

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 September 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

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WESTELL TECHNOLOGIES, INC.

(Exact name of registrant as specified in its charter)

|   |  |
|---|--|
| DELAWARE  | 36-3154957                                 |
| (State or other jurisdiction of<br>incorporation or organization) | (I.R.S. Employer<br>Identification Number) |

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

(630) 898-2500

Registrant's telephone number, including area code

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 .

Indicate the number of shares outstanding of each of the issuer's classes of  
common stock, as of the latest practicable date.

Class A Common Stock, \$0.01 Par Value - 42,399,890 shares at November 1, 2000  
Class B Common Stock, \$0.01 Par Value - 19,038,369 shares at November 1, 2000

WESTELL TECHNOLOGIES, INC. AND SUBSIDIARIES  
FORM 10-Q/A  
INDEX

PART I FINANCIAL INFORMATION:

Page No.

-----

Item 1. Financial Statements

|  |   |
|--|---|
| Condensed Consolidated Balance Sheets                    | 3 |
| - As of March 31, 2000 and September 30, 2000 (restated) |   |
| (unaudited)  |   |



|   |           |           |
|---|-----------|-----------|
| Total current assets.....                           | 117,025   | 192,628   |
| -----   |           |           |
| Property and equipment:                             |           |           |
| Machinery and equipment.....                        | 34,686    | 40,490    |
| Office, computer and research equipment.....        | 18,682    | 26,257    |
| Leasehold improvements.....                         | 3,436     | 3,123     |
|   | 56,804    | 69,870    |
| Less accumulated depreciation and amortization..... | 30,435    | 35,342    |
|   | 26,369    | 34,528    |
| Property and equipment, net.....                    | 26,369    | 34,528    |
| Goodwill and intangibles, net.....                  | 175,482   | 159,287   |
| Deferred income tax asset and other assets.....     | 23,694    | 22,721    |
|   | 342,570   | 409,164   |
| Total assets.....                                   | \$342,570 | \$409,164 |
| =====   |           |           |

#### LIABILITIES AND STOCKHOLDERS' EQUITY

|  |           |           |
|--|-----------|-----------|
| Current liabilities:   |           |           |
| Accounts payable.....  | \$ 21,528 | \$ 81,811 |
| Accrued expenses.....  | 22,591    | 13,842    |
| Notes payable.....   | -         | 28,598    |
| Accrued compensation.....  | 6,938     | 5,410     |
| Current portion of long-term debt.....   | 1,633     | -         |
|  | 52,690    | 129,661   |
| Total current liabilities.....   | 52,690    | 129,661   |
|  | 1,117     | -         |
| Long-term debt.....  | 1,117     | -         |
| Other long-term liabilities.....   | 2,489     | 2,850     |
| 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       | 424       |
| Authorized - 85,000,000 shares   |           |           |
| Issued and outstanding - 40,179,110 shares at March 31, 2000 and 42,364,175 shares at September 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 19,051,369 shares at September 30, 2000 |           |           |
| Preferred stock, par \$0.01.....   | -         | -         |
| Authorized - 1,000,000 shares  |           |           |
| Issued and outstanding - none  |           |           |
| Deferred compensation.....   | 840       | 939       |
| Additional paid-in capital.....  | 345,485   | 357,206   |
| Accumulated other comprehensive income.....  |           | 184       |
| Accumulated deficit.....   | (67,438)  | (82,128)  |
|  | 279,663   | 276,653   |
| Total stockholders' equity.....  | 279,663   | 276,653   |
|  | 342,570   | 409,164   |
| Total liabilities and stockholders' equity.....  | \$342,570 | \$409,164 |
| =====  |           |           |

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

</TABLE>

3

<TABLE>

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

<CAPTION>

|                    |       |                  |       |
|--------------------|-------|------------------|-------|
| Three Months Ended |       | Six Months Ended |       |
| September 30,      |       | September 30,    |       |
| -----              | ----- | -----            | ----- |
| 1999               | 2000  | 1999             | 2000  |

(restated)

(unaudited)

