members prior to August 6, 1998 were cancelled and reissued at the then current market price of $6.219. The Company has reserved Class A Common Stock for issuance upon exercise of these options granted.

The Company accounts for employee stock options under APB Opinion 25, as permitted under generally accepted accounting principles. Accordingly, no compensation cost has been recognized in the accompanying financial statements related to these options. Had compensation cost for these options been determined consistent with Statement of Financial Accounting Standards No. 123 "Accounting for Stock-Based Compensation" ("SFAS 123"), which is an accounting alternative that is permitted but not required, the Company's net loss and net loss per share would have been $(16,963,000), $(17,742,000) and $(44,349,000) and $(0.47), $(0.49) and $(1.22) for 1997, 1998 and 1999, respectively.

The following table summarizes information about all stock options outstanding as of March 31, 1999:

<TABLE>

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding at 3/31/99	Remaining Life	Weighted-Average Exercise Price	Number Exercisable at 3/31/99	Weighted Average Exercise Price
<S>	<C>	<C>	<C>	<C>	<C>
$3.10 - $6.16	30,616	9.60 yrs	$ 4.89	1,166	$ 4.14
6.22 - 6.22	2,384,780	8.23 yrs	6.22	574,704	6.22
6.50 - 15.69	228,050	7.89 yrs	11.88	105,399	9.49
$3.10 - 15.69	2,643,446	8.22 yrs	$ 6.69	681,269	$ 6.72

</TABLE>

The fair value of each option is estimated on the date of grant based on the Black-Scholes option pricing model assuming, among other things, a risk-free interest rate of 6.5% and no dividend yield; expected volatility of 73% and an expected life of 7 years. A majority of the options granted to employees in 1997 and 1998 vest ratably over five years. Certain options vest upon the earlier of the achievement of individual goals established or 8 years. The weighted average fair value of the options granted during the years ended March 31, 1997, 1998 and 1999 were $8.44, $9.70 and $4.72, respectively.

NOTE 8. SEGMENT AND RELATED INFORMATION:

Operating Segments:

Westell's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and market strategy. They consist of:

1) A telecommunications equipment manufacturer of local loop access products, and
2) A multi-point telecommunications service bureau specializing in audio teleconferencing, multi-point video conferencing, broadcast fax and multimedia teleconference services.

Performance of these segments is evaluated utilizing, revenue, operating income and total asset measurements. The accounting policies of the segments are the same as those described in the summary of significant accounting policies. Segment information for the fiscal years ended March 31, are as follows:

	Telecom Equipment	Telecom Services	Other a	Consolidated Total
1997				
Revenues.........................	$ 69,066	$ 10,319	$ --	$ 79,385
Income (loss) from continuing operations before income tax.....	(28,269)	1,857	1,891	(24,521)
Depreciation and amortization.....	5,056	1,119	--	6,175
Total assets.....................	102,348	5,701	--	108,049
1998				
Revenues.........................	72,206	14,145	--	86,351
Income (loss) from continuing operations before income tax.....	(36,522)	3,626	13,788	(19,108)
Depreciation and amortization.....	5,641	1,312	--	6,953
Total assets.....................	90,509	7,896	--	98,405
1999				
Revenues.........................	71,863	21,317	--	93,180
Income (loss) from continuing operations before income tax.....	(38,554)	3,454	108	(34,992)
Depreciation and amortization.....	5,327	1,695	--	7,022
Total assets.....................	52,774	11,633	--	64,407

a) Other represents Other income, net and Interest expense for each period. The Company does not evaluate its segments based on this information.

Enterprise-wide Information:

The Company's revenues are primarily generated in the United States. More than 90% of all revenues were generated in the United States for each period presented.

Significant Customers and Concentration of Credit:

The Company is dependent on certain major telephone companies that represent more than 10% of the total revenue. Sales to major customers that exceed 10% of total revenue are as follows:

Fiscal Year Ended March 31,		
1997	1998	1999

	----	----	----
Customer A............................	18.3%	17.7%	16.2%
Customer B............................	11.1	9.0	10.7

WESTELL TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Major telephone companies comprise a significant portion of the Company's trade receivables. One customer represented 15.2% and 14.1% of the trade receivables balance at March 31, 1998 and 1999, respectively.

Geographic Information

The Company's financial information by geographic area was as follows for the years ended March 31:

<TABLE>

<S>	Domestic -------- <C>	International ------------ (in thousands) <C>	Total ----- <C>
1997			
Revenue...	$ 75,032	$ 4,353	$ 79,385
Operating income (loss) from continuing operations..................	(15,606)	10,806	(26,412)
Identifiable assets...	103,008	5,041	108,049
1998			
Revenue...	$ 77,802	$ 8,549	$ 86,351
Operating loss from continuing operations...........................	(23,568)	(9,928)	(32,896)
Identifiable assets...	95,849	2,556	98,405
1999			
Revenue...	$ 84,709	$ 8,471	$ 93,180
Operating loss from continuing operations...........................	(26,208)	(8,892)	(35,100)
Identifiable assets...	60,691	3,716	64,407

International identifiable assets are related to Westell Europe, Ltd. operations, located in the United Kingdom.

