

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

AMENDMENT NO. 1
TO
FORM 10-Q/A

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

For the quarterly period ended June 30, 2000

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 (I.R.S. Employer
incorporation or organization) Identification Number)

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

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

NOT APPLICABLE
(Former name, former address and former fiscal year,
if changed since last report)

Indicate by check or mark whether the registrant (1) has filed all reports
required to be filed by Sections 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 .

The number of shares outstanding of each of the issuer's classes of common stock
are:

Class A Common Stock, \$0.01 Par Value - 41,642,768 shares at August 1, 2000
Class B Common Stock, \$0.01 Par Value - 19,033,869 shares at August 1, 2000

WESTELL TECHNOLOGIES, INC. AND SUBSIDIARIES
FORM 10-Q
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SAFE HARBOR STATEMENT

Certain statements contained under "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this 10-Q, which are not historical facts are forward looking statements that involve risks and uncertainties. These risks include, but are not limited to, product demand and market acceptance risks (including the future commercial acceptance of the Company's ADSL systems by telephone companies and other customers), the impact of competitive products and technologies (such as cable modems and fiber optic cable), competitive pricing pressures, product development, excess and obsolete inventory due to new product development, commercialization and technological delays or difficulties (including delays or difficulties in developing, producing, testing and selling new products and technologies, such as ADSL systems), the effect of the Company's accounting policies, the effect of economic conditions and trade, legal, social, and economic risks (such as import, licensing and trade restrictions) and other risks more fully described on page 11 and in the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2000 under the section "Risk Factors". 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.

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<TABLE>

WESTELL TECHNOLOGIES, INC. AND SUBSIDIARIES CONDENSED CONSOLIDATED BALANCE SHEETS

<CAPTION>

ASSETS

	March 31, 2000	June 30, 2000 (restated)
		(unaudited)
		(in thousands)
	<C>	<C>
Current assets:		
Cash and cash equivalents.....	\$27,258	\$12,959
Short term investments.....	1,951	-
Accounts receivable (net of allowance of \$855,000 and \$1,311,000, respectively).....	42,025	78,695
Inventories.....	30,741	43,398
Prepaid expenses and other current assets.....	2,200	2,597
Refundable income taxes.....	6,222	6,222
Deferred income tax asset.....	3,319	3,319
Land and building held for sale.....	3,309	3,309
Total current assets.....	117,025	150,498
Property and equipment:		
Machinery and equipment.....	34,686	36,290

Office, computer and research equipment.....	18,682	24,479
Leasehold improvements.....	3,436	2,444
	-----	-----
	56,804	63,213
Less accumulated depreciation and amortization.....	30,435	32,455
	-----	-----
Property and equipment, net.....	26,369	30,758
Goodwill and intangibles, net.....	175,482	167,245
Deferred income tax asset and other assets.....	23,694	22,618
	-----	-----
Total assets.....	\$ 342,570	\$371,119

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Accounts payable.....	\$21,528	\$53,556
Accrued expenses.....	22,591	12,963
Notes payable.....	-	8,000
Accrued compensation.....	6,938	6,275
Current portion of long-term debt.....	1,633	1,633
	-----	-----
Total current liabilities.....	52,690	82,427
Long-term debt.....	1,117	4,809
Other long-term liabilities.....	2,489	3,007
Commitments and contingencies		
Convertible debt (net of debt discount of \$669,000 and \$0, respectively)		6,611
	-----	-----
Stockholders' equity:		
Class A common stock, par \$0.01.....	402	442
Authorized - 85,000,000 shares		
Issued and outstanding - 40,179,110 shares at March 31, 2000 and 41,627,554 shares at June 30, 2000		
Class B common stock, par \$0.01.....	190	190
Authorized - 25,000,000 shares		
Issued and outstanding - 19,051,369 shares at March 31, 2000 and June 30, 2000		
Preferred stock, par \$0.01.....	-	-
Authorized - 1,000,000 shares		
Issued and outstanding - none		
Deferred compensation.....	840	840
Additional paid-in capital.....	345,485	352,872
Accumulated other comprehensive income.....	184	386
Accumulated deficit.....	(67,438)	(73,854)
	-----	-----
Total stockholders' equity.....	279,663	280,876
	-----	-----
Total liabilities and stockholders' equity.....	\$ 342,570	\$ 371,119

