COMTECH

TELECOMMUNICATIONS CORP.

1987 ANNUAL REPORT

Comtech Telecommunications Corp., a Delaware corporation, is the successor by merger to Comtech Inc., a New York corporation. This merger was effected in 1987 for the purpose of changing the Company's state of incorporation and also resulted in a change in the Company's name. The Company, which was established in 1967 as Comtech Laboratories, Inc., is engaged in the design, development, manufacture and installation, for commercial and government applications, of high technology, communications-related equipment. Its products are chiefly used in connection with satellite, tropospheric scatter and terrestrial line-of-sight communication systems. The Company sells its products directly to end users, as well as to subcontractors and prime contractors which incorporate such products in a full system installation, and also uses its products, along with products of others, to sell and install entire communication systems on a turnkey basis.

The Company's operating units are Comtech Microwave Corp. and Comtech Systems, Inc.

To Our Shareholders and Employees:

I am particularly pleased to report that in the last few months—

—Comtech eliminated all $10 million of its 13% subordinated debt due 1991 for $6 million in cash and 1 million Comtech shares.

—To finance the debt discharge, Comtech sold its Premier Microwave business for $6.5 million in cash and a $1 million 8.5% subordinated note due 1994. In connection with the sale, Comtech also issued 5-year warrants for 500,000 shares at $2 per share, subject to adjustment.

—Comtech concluded its U.S. Army Radio Contract dispute with a mutually-satisfactory agreement under which the Government rescinded its contract termination for default and withdrew its claim for unliquidated progress payments of about $1.8 million plus about $450,000 of interest.

While all this was being accomplished, we also moved decisively on our ongoing core business, Comtech Systems, Inc. and Comtech Microwave Corp.

Comtech Systems, Inc.

Comtech Systems, which is engaged in the design, manufacture and installation of systems, antennas and communications equipment for defense and commercial troposcatter and satellite applications, expanded its presence in the marketplace with record sales, record profits and record bookings. Both antennas and communications products and systems achieved these records.

With over 85 people currently employed by this Florida-based operation, and in anticipation of higher levels of business, we expanded our facility to accommodate engineering and administration support staff and electronic fabrication and product testing. Beyond this, we extended our facility to enable Comtech Systems to test, simultaneously, as many as twelve type S-280 communication shelters.

During the year, Comtech Systems also—

- obtained its largest troposcatter contract to date, an $11,000,000 order for tactical quadruple diversity digital (2 SIGMA/TAU of greater than 2.5) troposcatter communication radio terminals.

- delivered to ITT a substantial number of the 20 shelterized line-of-sight and troposcatter radio systems called for as part of a large air-defense system being installed in South America.

- obtained an order from Cable TV Supply to provide 130 3.8M antennas for the Home Sports Entertainment Network, which provides collegiate and professional sports programming in Texas. Home Sports plans to expand its network to additional states.

- had its 3.0 and 3.8 meter antennas selected for use with spread spectrum digital communications equipment by Equatorial Communications Company, a subsidiary of Contel Corporation.

- was chosen by AT&T Networks Group to supply a 3.8 meter antenna system for Telecast's nation-wide private cable systems used in apartment buildings, condominiums and hotels in 30 states.

Comtech Microwave Corp.

Comtech Microwave, which supplies a broad range of sophisticated receiving and transmitting equipment to the U.S. Government and prime contractors, is engaged in a continuing struggle in the marketplace. Against this background, we have continued to streamline Comtech Microwave's operation by reducing its work force to about 40 people and implementing other appropriate measures. We believe that core elements of the business remain solid, and are dedicating efforts toward increasing sales and improving operating efficiencies.

This year, among other things, Comtech Microwave—

- obtained an order from the U.S. Army CECOM for 710 Analog Simple Data Interface (ASDI) units, which provide a passive interface for voice or data communication over switched analog telephone wires and trunks. This represents a new business area for the Company in data communications products over telephone networks.

- developed for Comtech Systems' ITT contract 2 kw klystron high power amplifiers for use in a South American air defense system.