(in thousands, except per share data)

| <S>   | <C>        | <C>        | <C>        | <C>         |
|---|------------|------------|------------|-------------|
| Equipment sales.....  | \$ 17,326  | \$95,101   | \$ 34,514  | \$ 192,035  |
| Services.....   | 7,678      | 10,428     | 14,649     | 20,186      |
| Total revenues.....   | 25,004     | 105,529    | 49,163     | 212,221     |
| Cost of equipment sales.....  | 14,358     | 78,661     | 26,246     | 157,243     |
| Cost of services.....   | 5,021      | 6,478      | 9,786      | 12,616      |
| Total cost of goods sold.....   | 19,379     | 85,139     | 36,032     | 169,859     |
| Gross margin.....   | 5,625      | 20,390     | 13,131     | 42,362      |
| Operating expenses:   |            |            |            |             |
| Sales and marketing.....  | 3,414      | 6,222      | 7,112      | 13,601      |
| Research and development.....   | 1,619      | 7,509      | 5,216      | 14,947      |
| General and administrative.....   | 3,377      | 6,539      | 6,617      | 12,203      |
| Amortization of intangibles.....  | -          | 7,958      | -          | 15,916      |
| Total operating expenses.....   | 8,410      | 28,228     | 18,945     | 56,667      |
| Operating loss.....   | (2,785)    | (7,838)    | (5,814)    | (14,305)    |
| Other (income) expense, net.....  | (74)       | 105        | (51)       | (65)        |
| Interest expense.....   | 348        | 331        | 728        | 450         |
| Loss before taxes.....  | (3,059)    | (8,274)    | (6,491)    | (14,690)    |
| Income taxes.....   | --         | --         | --         | --          |
| Net loss.....   | \$ (3,059) | \$ (8,274) | \$ (6,491) | \$ (14,690) |
| Net loss per basic and diluted common share...                              | \$ (0.08)  | \$ (0.14)  | \$ (0.18)  | \$ (0.24)   |
| Weighted average number of basic and diluted common shares outstanding..... | 36,570     | 61,118     | 36,519     | 60,697      |

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

</TABLE>

4

<TABLE>

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

<CAPTION>

Six Months Ended  
September 30,

1999                      2000  
(restated)

(unaudited)  
(in thousands)

| <S>                                   | <C>        | <C>         |
|---------------------------------------|------------|-------------|
| Cash flows from operating activities: |            |             |
| Net loss.....                         | \$ (6,491) | \$ (14,690) |

|   |           |          |
|---|-----------|----------|
| Reconciliation of net loss to net cash provided by<br>(used in) operating activities: |           |          |
| Depreciation and amortization.....  | 3,562     | 21,350   |
| Deferred compensation.....  | --        | 99       |
| Non-cash interest expense on debentures.....  | --        | 135      |
| Changes in assets and liabilities:  |           |          |
| Increase in accounts receivable.....  | (3,783)   | (35,684) |
| Increase in inventory.....  | (854)     | (59,856) |
| Decrease (increase) in prepaid expenses and deposits.....                             | 466       | (1,010)  |
| Decrease in refundable income taxes.....  | 5         | --       |
| (Decrease) increase in accounts payable and accrued expenses.....                     | (2,258)   | 51,894   |
| Decrease in accrued compensation.....   | (305)     | (1,528)  |
| Net cash used in operating activities.....  | (9,658)   | (39,290) |
| Cash flows from investing activities:   |           |          |
| Purchases of property and equipment.....  | (2,151)   | (13,481) |
| Proceeds from sale of equipment.....  | 431       | 166      |
| (Increase) decrease in other assets.....  | (1,474)   | 443      |
| Decrease in short term investments.....   | -         | 1,951    |
| Net cash used in investing activities.....  | (3,194)   | (10,920) |
| Cash flows from financing activities:   |           |          |
| Net borrowing under revolving promissory notes  | --        | 28,598   |
| Repayment of long-term debt and leases payable.....                                   | (1,229)   | (2,750)  |
| Proceeds from issuance of convertible debt.....                                       | 19,000    | --       |
| Proceeds from the issuance of common stock.....                                       | 1,983     | 5,527    |
| Net cash provided by financing activities.....  | 19,754    | 31,375   |
| Effect of exchange rate changes on cash.....  | (12)      | (33)     |
| Net increase (decrease) in cash.....  | 6,890     | (18,867) |
| Cash and cash equivalents, beginning of period.....                                   | 6,715     | 27,258   |
| Cash and cash equivalents, end of period.....   | \$ 13,605 | \$ 8,391 |

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

</TABLE>

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 September 30, 2000, and for all periods presented. The results of operations for the three and

six month periods ended September 30, 2000 are not necessarily indicative of the results that may be expected for the fiscal year ending March 31, 2001.

NOTE 2. COMPUTATION OF NET LOSS PER SHARE

The Company follows the provisions of SFAS No. 128, which requires companies to present basic and diluted earnings per share. 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 September 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 September 30, 2000, the Company has paid approximately \$934,000 of these costs.