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

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<TABLE>

WESTELL TECHNOLOGIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

<CAPTION>

Three Months Ended June 30,	
-----	-----
1999	2000 (restated)
-----	-----
(unaudited)	
(in thousands, except per share data)	

<S>	<C>	<C>
Equipment revenue.....	\$ 17,188	\$ 96,934

Service revenue.....	6,971	9,758
Total revenues.....	24,159	106,692
Cost of equipment sales.....	11,890	78,611
Cost of services.....	4,764	6,108
Cost of goods sold.....	16,654	84,719
Gross margin.....	7,505	21,973
Operating expenses:		
Sales and marketing.....	3,697	7,379
Research and development.....	3,597	7,438
General and administrative.....	3,240	5,664
Goodwill amortization.....	-	7,958
Total operating expenses.....	10,534	28,439
Operating loss.....	(3,029)	(6,466)
Other expense(income), net.....	24	(169)
Interest expense.....	379	119
Loss before tax benefit.....	(3,432)	(6,416)
Benefit for income taxes.....	-	-
Net loss.....	<u><u>\$ (3,432)</u></u>	<u><u>\$ (6,416)</u></u>
Net loss per basic and diluted common share...	<u><u>\$ (0.09)</u></u>	<u><u>\$ (0.10)</u></u>
Weighted average number of basic and diluted common shares outstanding.....	<u><u>36,468</u></u>	<u><u>62,652</u></u>

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

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<TABLE>

WESTELL TECHNOLOGIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

<CAPTION>

	Three Months Ended June 30,	
	1999	2000 (restated)
	(unaudited) (in thousands)	
<S>	<C>	<C>
Cash flows from operating activities:		
Net loss.....	\$ (3,432)	\$ (6,416)
Reconciliation of net loss to net cash used in operating activities:		
Depreciation and amortization.....	1,857	10,530
Interest expenses related to conversion of debentures.....	-	135
Changes in assets and liabilities:		
Increase in accounts receivable.....	(2,136)	(36,727)
Increase in inventory.....	(1,252)	(12,734)
Decrease (increase) in prepaid expenses and deposits.....	286	(397)
Decrease in refundable income taxes.....	5	-

(Increase) decrease in other assets.....	(1,425)	546	
(Decrease) increase in accounts payable and accrued expenses.....		(2,678)	22,918
Decrease in accrued compensation.....	(1,656)	(663)	
	-----	-----	
Net cash used in operating activities.....	(10,431)	(22,808)	
	-----	-----	
Cash flows from investing activities:			
Purchases of property and equipment.....	(940)	(6,682)	
Decrease in short term investments.....	-	1,951	
	-----	-----	
Net cash used in investing activities.....	(940)	(4,731)	
	-----	-----	
Cash flows from financing activities:			
(Repayment) borrowing of long-term debt and leases payable.....		(669)	3,692
Net borrowing under revolving promissory notes.....		-	8,000
Proceeds from issuance of convertible debt.....	19,000		-
Proceeds from the issuance of common stock.....	1,132		1,574
	-----	-----	
Net cash provided in financing activities.....	19,463		13,266
	-----	-----	
Effect of exchange rate changes on cash.....	4	(26)	
Net increase (decrease) in cash.....	8,096	(14,299)	
Cash and cash equivalents, beginning of period.....	6,715		27,258
	-----	-----	
Cash and cash equivalents, end of period.....	\$ 14,811	\$	12,959
	=====	=====	

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

</TABLE>

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WESTELL TECHNOLOGIES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 1. BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. It is suggested that these condensed consolidated financial statements be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended March 31, 2000.

In the opinion of management, the unaudited interim financial statements included herein reflect all adjustments, consisting of normal recurring adjustments, necessary to present fairly the Company's consolidated financial position and the results of operations and cash flows at June 30, 2000, and for all periods presented. The results of operations for the three month period ended June 30, 2000 are not necessarily indicative of the results that may be expected for the fiscal year ending March 31, 2001 ("fiscal year 2001").

NOTE 2. 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 June 30, 1999, and 2000, and therefore the net loss per basic and diluted earnings per share are the same.