- completed the development of the latest version microprocessor controlled frequency synthesized low phase noise X-band up and down frequency converters.

Financial Results

For the year ended July 31, 1987, Comtech reported net income of $3,877,000, or $.79 per share, as compared to a loss of $606,000, or $.13 per share, for fiscal 1986. The 1987 results included income of $196,000 from continuing operations, income of $811,000 from Premier Microwave's discontinued operations, a gain of $1,519,000 on the sale of Premier's assets and an extraordinary credit of $1,351,000 arising from the utilization of federal net operating tax loss carryforwards. The 1987 results also benefitted from the net reversal of approximately $1,000,000 of reserves no longer considered necessary after the settlement of the Radio Contract dispute. The 1986 loss was cushioned by a $351,000 tax refund, a gain of $100,000 from the assignment of a contract and the reversal of reserves of $426,000. Operating income from continuing operations was $362,000 in 1987 compared to an operating loss of $344,000 in 1986. Sales from continuing operations were $13,533,000 for fiscal 1987 as compared to $8,658,000 for fiscal 1986. Comtech also reported an increase in year-end backlog to approximately $18 million from the year-earlier $14 million.

For the first quarter of fiscal 1988 which ended October 31, 1987, Comtech reported a net loss from continuing operations of $178,000, or $.04 per share, on sales of $2,986,000. These results include net interest and amortization expense of approximately $284,000 relating to the debt exchanged. For the same quarter of fiscal 1987, the Company had net income of $37,000, or $.01 per share, consisting of a loss of $76,000 from continuing operations, income of $100,000 from Premier Microwave's discontinued operations, and a $13,000 extraordinary credit. Sales from continuing operations were $2,943,000 for the fiscal 1987 first quarter. Operating income for the first quarter of fiscal 1988 was $35,000 as compared with $307,000 for the prior year's quarter, reflecting an unusually high profit margin with respect to one contract in the earlier period. Backlog from continuing operations at October 31, 1987 was $17 million as compared to $14 million a year before.

Our Special Appreciation

We deeply appreciate, and wish to acknowledge, the many contributions of Michael H. Taber, President, and Leonard Kardon, Vice Chairman and Founder, of Premier Microwave, who are continuing with new Premier following the sale.

We also thank Benjamin Adler for his many dedicated years of important service to Comtech as a Director, and wish him health and happiness in his retirement.

Looking Ahead

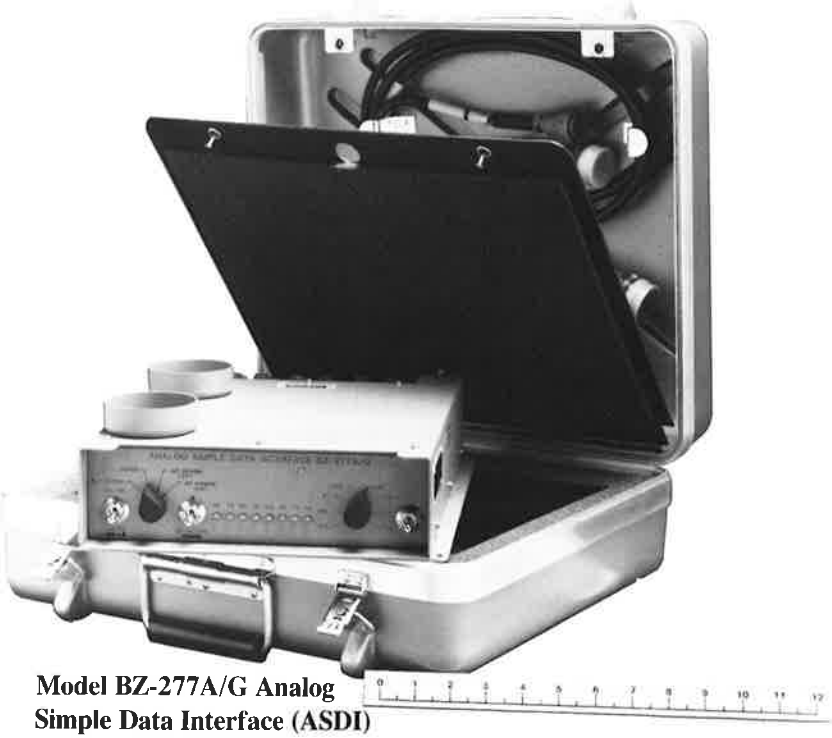
We expect that the defense electronics market will show slow growth over the near term. However, assuming a continuing high level of commercial troposcatter and satellite business, and some benefit from changes we have been implementing, we look for improved performance. Timing, however, is always so important and often uncertain, particularly with respect to the larger troposcatter contracts that Comtech Systems pursues.