The restructuring charges and their utilization are summarized as follows:

<TABLE>  
<CAPTION>

| (in thousands)           | Balance        | Utilized                   | Balance            |
|--------------------------|----------------|----------------------------|--------------------|
|                          | March 31, 2000 | through September 30, 2000 | September 30, 2000 |
| <S>                      | <C>            | <C>                        | <C>                |
| Employee Costs.....      | \$ 2,604       | \$879                      | \$ 1,725           |
| Legal & Other Costs..... | 300            | 55                         | 245                |
| Total.....               | \$ 2,904       | \$934                      | \$ 1,970           |

</TABLE>

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 and six month periods ended September 30, 1999 and 2000, are as follows:

<TABLE>  
<CAPTION>

| (In thousands)                                 | Telecom<br>Equipment | Telecom<br>Services | Total      |
|--|----------------------|---------------------|------------|
| <S>  | <C>                  | <C>                 | <C>        |
| Three months ended September 30, 1999          |                      |                     |            |
| Revenues.....                                  | \$17,326             | \$ 7,678            | \$ 25,004  |
| Operating income (loss).....                   | (3,912)              | 1,127               | (2,785)    |
| Depreciation and amortization.....             | 1,139                | 564                 | 1,703      |
| Total assets.....                              | 59,823               | 15,532              | 75,355     |
| Three months ended September 30, 2000          |                      |                     |            |
| Revenues.....                                  | \$95,101             | \$ 10,428           | \$ 105,529 |
| Operating income (loss).....                   | (9,784)              | 1,946               | (7,838)    |
| Depreciation and amortization.....             | 10,030               | 790                 | 10,820     |
| Total assets.....                              | 387,231              | 21,933              | 409,164    |
| Six months ended September 30, 1999            |                      |                     |            |
| Revenues.....                                  | \$34,514             | \$14,649            | \$ 49,163  |
| Operating income (loss).....                   | (7,596)              | 1,782               | (5,814)    |
| Depreciation and amortization.....             | 2,469                | 1,093               | 3,562      |
| Total assets.....                              | 59,823               | 15,532              | 75,355     |
| Six months ended September 30, 2000 (restated) |                      |                     |            |
| Revenues.....                                  | 192,035              | 20,860              | 212,221    |
| Operating income (loss).....                   | (17,795)             | 3,490               | (14,305)   |
| Depreciation and amortization.....             | 19,787               | 1,563               | 21,350     |
| Total assets.....                              | 387,231              | 21,933              | 409,164    |

</TABLE>

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

<TABLE>  
<CAPTION>

|                                  | Three months ended    |            | Six months ended      |             |
|----------------------------------|-----------------------|------------|-----------------------|-------------|
|                                  | September 30,<br>1999 | 2000       | September 30,<br>1999 | 2000        |
| <S>                              | <C>                   | <C>        | <C>                   | <C>         |
| (In thousands)                   |                       |            | (restated)            |             |
| Operating loss .....             | \$ (2,785)            | \$ (7,838) | \$ (5,814)            | \$ (14,305) |
| Other (income) expense, net..... | (74)                  | 105        | (51)                  | (65)        |
| Interest expense.....            | 348                   | 331        | 728                   | 450         |
| Loss before income taxes.....    | \$ (3,059)            | \$ (8,274) | \$ (6,491)            | \$ (14,690) |

</TABLE>

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

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 quarterly financial statements for the Company's fiscal year ended March 31, 2002. The Company does not expect that SFAS No. 133 will have a significant effect on its current financial reporting.

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<br>September 30, |           | Six months ended<br>September 30, |            |
|---|-------------------------------------|-----------|-----------------------------------|------------|
|   | 1999                                | 2000      | 1999<br>(restated)                | 2000       |
| <S>                                       | <C>                                 | <C>       | <C>                               | <C>        |
| Net loss.....                             | \$(3,059)                           | \$(8,274) | \$(6,491)                         | \$(14,690) |
| Other comprehensive loss                  |                                     |           |                                   |            |
| Foreign currency translation adjustment.. |                                     | 158       | (364)                             | 248        |
|   |                                     |           |                                   | (162)      |
| Comprehensive loss.....                   | \$(2,901)                           | \$(8,638) | \$(6,243)                         | \$(14,852) |

</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.