NOTE 3. RESTRUCTURING CHARGE:

The Company recognized a restructuring charge of \$550,000 in the three months ended March 31, 2000. This charge was for personnel, legal, and other related cost to eliminate redundant employees due to the acquisition of Teltrend Inc. The restructuring plan was to combine and streamline the operations of the two companies and to achieve synergies related to the manufacture and distribution of common product lines. The Company estimates that the costs of these activities will be \$2.9 million. Approximately \$2.4 million of the total cost has been capitalized as part of the purchase price of Teltrend Inc., primarily related to Teltrend Inc. employees terminated. The remaining cost of \$550,000 was charged to operations and relates to Westell employees terminated and other costs. As of June 30, 2000, the Company has paid approximately \$615,000 of these costs.

The Company's restructuring balances and their utilization are presented in the following table:

(in thousands)	Utilized		
	Balance March 31, 2000	thru June 30, 2000	Balance June 30, 2000
Employee Costs.....	\$ 2,604	\$543	\$ 2,061
Contract Costs.....	--	--	--
Legal & Other Costs.....	300	72	228
Charge reversal.....	--	--	--
Total.....	\$ 2,904	\$615	\$ 2,289

WESTELL TECHNOLOGIES, INC. AND SUBSIDIARIES
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 (UNAUDITED)

NOTE 4. INTERIM SEGMENT INFORMATION:

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 for Westell Technologies, Inc. Segment information for the three-month periods ended June 30, 1999 and 2000, are as follows:

<TABLE>
 <CAPTION>

(in thousands)	Telecom Equipment	Telecom Services	Consolidated Total
<S>	<C>	<C>	<C>
Three months ended June 30, 1999			
Revenues.....	\$ 17,188	\$ 6,971	\$ 24,159
Operating income (loss)	(3,705)	676	(3,029)
Depreciation and amortization...	1,328	529	1,857
Total assets.....	61,682	14,511	76,193

Three months ended June 30, 2000

Revenues.....	96,934	9,758	106,692
Operating income (loss).....	(8,010)	1,544	(6,466)
Depreciation and amortization...	9,757	773	10,530
Total assets.....	350,701	20,418	371,119

</TABLE>

Reconciliation of Operating loss from continuing operations for the reportable segments to Loss from continuing operations before income taxes:

<TABLE>

<CAPTION>

(in thousands)	Three Months Ended June 30,	
	1999	2000
	<C>	<C>
Operating loss	\$(3,029)	\$(6,466)
Other expense (income), net.....	24	(169)
Interest expense.....	379	119
Loss before income taxes.....	\$(3,432)	\$(6,416)

</TABLE>

NOTE 5. NEW ACCOUNTING PRONOUNCEMENTS:

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.

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WESTELL TECHNOLOGIES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 6. COMPREHENSIVE INCOME:

The disclosure of comprehensive loss, which encompasses net loss and foreign currency translation adjustments, is as follows:

<TABLE>

<CAPTION>

(in thousands)	Three Months Ended June 30,	
	1999	2000
	<C>	<C>
Net Loss.....	\$(3,432)	\$(6,416)
Other comprehensive loss		
Foreign currency translation adjustment..	90	202
Comprehensive loss.....	\$(3,342)	\$(6,214)

</TABLE>

NOTE 7. BUSINESS ACQUISITION:

On March 17, 2000, the Company acquired 100% of the outstanding shares of Teltrend Inc., a designer, manufacturer and marketer of transmission products used by telephone companies to provide voice and data service over the telephone network.

The acquisition was accounted for as a purchase and, accordingly, the acquired assets and assumed liabilities have been recorded at their estimated fair market values at the date of the acquisition. The results of operations have been included in the consolidated financial statements since the date of acquisition. The estimated fair market values of certain assets are based upon

preliminary appraisal reports. The purchase price of approximately \$238,241,873 exceeded the fair market value of net assets acquired, resulting in goodwill of \$64,207,801 and synergistic goodwill of \$57,000,000 which will be amortized on a straight-line basis over an average of approximately ten years.

The following unaudited pro forma consolidated results of operations data assumes the business acquisition described above occurred on April 1, 1999. The pro forma results below are based on historical results of operations including adjustments for interest, depreciation and amortization and do not necessarily reflect actual results that would have occurred.