Fiscal 1987 marked Comtech's 20th year, the last few having been particularly difficult. While important challenges remain to be confronted in the current year and beyond, I am pleased to report that we moved into our 21st year with a greater degree of strength and confidence than has existed for some time.

With our thanks to our loyal and dedicated employees, and our shareholders, customers and suppliers.

Fred Kornberg
Chairman and President

December 22, 1987



Model BZ-277A/G Analog Simple Data Interface (ASDI)

Comtech's Model BZ-277A/G Analog Simple Data Interface (ASDI), supplied to the U.S. Army, provides a passive interface for voice and data communications over switched analog telephone lines and trunks. When operated in the voice mode, the ASDI permits connection to or from an analog telephone. When operated in the data mode, the ASDI, via an internal data modem, provides an interface between teletype, computer terminal or crypto devices and an analog telephone.

High Power Amplifier Model HPA-2211

Comtech's High Power Amplifier Model HPA-2211 designed and built for use as the final amplification subsystem in tropospheric scatter communications stations. This High Power Amplifier, part of Comtech Microwave Corp.'s HPA-2000 series, utilizes a 1-knob tuning klystron that provides 2 kw of power output over the frequency band of 1.7 to 2.4 GHz.

Model CCV-3655A/G Up Converter

Comtech's new X-Band, frequency-agile, low-phase-noise, synthesized, Model CCV-3655A/G Up Converter and Model CCV-3654A/G Down Converter made available for state-of-the-art Department of Defense satellite communication earth station applications. These enhanced high level of performance frequency converters incorporate Comtech Microwave Corp. developed and field proven designs, currently in use in over 1000 systems deployed throughout the world, as well as new designs resulting from recent technological advances. One of the key elements of this new design is remote programming capability made possible by a Comtech designed microprocessor that provides a central interface for remote computer control.

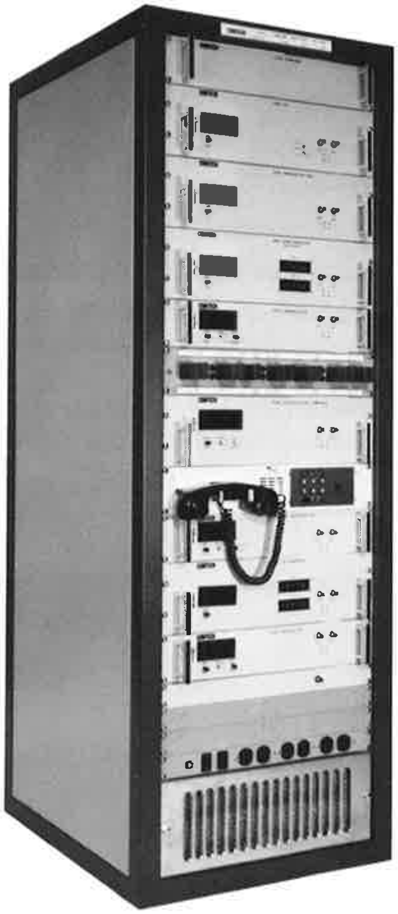
Model CCV-3654A/G Down Converter

Comtech's 3.5 meter satellite antenna

Comtech's 3.5 meter satellite antenna installed on the roof of the 25-story Merchandise Mart building in Chicago, Illinois. This antenna, purchased by WMAQ TV-Channel 5, an NBC affiliate, from the Antenna Division of Comtech Systems Inc., operates in the Ku Frequency Band and provides uplink and downlink capabilities to as many as 64 satellite positions. The satellite antenna is being used to receive all live events from Channel 5's satellite news gathering truck as well as broadcasting many of Channel 5's local programs.