<TABLE>  
<CAPTION>

| (in thousands, except per share data)          | Three months ended<br>September 30, 1999 | Six months ended<br>September 30, 1999 |
|--|--|--|
| <S>  | <C>                                      | <C>                                    |
| Revenue.....                                   | \$ 43,315                                | \$ 86,129                              |
| Net loss.....                                  | (7,303)                                  | (16,597)                               |
| Net loss per basic and diluted common share... | (0.13)                                   | (0.29)                                 |

</TABLE>

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

NOTE 8. SUBSEQUENT EVENT:

Westell Technologies, Inc., and certain of its officers and directors, have been named in the following class actions:

1. Greif v. Westell Technologies, Inc., et al., No. 00 C 7046 (filed November 8, 2000);
2. Seplow v. Westell Technologies, Inc., et al., No. 00 C 7019 (filed November 7, 2000);
3. Llanes v. Westell Technologies, Inc., et al., No. 00 C 6780 (filed October 30, 2000);

4. Bergh v. Westell Technologies, Inc., et al., No. 00 C 6735 (filed October 27, 2000); and
5. Lefkowitz v. Westell Technologies, Inc., et al., No. 00 C 6881 (filed November 2, 2000).

Each of these cases was filed in the United States District Court for the Northern District of Illinois and alleges generally that the defendants violated the antifraud provisions of the federal securities laws by allegedly issuing material false and misleading statements and/or allegedly omitting material facts necessary to make the statements made not misleading thereby allegedly inflating the price of Westell stock for certain time periods. Each of these cases allegedly arises from the same set of operative facts and seeks the same relief -- damages allegedly sustained by plaintiffs and the Class by reason of the acts and transactions alleged in the Complaints as well as interest on any damage award, reasonable attorneys' fees, expert fees, and other costs. In the opinion of the company, although the outcome of any legal proceedings cannot be predicted with certainty, the liability of the Company in connection with its legal proceedings will not have a material effect on the Company's financial position.

#### 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>

Six Months Ended  
September 30, 2000  
(in thousands, except per share data)

|   | Previously<br>Reported | Restated   | Change    |
|---|------------------------|------------|-----------|
| <S>   | <C>                    | <C>        | <C>       |
| Revenue.....  | \$213,405              | \$212,221  | \$(1,184) |
| Net loss.....                                       | \$(13,506)             | \$(14,690) | \$(1,184) |
| Net loss per basic and<br>diluted common share..... | \$(0.22)               | \$(0.24)   | \$(0.02)  |

</TABLE>

## 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 September 30, 1999 with the quarter ended September 30, 2000 by business unit.

<TABLE>  
<CAPTION>

| (in thousands)              | Three months ended: |                    | Six months ended:  |                    |
|-----------------------------|---------------------|--------------------|--------------------|--------------------|
|                             | September 30, 1999  | September 30, 2000 | September 30, 1999 | September 30, 2000 |
| TAP.....                    | \$12,680            | \$29,875           | \$ 26,504          | \$ 60,096          |
| Transport systems.....      | 2,636               | 15,678             | 4,825              | 21,695             |
| CPE.....                    | 2,010               | 49,548             | 3,185              | 110,244            |
| <b>Total equipment.....</b> | <b>17,326</b>       | <b>95,101</b>      | <b>34,514</b>      | <b>192,035</b>     |
| Services.....               | 7,678               | 10,428             | 14,649             | 20,186             |
| <b>Total revenues.....</b>  | <b>\$25,004</b>     | <b>\$ 105,529</b>  | <b>\$49,163</b>    | <b>\$212,221</b>   |

</TABLE>

Westell's net revenues increased 322% and 332% in the three and six month periods ended September 30, 2000, respectively, when compared to the comparable prior year periods. The increased revenue was due to increases in both equipment revenue and service revenue for the three and six month periods. The growth in equipment revenue was primarily due to the increased sales of the Company's CPE and Transport Systems products along with increased sales of TAP products due to the Teltrend Inc. acquisition. During the last days of the quarter ended September 30, 2000, the Company shipped approximately \$16.7 million of CPE equipment to customers. The increased 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.

Revenues. The Company's revenues increased 322% from \$25.0 million in the three months ended September 30, 1999 to \$105.5 million in the three months ended September 30, 2000. This revenue increase was primarily due to increased equipment revenue from the Company's CPE business unit of \$47.5 million when compared with the same period of the prior year. Equipment revenue from the Company's TAP and Transport Systems business units also increased by \$17.2 million and \$13.0 million, respectively, when compared with the same three month period of the prior year. The increased CPE and Transport Systems equipment revenue was due to overall unit volume increases offset in part by lower unit selling prices. The increased revenue from the TAP business unit was primarily a result of the acquisition of Teltrend Inc., which occurred in March 2000. Service revenue increased in the three month period by \$2.7 million when compared with the same period of the prior year due to increased revenue from the Company's Conference Plus, Inc. subsidiary. The increased teleconference service revenue reflects an increase in call minutes at the Company's Conference Plus, Inc. subsidiary.