</TABLE>

NOTE 9. RESTRUCTURING CHARGE:

The Company recognized a restructuring charge of $1.4 million in the three months ended December 31, 1997 and $800,000 in the three months ended March 31, 1999. These charges included personnel, facility, and certain development contract costs related to restructuring global operations. As of March 31, 1999, the Company has paid $1.2 million of the restructuring costs charged in fiscal 1998 and $200,000 of the restructuring costs charged in fiscal 1999.

The Fiscal 1998 restructuring plan was to decrease costs and streamline operations related to DSL products. The Fiscal 1999 restructuring plan was to further decrease costs, primarily by reducing the workforce by approximately 11%, and focus DSL sales efforts on indirect sales to the major phone companies through licensing and OEM arrangements with strategic partners. The Company anticipates most of the material expenditures related to this restructuring reserve to occur in the first quarter of fiscal 2000. The Company also expects costs savings of approximately $5.0 million in fiscal 2000 related to this restructuring.

The restructuring charges and their utilization are summarized as follows:

<TABLE>

(Dollars in thousands)	1998 Charge	1998 Utilized	Accrued at March 31,1998	1999 Charge	1999 Utilized	Accrued at March 31, 1999
<S>	<C>	<C>	<C>	<C>	<C>	<C>

Employee Costs............	$561	$287	$274	$690	$363	$601
Contract Costs............	736	647	89	--	--	89
Legal and Other Costs......	86	23	63	110	19	156
Total......................	$ 1,383	$957	$426	$800	$382	$844

</TABLE>

WESTELL TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 10. OTHER INCOME, NET:

In fiscal 1998, the Company recognized other income of $12.0 million, net of expenses, related to a one-time fee received from Texas Instruments for the break-up of the proposed Westell/Amati merger. Excluding the effect of this one time benefit, Other income, net would have been $2.3 million for fiscal year ended March 31, 1998. Excluding the one time item, Other income, net for the years ended March 31, 1997, 1998 and 1999 was primarily due to interest income earned on temporary cash investments made as a result of investing available funds.

NOTE 11. RECLASSIFICATION OF ACCOUNTS:

Certain 1998 amounts have been reclassified in order to conform to the current-year presentation.

NOTE 12. SUBSEQUENT EVENTS:

In April 1999, the Company completed a subordinated secured convertible debenture private placement totaling $20 million. The conversion price of the debentures is the lower of (a) a periodically reset fixed price, which is initially $6.372 per share and which will reset on April 16, 2000 and April 16, 2001 to the ten day average market price then in effect (provided that the fixed price may not be less than $4.4604 or greater than $6.372 per share), and (b) the floating market price of our Class A Common Stock at time of conversion (except that the floating market price may only be imposed under specific conditions set forth in the securities purchase agreement under which the debentures were sold). The reset fixed price can not fall below $4.4604. In addition, under the terms of the debentures, additional shares are issuable due to anti-dilution price protection provisions and/or if the Company enters into certain major transactions (such as the sale of substantially all of our assets, a merger or a change in actual voting control). In connection with the financing, the Company issued five-year warrants for approximately 909,000 shares of Class A Common stock at an exercise price equal to $8.921 per share, which is approximately 140% of the initial conversion price of the debentures.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors and Stockholders of Westell Technologies, Inc.

We have audited, in accordance with generally accepted auditing standards, the financial statements of Westell Technologies, Inc. and its Subsidiaries included in this Annual Report on Form 10-K and have issued our report thereon dated May 11, 1999. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. Schedule II, Valuation and Qualifying Accounts, included herein is the responsibility of the Company's management and is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

ARTHUR ANDERSEN LLP

Chicago, Illinois
May 11, 1999

WESTELL TECHNOLOGIES, INC. AND SUBSIDIARIES

SCHEDULE II -- VALUATION AND QUALIFYING ACCOUNTS

<TABLE>

ACCOUNTS RECEIVABLE ALLOWANCES
(IN THOUSANDS)

<CAPTION>

<S>	1997	1998	1999
Balance at beginning of year	$462	$521	$730
Provision for doubtful accounts	305	371	168
Provision for discounts, allowances and rebates	--	--	--
Write-offs of doubtful accounts, net of recoveries	(246)	(162)	(195)
Discounts, allowances and rebates taken	--	--	--
Balance at end of year	$521	$730	$703

</TABLE>

<TABLE>

RESTRUCTURING RESERVES
(IN THOUSANDS)

<CAPTION>

<S>	1998	1999
Balance at beginning of year	$ --	$426
Charges to Operating expenses	1,400	800
Restructuring costs paid	(974)	(382)
Balance at end of year	$426	$844

</TABLE>

Exhibit 23.1

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the use of our reports dated May 11, 1999 on the financial statements of Westell Technologies, Inc. and Subsidiaries (and to all references to our Firm) included in or made a part of this Form 10-K, as amended on August 4, 1999, into the Company's previously filed Registration Statement File No. 33-99914.

ARTHUR ANDERSEN LLP

Chicago, Illinois
August 4, 1999