Model TDR-4000 Quadruple Diversity Troposcatter Microwave Radio System

Comtech's Model TDR-4000 Quadruple Diversity Troposcatter Microwave Radio System is part of the Comtech Systems Inc. comprehensive line of compact terrestrial microwave and tropospheric scatter equipments for operation in frequency bands from 900 MHz to 5 GHz. These systems offer digital or analog transmission that provide relatively high level secure communications for defense applications. They are ideally suited for establishing communication links, over short and intermediate distances, which have to overcome the earths physical terrain obstacles or those created by national boundaries.



Consolidated Balance Sheets
July 31, 1987 and 1986

Assets	1987 Pro Forma (Note 1) (Unaudited)	1987	1986
Current Assets:			
Cash (including restricted cash of $1,582,000 and $356,000) *(Notes 6 and 11)*	$2,230,000	$ 9,280,000	$ 1,901,000
Accounts receivable—net *(Notes 3 and 10)*	2,361,000	2,361,000	1,993,000
Inventories—net *(Notes 2, 4 and 10)*	680,000	680,000	898,000
Prepaid expenses and other	102,000	102,000	718,000
Net current assets of business sold *(Notes 1 and 16)*			2,197,000
Total current assets	5,373,000	12,423,000	7,707,000
Property, Plant and Equipment—net *(Notes 2 and 5)*	1,826,000	1,826,000	2,057,000
Other Assets (including cash deposit of $1,145,000 in 1986) *(Note 6)*	1,166,000	1,403,000	1,587,000
Net Noncurrent Assets of Business Sold *(Notes 1 and 16)*			1,860,000
Total	$8,365,000	$15,652,000	$13,211,000

Liabilities and Stockholders' Equity (Deficiency)	1987 Pro Forma (Note 1) (Unaudited)	1987	1986
Current Liabilities:			
Accounts payable	$ 885,000	$ 885,000	$ 462,000
Accrued expenses and other *(Notes 1 and 7)*	2,908,000	3,558,000	5,836,000
Current maturities of long-term debt *(Notes 1 and 8)*	934,000	10,353,000	1,068,000
Net current liabilities of business sold *(Notes 1 and 16)*	153,000	153,000	
Total current liabilities	4,880,000	14,949,000	7,366,000
Long-Term Debt *(Notes 1 and 8)*	1,361,000	1,361,000	11,399,000
Other Liabilities	736,000	736,000	119,000
Commitments and Contingencies *(Notes 1 and 11)*			
Stockholders' Equity (Deficiency) *(Note 12)*:			
Preferred stock, $.10 par value; shares authorized, 2,000,000; Issued—none			
Common stock, $.10 par value; shares authorized, 20,000,000; shares issued: 1987—5,061,787 and 1986—4,790,137	616,000	506,000	479,000
Additional paid-in capital	14,282,000	13,292,000	12,917,000
Deficit	(13,330,000)	(15,012,000)	(18,889,000)
	1,568,000	(1,214,000)	(5,493,000)
Treasury stock—75,000 shares—at cost	(180,000)	(180,000)	(180,000)
Stockholders' equity (deficiency)	1,388,000	(1,394,000)	(5,673,000)
Total	$ 8,365,000	$15,652,000	$13,211,000

See Notes to Consolidated Financial Statements.