The Company's revenues increased 332% from \$49.1 million in the six months ended September 30, 1999 to \$212.2 million in the six months ended September 30, 2000. The revenue increase in the six-month period was primarily due to increased equipment revenue from the Company's CPE business unit of \$107.0 million when compared with the same period of the prior year. Equipment revenue from the Company's TAP and Transport systems business units also increased by \$33.6 million and \$16.8 million, respectively, when compared with the same six month period of the prior year. The increased CPE and Transport Systems equipment revenue was due to overall unit volume increases offset in part by lower unit selling prices. The increase in the TAP business unit was primarily a result of the acquisition of Teltrend Inc., which occurred in March 2000. Service revenue increased in the six month period by \$5.5 million when compared with the same period of the prior year due to increased revenue from the Company's Conference Plus, Inc. subsidiary. The increased teleconference service revenue reflects an increase in call minutes at the Company's Conference Plus, Inc. subsidiary.

Gross Margin. Gross margin as a percentage of revenue decreased from 22.5% in the three months ended September 30, 1999 to 19.3% in the three months ended September 30, 2000 and decreased from 26.7% in the six months ended September 30, 1999 to 20.0% in the six months ended September 30, 2000. The decreased margin in the three and six month periods ended September 30, 2000 was primarily due to lower margins on DSL products which made up a higher proportion of the total revenue for the period. The low DSL margins were due to high material cost resulting from increased demand for semiconductor components used in DSL products. Margins were also affected by the down time, and manufacturing inefficiencies caused by the consolidation of the St. Charles, Illinois manufacturing facility, which was acquired in the Teltrend acquisition, into the Aurora manufacturing facility. This consolidation was completed in the quarter ended September 30, 2000. These decreases were off-set in part by product mix changes and cost integration in the TAP and Transport Systems business units and to a lesser extent increased service revenue which historically earns a higher margin.

Sales and Marketing. Sales and marketing expenses increased 82.2%, or \$2.8 million, to \$6.2 million in the three months ended September 30, 2000 and increased 91.2%, or \$6.5 million, to \$13.6 million in the six months ended September 30, 2000 when compared to the same period last year. Sales and marketing expenses decreased as a percentage of revenues from 13.7% in the three months ended September 30, 1999 to 5.9% in the three months ended September 30, 2000 and decreased as a percentage of revenues from 14.5% in the six months ended September 30, 1999 to 6.4% in the six months ended September 30, 2000. The increase in sales and marketing expenses during the three and six month periods 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.

#### RESULTS OF OPERATIONS - continued

Research and Development. Research and development expenses increased 363.8%, or \$5.9 million, to \$7.5 million in the three months ended September 30, 2000 and increased 187.0%, or \$9.7 million, to \$14.9 million in the six months ended

September 30, 2000 when compared to the same period last year. Research and development expenses increased as a percentage of revenues from 6.5% in the three months ended September 30, 1999 to 7.1% in the three months ended September 30, 2000 and decreased as a percentage of revenues from 10.6% in the six months ended September 30, 1999 to 7.0% in the six months ended September 30, 2000. This increase in research and development expenses was primarily reflective of the Company's acquisition of Teltrend Inc., which occurred in March 2000. Additionally, the Company received \$2.4 million and \$3.1 million during the three and six month periods ended September 30, 1999, respectively, from customers to fund engineering projects, 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 93.6%, from \$3.4 million in the three months ended September 30, 1999 to \$6.5 million in the three months ended September 30, 2000 and increased 84.4%, from \$6.6 million in the six months ended September 30, 1999 to \$12.2 million in the six months ended September 30, 2000. General and administrative expenses decreased as a percentage of revenues from 13.5% in the three months ended September 30, 1999 to 6.2% in the three months ended September 30, 2000 and decreased as a percentage of revenues from 13.5% in the six months ended September 30, 1999 to 5.8% in the six months ended September 30, 2000. The general and administrative expense increase was primarily due to 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.