(in thousands, except per share data)	Three Months Ended June 30, 1999
Revenue.....	\$ 49,785
Net Loss.....	(9,294)
Net loss per basic and diluted common share.....	\$(0.16)

NOTE 9. CORRECTION OF INVOICING ERROR

During the quarter ended December 31, 2000 the Company identified an invoicing error attributable to a customer order that was billed at an incorrect amount due to it not properly reflecting a new pricing agreement. The Company has subsequently implemented additional controls to prevent any reoccurrence of such billing errors. The correction of this error results in a reduction in the first quarter fiscal year 2001 revenue of \$1,184,000 with a corresponding increase in net loss and basic and diluted earnings per share amounts. Below is a table highlighting the changes to the previously disclosed amounts.

<TABLE>

<CAPTION>

Three Months Ended

June 30, 2000

(in thousands, except per share data)

	Previously Reported	Restated	Change
<S>	<C>	<C>	<C>
Revenue.....	\$107,876	\$106,692	\$(1,184)
Net loss.....	\$(5,232)	\$(6,416)	\$(1,184)
Net loss per basic and diluted common share.....	\$(0.08)	\$(0.10)	\$(0.02)

</TABLE>

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS

OF OPERATION

OVERVIEW

Westell Technologies, Inc. ("Westell" or the "Company") derives most of its equipment revenue from the sale of telecommunications equipment that enables telecommunications services over copper telephone wires. 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 its end-user customers. These products can be categorized into three business units presented below.

- o TELCO ACCESS PRODUCTS ("TAP"): Products that maintain, repair and monitor special service circuits used over copper telephone wires in the portion of the telephone companies' network connecting the central office with the customers' locations (the "Local Loop"). Products include all of Westell's analog products and products that support digital T-1 transmission such as its Network Interface Units ("NIU") products.
- o TRANSPORT SYSTEMS: DSL products that contain components that are located in the telephone companies' central offices. Products include Westell's Supervision, a system comprised of central office shelves and electronics that enable high-speed transmission over copper telephone lines.
- o CUSTOMER PREMISE EQUIPMENT ("CPE"): High-speed DSL modems and routers that are located at the customers' premises. These products include Westell's

WireSpeed(TM) modems that are designed to provide high-speed access through personal computers.

The Company's service revenues are derived from audio, multi port video and multi media teleconferencing services from the Company's Conference Plus, Inc. subsidiary.

Below is a table that compares equipment and service revenues for the quarter ended June 30, 1999 with the quarter ended June 30, 2000 by business unit.

(in thousands)	June 30, 1999	June 30, 2000 (restated)
TAP.....	\$ 13,824	\$ 30,221
Transport Systems.....	2,189	6,017
CPE.....	1,175	60,696
Total equipment.....	17,188	96,934
Services.....	6,971	9,758
Total revenues.....	<u>\$24,159</u>	<u>\$ 106,692</u>

Westell's net revenues increased 341.6% in the three months ended June 30, 2000 when compared to the same period last year due to a 464.0% increase in equipment revenue combined with a 40.0% increase in service revenue. The increase in equipment revenue is due primarily to the increased sales of the Company's CPE products along with the impact of the Teltrend acquisition. The increase in service revenue is a result of increased teleconference call minutes.

The Company expects to continue to evaluate new product opportunities and engage in extensive research and development activities. This will require the Company to continue to invest heavily in research and development and sales and marketing, which could adversely affect short-term results of operations. The Company believes that its future revenue growth and profitability will principally depend on its success in increasing sales of DSL products and developing new and enhanced TAP and other DSL products. In view of the Company's reliance on the emerging DSL 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 TAP products such as NIU's have declined in recent years as telcos continue to move to networks that deliver higher speed digital transmission services. 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 - Period ended June 30, 2000 compared to period ended June 30, 1999.