Statements of Consolidated Operations

For the Fiscal Years Ended July 31, 1987, 1986 and 1985

	1987	1986	1985
Continuing Operations:			
Net sales *(Notes 2 and 14)*	$13,533,000	$8,658,000	$12,682,000
Operating costs and expenses *(Note 15)*:			
Cost of sales *(Note 2)*	9,759,000	5,946,000	10,542,000
Selling, general and administrative	3,253,000	2,714,000	3,861,000
Research and product development *(Note 2)*	159,000	342,000	235,000
Total operating costs and expenses	13,171,000	9,002,000	14,638,000
Operating income (loss) from continuing operations	362,000	(344,000)	(1,956,000)
Other—net *(Note 13)*	(16,000)	(582,000)	444,000
Income (loss) from continuing operations before income taxes	346,000	(926,000)	(1,512,000)
Income taxes *(Notes 2 and 9)*	150,000		
Income (Loss) From Continuing Operations	196,000	(926,000)	(1,512,000)
Operations of Businesses Sold—net *(Notes 1 and 16)*	2,330,000	320,000	5,787,000
Income (Loss) Before Extraordinary Credit	2,526,000	(606,000)	4,275,000
Extraordinary Credit *(Note 9)*	1,351,000		2,400,000
Net Income (Loss)	$ 3,877,000	$ (606,000)	$ 6,675,000
Earnings (Loss) Per Share *(Note 2)*:			
Continuing operations	$ .04	$ (.19)	$ (.31)
Operations of businesses sold	.48	.06	1.20
Extraordinary credit	.27		.50
Earnings (loss) per share	$ .79	$ (.13)	$ 1.39
Weighted average number of common shares outstanding	4,892,779	4,758,066	4,815,799

See Notes to Consolidated Financial Statements.

Statements of Changes in Consolidated Financial Position
For the Fiscal Years Ended July 31, 1987, 1986 and 1985

	1987	1986	1985
Operations:			
Income (loss) from continuing operations before extraordinary items	$ 196,000*	$ (926,000)	$(1,512,000)
Charges not requiring funds:			
Depreciation and amortization	846,000	856,000	876,000
Charge equivalent to the utilization of income taxes	150,000		
Total	1,192,000	(70,000)	(636,000)
Operations of businesses sold (including gain on sale)	3,861,000*	615,000	8,433,000*
Funds provided from operations	5,053,000	545,000	7,797,000
Asset and liability management:			
Accounts receivable—net	(368,000)	847,000	1,672,000
Inventories	218,000	311,000	163,000
Prepaid expenses and other current assets	615,000	(182,000)	686,000
Other assets	93,000	(1,153,000)	9,000
Accounts payable	423,000	(631,000)	(1,529,000)
Accrued expenses	(2,278,000)	(1,161,000)	517,000
Other liabilities	617,000	89,000	(135,000)
Net assets of businesses sold	3,880,000	(949,000)	7,577,000
Funds Provided (Used) by Operations	8,253,000	(2,284,000)	16,757,000
Investment in Property and Equipment:			
Purchases	(357,000)	(498,000)	(265,000)
Disposals		89,000	141,000
Funds Invested in Property and Equipment	(357,000)	(409,000)	(124,000)
Financing Activities—net	(919,000)	(431,000)	(12,237,000)
Issuance of Common Stock and Warrants	402,000	232,000	63,000
Increase (Decrease) in Cash	$7,379,000	$(2,892,000)	$ 4,459,000

*The extraordinary items had no impact on funds.

See Notes to Consolidated Financial Statements.

Statements of Stockholders' Deficiency
For the Fiscal Years Ended July 31, 1987, 1986 and 1985

	Common Stock		Additional			
	Shares Issued	Dollar Amount	Paid-in Capital	Deficit	Treasury Stock	Stockholders' Deficiency
Balance, August 1, 1984	4,681,646	$469,000	$12,632,000	$(24,958,000)	$(180,000)	$(12,037,000)
Shares issued in connection with stock option, warrant, purchase and employment agreements	49,244	4,000	59,000			63,000
Net income				6,675,000		6,675,000
Balance, July 31, 1985	4,730,890	473,000	12,691,000	(18,283,000)	(180,000)	(5,299,000)
Shares issued in connection with stock purchase and employment agreements	59,247	6,000	226,000			232,000
Net loss				(606,000)		(606,000)
Balance, July 31, 1986	4,790,137	479,000	12,917,000	(18,889,000)	(180,000)	(5,673,000)
Shares issued in connection with stock option, warrant, purchase and employment agreements	271,650	27,000	325,000			352,000
Warrant issued in connection with the sale of the Premier Microwave Division's net assets			50,000			50,000
Net income				3,877,000		3,877,000
Balance, July 31, 1987	5,061,787	$506,000	$13,292,000	$(15,012,000)	$(180,000)	$ (1,394,000)

See Notes to Consolidated Financial Statements.