**Other (income) expense, net.** Other (income) expense, net decreased from income of \$74,000 in the three months ended September 30, 1999 to a loss of \$105,000 in the three months ended September 30, 2000 and increased from income of \$51,000 in the six months ended September 30, 1999 to income of \$65,000 in the six months ended September 30, 2000. Other income is primarily comprised of interest income earned on temporary cash investments, the elimination of minority interest and unrealized gains of losses on intercompany balances denominated in foreign currency.

**Interest expense.** Interest expense decreased from \$348,000 in the three months ended September 30, 1999 to \$331,000 in the three months ended September 30, 2000 and decreased from \$728,000 in the six months ended September 30, 1999 to \$450,000 in the six months ended September 30, 2000. Interest expense during the current period is a result of interest incurred on the Company's subordinated secured convertible debentures, Warrants to purchase Class A Common Stock and net obligations outstanding during the period under promissory notes and equipment borrowings.

**Income taxes.** There was no Benefit for income taxes recorded for either the three or the six month periods ended September 30, 1999 and 2000. The Company provided valuation reserves for the entire benefit generated during the three and six month periods ended September 30, 2000 of \$6.6 million and \$5.5 million, respectively, since the resulting gross deferred tax asset would have exceeded the value of tax planning strategies available to the Company. 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 September 30, 2000, the Company had \$8.4 million in cash. As of September 30, 2000, the Company had \$28.6 million outstanding under its secured revolving promissory note facility and \$0 outstanding under its equipment borrowing facility. As of September 30, 2000, the Company had approximately \$15.4 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.

The Company's operating activities used cash of approximately \$39.3 million in the six months ended September 30, 2000. This primarily resulted from a net loss from operations along with increases in accounts receivable, inventory, offset by an increase in accounts payable and accrued expenses.

Capital expenditures for the six month period ended September 30, 2000 were approximately \$13.5 million. Capital expenditures in the six months ended September 30, 2000 included computer hardware and software, machinery and equipment and teleconferencing bridges. The Company expects to spend approximately \$14.0 million for the remainder of fiscal year 2001 related to capital equipment expenditures.

At September 30, 2000, the Company's principle sources of liquidity were \$8.4 million of cash and the secured revolving credit facility under which the Company may borrow up to \$15.4 million based upon receivables and inventory levels. The Company's credit facility has a \$45.0 million available line of credit. 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 \$49.8 million at September 30, 2000. This deferred tax asset relates to (i) tax credit carryforwards of approximately \$4.8 million, (ii) a net operating loss carryforward tax benefit of approximately \$36.0 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 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 September 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.

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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 fluctuations 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 September 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 \$22,000.

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 \$2.5 million per annum in additional interest expense based on the average debt borrowed during the twelve months ended September 30, 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 1. LITIGATION

Westell Technologies, Inc., and certain of its officers and directors, have been named in the following class actions:

1. Greif v. Westell Technologies, Inc., et al., No. 00 C 7046 (filed November 8, 2000);
2. Seplov v. Westell Technologies, Inc., et al., No. 00 C 7019 (filed November 7, 2000);
3. Llanes v. Westell Technologies, Inc., et al., No. 00 C 6780 (filed October 30, 2000);
4. Bergh v. Westell Technologies, Inc., et al., No. 00 C 6735 (filed October 27, 2000); and
5. Lefkowitz v. Westell Technologies, Inc., et al., No. 00 C 6881 (filed November 2, 2000).

Each of these cases was filed in the United States District Court for the Northern District of Illinois and alleges generally that the defendants violated the antifraud provisions of the federal securities laws by allegedly issuing material false and misleading statements and/or allegedly omitting material facts necessary to make the statements made not misleading thereby allegedly inflating the price of Westell stock for certain time periods. Each of these cases allegedly arises from the same set of operative facts and seeks the same relief -- damages allegedly sustained by plaintiffs and the Class by reason of the acts and transactions alleged in the Complaints as well as interest on any damage award, reasonable attorneys' fees, expert fees, and other costs. In the opinion of the company, although the outcome of any legal proceedings cannot be predicted with certainty, the liability of the Company in connection with its legal proceedings will not have a material effect on the Company's financial position.

14

### ITEM 4. OTHER EVENTS

None.

### ITEM 5. 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:

Exhibit 27: Financial Data Schedule

- b) The registrant was not required to file any reports on Form 8-K for the quarter.

SIGNATURES

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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.

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(Registrant)

DATE: February 5, 2001

By: /s/ MARC ZIONTS

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MARC ZIONTS

Chief Executive Officer

By: /s/ NICHOLAS C. HINDMAN

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NICHOLAS C. HINDMAN

Chief Financial Officer