Revenues. The Company's revenues increased 341.6% from \$24.2 million in the three months ended June 30, 1999 to \$106.7 million in the three months ended June 30, 2000. This revenue increase was due to increased equipment revenue of \$79.7 million and teleconference service revenue of \$2.8 million. The increased equipment revenue was due primarily to increased sales of the Company's products. Revenue from the CPE products climbed 5,065.6%, to \$60.7 million for the three months ended June 30, 2000 compared to \$1.2 million for the quarter ending June 30, 1999 due to higher unit volume offset in part by lower unit selling price. Revenues from the Company's TAP and Transport Systems business units, in the quarter ended June 30, 2000, increased to \$30.2 million and \$6.0 million, respectively, compared to \$13.8 million and \$2.2 million in the same quarter one year ago. The increase in revenues from the TAP business unit is primarily reflective of the acquisition of Teltrend Inc. which occurred in March, 2000. The increase in revenues from the Transport System's products is primarily due to higher unit sales volume. The Company's teleconference service

revenue of \$9.8 million for the quarter ended June 30, 2000 increased \$2.8 million from \$7.0 million in the same quarter one year ago. This increase in revenue is attributable to continued growth in call minutes at the Company's subsidiary Conference Plus, Inc.

Gross Margin. Gross margin as a percentage of revenue decreased from 31.1% in the three months ended June 30, 1999 to 20.6% in the three months ended June 30, 2000. This decrease in gross margin was primarily due to higher material costs, resulting from increased demand in the overall market for semi-conductor components used in our DSL products and increased freight costs. Margins were also affected by the additional costs related to the inventory step-up resulting from the Teltrend Inc. acquisition. This decrease in gross margin was somewhat offset by product mix changes and product cost integration in the TAP and Transport Systems business units and increased service revenues in the three months ended June 30, 2000.

Sales and Marketing. Sales and marketing expenses increased 99.6%, from \$3.7 million in the three months ended June 30, 1999 to \$7.4 million in the three months ended June 30, 2000. Sales and marketing expenses decreased as a percentage of revenues from 15.3% in the three months ended June 30, 1999 to 6.9% in the three months ended June 30, 2000. The increase in sales and marketing expenses was primarily due to the acquisition of Teltrend Inc., increased marketing of the DSL products and increased shipping charges to customers associated with the increase in sales. 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 increased 106.8%, from \$3.6 million in the three months ended June 30, 1999 to \$7.4 million in the three months ended June 30, 2000. Research and development expenses decreased as a percentage of revenues from 14.9% in the three months ended June 30, 1999 to 7.0% in the three months ended June 30, 2000. The increase in research and development expense is reflective of the Company's acquisition of Teltrend Inc. which occurred in March, 2000. Additionally, the Company received \$700,000 from customers to fund on-going engineering projects during the three months ended June 30, 1999, which was offset against research and development expenses. The Company believes that a continued commitment to research and development will be required for the Company to remain competitive.

General and Administrative. General and administrative expenses increased 74.8%, from \$3.2 million in the three months ended June 30, 1999 to \$5.7 million in the three months ended June 30, 2000. General and administrative expenses decreased as a percentage of revenues from 13.4% in the three months ended June 30, 1999 to 5.3% in the three months ended June 30, 2000. The increase in general and administrative expenses is a result of the Company's acquisition of Teltrend Inc. which occurred in March, 2000.

Goodwill Amortization. Intangible assets include goodwill, synergistic goodwill and product technology related to the Teltrend acquisition. The purchase price of approximately \$238,241,873 exceeded the fair market value of net assets acquired, resulting in goodwill of \$64,207,801 and synergistic goodwill of \$57,000,000 which will be amortized on a straight-line basis over an average of approximately ten years.

RESULTS OF OPERATIONS - continued

Other (income) expense, net. Other (income) expense, net increased from an expense of \$24,000 in the three months ended June 30, 1999 to income of \$169,000 in the three months ended June 30, 2000. The income for the period was primarily due to interest income earned on temporary cash investments along with the recognition of foreign currency gains/loss.

Interest expense. Interest expense decreased from \$379,000 in the three months ended June 30, 1999 to \$119,000 in the three months ended June 30, 2000. The interest expense during the current period is a result of interest incurred on net obligations outstanding during the period under promissory notes and equipment borrowings. The decrease is due to convertible debt being fully converted during the three months ended June 30, 2000.

Benefit for income taxes. There was no benefit for income taxes recorded for

both three month periods ended June 30, 1999 and 2000. The Company decreased the valuation reserve for the entire provision generated during the current quarter of \$1.1 million. The Company will evaluate on a quarterly basis its ability to record a benefit for income taxes in relation to the value of tax planning strategies available in relation to the resulting gross deferred asset.