Research and Product Development Costs

The Company charges research and product development costs to operations as incurred, except in those cases in which such costs are reimbursable under customer-funded contracts.

Income Taxes

Where appropriate, the Company provides deferred income taxes for transactions which are reported in different periods for financial reporting purposes than for income tax purposes (see Note 9). At July 31, 1987, no deferred taxes are recorded because of the existence of net operating loss carryforwards. Benefit for such carryforwards is recorded when utilized.

Earnings (Loss) Per Share

Earnings (loss) per share were calculated based on the weighted average number of common shares outstanding. No impact was given to the assumed exercise of warrants or options because the impact of such assumed exercise would have been antidilutive in all years presented.

Reclassifications

Certain amounts relating to fiscal 1986 and 1985 have been reclassified to conform with the fiscal 1987 presentation.

3. Accounts Receivable

Accounts receivable relating to continuing operations consist of the following at July 31, 1987 and 1986:

	1987	1986
Amounts receivable from the United States Government and its agencies	$ 493,000	$ 695,000
Unbilled receivables (including retainages) on contracts-in-progress	1,154,000	636,000
Accounts receivable from commercial customers	746,000	683,000
Total	2,393,000	2,014,000
Less—Allowance for doubtful accounts (see Note 10)	32,000	21,000
Accounts receivable—net	$2,361,000	$1,993,000

4. Inventories

Inventories relating to continuing operations consist of the following at July 31, 1987 and 1986:

	1987	1986
Raw materials and components	$ 430,000	$ 469,000
Work-in-process	2,289,000	1,041,000
Gross inventories	2,719,000	1,510,000
Less:		
Progress payments (see Note 14)	1,610,000	176,000
Inventory reserves (see Note 10)	429,000	436,000
Inventories—net	$ 680,000	$ 898,000

Title to work-in-process is vested in the customer for those contracts which provide for progress, partial or advance payments to the extent of such payments received. Inventory reserves include reserves for obsolescence and for work-in-process associated with terminated contracts.

5. Property, Plant and Equipment

Changes in property, plant and equipment used by continuing operations were as follows:

Year Ended	Balance at Beginning of Year	Additions at cost	Transfers, Retirements or Sales	Balance at End of Year
July 31, 1987				
Land	$ 58,000			$ 58,000
Buildings and improvements	892,000	$278,000		1,170,000
Equipment	5,448,000	79,000	$ 2,000	5,529,000
Leasehold improvements	334,000			334,000
Total	$6,732,000	$357,000	$ 2,000	$7,091,000
July 31, 1986				
Land	$ 58,000			$ 58,000
Buildings and improvements	885,000	$ 7,000		892,000
Equipment	5,082,000	462,000	$ (96,000)	5,448,000
Leasehold improvements	340,000	29,000	(35,000)	334,000
Total	$6,365,000	$498,000	$(131,000)	$6,732,000
July 31, 1985				
Land	$58,000			$ 58,000
Buildings and improvements	899,000		$ (14,000)	885,000
Equipment	5,504,000	$182,000	(604,000)(a)	5,082,000
Leasehold improvements	244,000	83,000	13,000	340,000
Total	$6,705,000	$265,000	$(605,000)	$6,365,000

(a) Transferred to or from other accounts.

5. Property, Plant and Equipment (Continued)

Changes in accumulated depreciation of property, plant and equipment used by continuing operations were as follows:

Year Ended	Balance at Beginning of Year	Charged to Profit and Loss	Transfers, Retirements, Renewals or Replacements	Balance at End of Year
July 31, 1987				
Buildings and improvements	$ 222,000	$ 42,000		$ 264,000
Equipment	4,325,000	500,000		4,825,000
Leasehold improvements	128,000	48,000		176,000
Total	$4,675,000	$590,000		$5,265,000
July 31, 1986				
Buildings and improvements	$ 186,000	$ 36,000		$ 222,000
Equipment	3,863,000	505,000	$ (43,000)	4,325,000
Leasehold improvements	71,000	57,000		128,000
Total	$4,120,000	$598,000	$ (43,000)	$4,675,000
July 31, 1985				
Buildings and improvements	$ 164,000	$ 35,000	$ (13,000)	$ 186,000
Equipment	3,775,000	554,000	(466,000)	3,863,000
Leasehold improvements	26,000	29,000	16,000	71,000
Total	$3,965,000	$618,000	$(463,000)	$4,120,000

6. Other Assets

Other assets consist of the following at July 31, 1987 and 1986:

	1987	1986
8½% note receivable arising from the sale of Premier (see Note 1)	$1,000,000	
Restricted cash deposit		$1,145,000
Other, principally deferred expenses	403,000	442,000
Total	$1,403,000	$1,587,000

The restricted cash deposit represents cash deposited in connection with the Company's largest contract (see Note 14) in lieu of a performance bond. The deposit is returned to the Company on a pro rata basis as equipment covered by the contract is shipped. As of July 31, 1987, the deposit amounted to $1,333,000 and is considered to be a current asset because all equipment covered by such contract is scheduled to be shipped prior to July 31, 1988.

7. Accrued Expenses and Other

Accrued expenses and other consist of the following at July 31, 1987 and 1986:

	1987	1986
Accrued interest	$ 650,000	$ 919,000
Accrued commissions	477,000	
Customer advances and deposits	589,000	697,000
Accrued wages and benefits	236,000	247,000
Allowance for estimated losses on contracts (see Note 1)	274,000	2,931,000
Other	1,332,000	1,042,000
Total	$3,558,000	$5,836,000

8. Long-Term Debt

Long-term debt consists of the following at July 31, 1987 and 1986:

	1987	1986
13% Subordinated Notes due 1991 (net of unamortized discount of $581,000 and $747,000)	$ 9,419,000	$ 9,253,000
Promissory note payable to Storage Technology Corporation ("STC")	1,744,000	2,209,000
Loan payable to the United States Army	290,000	538,000
Obligations under capital leases	261,000	467,000
Total long-term debt	11,714,000	12,467,000
Less—current maturities	(10,353,000)	(1,068,000)
Long-term portion	$ 1,361,000	$11,399,000

13% Subordinated Notes

In February 1983, the Company completed a public offering in which it sold $10,000,000 principal amount of 13% Subordinated Notes (the "Notes") due February 1, 1991 and 800,000 warrants (see Note 12). On November 30, 1987, the Company completed an exchange offer with the holders of the Notes, pursuant to which the Company paid $600 in cash together with 100 shares of its common stock for each $1,000 principal amount of Notes (see Note 1). Current maturities of long-term debt as of July 31, 1987 includes $9,419,000 which represents the carrying value as of July 31, 1987 of the Notes tendered.

Promissory Note Payable to STC

The promissory note payable to STC was renegotiated in September 1986 to be payable in quarterly payments of $175,000 each in August and November 1987 and $125,000 thereafter. Interest, at the prime rate, is added to the quarterly payments. The Company has pledged the common stock and assets of its wholly-owned subsidiary, Comtech Microwave Corp., to secure this loan.

Army Loan

The Army Loan is payable in monthly installments of $21,000 through November 1988 and bears interest at a rate set, effective prospectively every six months, by the Secretary of Treasury pursuant to the Contracts Dispute Act of 1978. Such rate is 8.875 percent for the period July 1 to December 31, 1987.

Capital Leases

The obligations under capital leases relate to certain equipment leased by Comtech's continuing operations having net carrying values of $223,000 and $410,000 at July 31, 1987 and 1986.