LIQUIDITY AND CAPITAL RESOURCES

At June 30, 2000, the Company had \$13.0 million in cash. As of June 30, 2000, the Company had \$8.0 million outstanding under its secured revolving promissory note facility and \$6.4 million outstanding under its equipment borrowing facility. As of June 30, 2000, the Company had approximately \$8.0 million available under its secured revolving credit facility. The secured revolving credit facility and the equipment borrowing facility required the maintenance of a minimum cash to current maturity ratio, a current ratio, a maximum debt to net worth ratio and target EBITDA. The Company is currently in compliance with all such covenants with exception of the targeted EBITDA, which has been waived by the bank.

The Company's operating activities used cash of approximately \$22.8 million in the three months ended June 30, 2000. This primarily resulted from a net loss from operations along with increases in accounts receivable, inventory, accounts payable and accrued expenses.

Capital expenditures for the three month period ended June 30, 2000 were approximately \$6.7 million, of which \$4.1 million was funded by an equipment promissory note. The Company expects to spend approximately \$23.3 million for the remainder of fiscal year 2001 related to capital equipment expenditures.

At June 30, 2000, the Company's principle sources of liquidity were \$13.0 million of cash and the secured revolving credit facility under which the Company may borrow up to \$8.0 million based upon receivables and inventory levels. In July, 2000, the Company received a commitment from the bank to increase the available line of credit to \$30.0 million. Cash and cash equivalents, anticipated funds from operations, along with available credit lines and other resources, are expected to be sufficient to meet cash requirements for the next twelve months. Cash in excess of operating requirements will be invested on a short term basis in federal government agency instruments and the highest rated grade commercial paper.

The Company had a deferred tax asset of approximately \$43.3 million at June 30, 2000. This deferred tax asset relates to (i) tax credit carryforwards of approximately \$4.7 million, (ii) a net operating loss carryforward tax benefit of approximately \$29.4 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.

LIQUIDITY AND CAPITAL RESOURCES - continued

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 as the Company has incurred operating losses for the 1998, 1999 and 2000 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. A majority of these deferred tax assets are expected to be utilized, prior to their expiration, through a tax planning strategy available to the Company. The Company generated taxable income for the three month period ending June 30, 2000. The tax provision of approximately \$1.1 million was recorded and offset by a reduction of the valuation allowance. Management will continue to periodically 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.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS.

Westell is subject to certain market risks, including foreign currency and interest rates. The Company has foreign subsidiaries in the United Kingdom 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. The Company's future primary exposure is to changes in exchange rates for the U.S. dollar versus the Great British pound and the Irish pound. The Company also has a sales order and accounts receivable denominated in Great British pounds. The Company at times uses foreign currency hedging to manage the exposure to changes in the exchange rate on accounts receivable.

As of June 30, 2000, the net change in the cumulative foreign currency translation adjustment account, which is a component of stockholders' equity, was an unrealized gain of \$386,000.

The Company does not have significant exposure to interest rate risk related to its debt obligations, which are 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 1 of the Company's 10-K for the period ended March 31, 2000, 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 9.5% to approximately 19.5%) average interest rate on the Company's debt. If such an increase occurred, the Company would incur approximately \$380,000 per annum in additional interest expense based on the average debt borrowed during the twelve months ended March 31, 2000. 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.

PART II. OTHER INFORMATION

ITEM 4. CHANGES IN SECURITIES AND USE OF PROCEEDS

In April 1999, the Company completed a subordinated secured convertible debenture private placement totaling \$20 million. As of May 16, 2000, holders of these debentures fully converted all principle and the accrued interest thereon of approximately \$245,000 into 3,177,168 Class A common shares at a conversion price of \$6.372 per share.

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ITEM 5. OTHER EVENTS

None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

- a) The following documents are furnished as an exhibit and numbered pursuant to Item 601 of regulation S-K:

b) The following Form 8-K was filed by the Company.

1.) On May 22, 2000, an amended Form 8-K was filed which included certain financial and pro forma information relating to the Company's acquisition of Teltrend Inc.

SIGNATURES

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

WESTELL TECHNOLOGIES, INC.

(Registrant)

DATE: February 5, 2001

By: /s/ MARC ZIONTS

MARC ZIONTS
Chief Executive Officer

By: /s/ NICHOLAS C. HINDMAN

NICHOLAS C. HINDMAN
Chief Financial Officer