Debt Maturities

Scheduled debt maturities are as follows assuming that the $9,419,000 carrying value of the 13% Subordinated Notes exchanged as described above is included in debt maturities in the fiscal year ending July 31, 1988:

Fiscal Year Ending July 31,	Amount
1988	$10,353,000
1989	500,000
1990	444,000
1991	417,000
Total	$11,714,000

9. Income Taxes

For financial reporting purposes, the Company has available net operating tax loss carryforwards of approximately $15,000,000 at July 31, 1987. It expects that its Federal income tax return for the fiscal year ended July 31, 1987 will include net operating loss carryforwards of approximately $7,000,000, expiring principally in the period 1997 to 2001. The difference between these two carryforward amounts is principally a result of (i) the Company's policy to account for long-term contracts on the percentage-of-completion or unit-of-delivery method for financial reporting purposes and the completed contract method for income tax purposes and (ii) certain reserves and provisions established for financial reporting purposes which are not currently deductible for income tax purposes. Its Federal income tax return is also expected to have investment, foreign and research and development tax credit carryforwards of approximately $185,000.

The extraordinary credits included in the accompanying Statements of Consolidated Operations for fiscal 1987 and 1985 represent the benefits realized from the utilization of Federal income tax loss carryforwards in connection with the (i) gain on the sale of businesses sold and (ii) income from continuing operations.

10. Valuation Allowances and Reserves

The following summarizes the activity in the Company's valuation allowances and reserves:

	Balance at Beginning of Year	Charged to Costs and Expenses	Charged to Other Accounts	Deductions	Balance at End of Year
Allowance for doubtful accounts					
1987	$ 23,000	$ 9,000			$ 32,000
1986	37,000			$ 16,000	21,000
1985	16,000	25,000		4,000	37,000
Inventory reserves					
1987	$ 436,000			$ 7,000	$ 429,000
1986	3,130,000			2,694,000(a)	436,000
1985	2,987,000	$86,000	$147,000	90,000	3,130,000
Reserve for idle, excess and other impaired assets					
1987	$ 736,000				$ 736,000
1986	700,000		$110,000	$ 74,000	736,000
1985	700,000				700,000

(a) Relates principally to material associated with a disputed contract (see Note 1).

11. Commitments and Contingencies

United States Government Contracts

Certain of Comtech's contracts are subject to audit by applicable governmental agencies. Until such audits are completed, the ultimate profit on these contracts cannot be determined; however, in the opinion of Management, the final contract settlements will not have a material adverse effect on the Company's financial condition.

Litigation

Comtech is a defendant in various suits and claims arising from the normal course of business. Management believes, based on discussions with counsel, that the ultimate liability to the Company on these matters, if any, would not have a material adverse impact on the Company's financial condition.

Operating Leases

Comtech has entered into operating lease agreements for equipment, manufacturing and office facilities for initial periods ranging from three to ten years. The minimum scheduled rentals under these agreements are as follows:

Fiscal Year Ending July 31,	Amount
1988	$212,000
1989	150,000
1990	150,000
1991	142,000
1992	134,000
Thereafter	44,000
Total	$832,000

Rent expense charged to continuing operations was $191,000 in 1987, $272,000 in 1986 and $433,000 in 1985.

Letters of Credit

In connection with the performance of work under certain contracts, the Company is required to establish letters of credit and/or performance guarantees. As of July 31, 1987, the Company is committed under open letters of credit of $249,000, which are secured by certificates of deposit.

12. Stockholders' Equity (Deficiency)

Options and Warrant Plans and Agreements

The Company has several option and warrant plans and agreements.

1982 Incentive Stock Option Plan The 1982 Incentive Stock Option and Appreciation Plan provides for the granting to key employees and officers of incentive stock options to purchase up to 500,000 shares of the Company's common stock through 1992 at prices not less than the fair market value of such shares on the date the option is granted.

The plan also provides that Stock Appreciation Rights ("SARs") may be issued in conjunction with the options. The SARs entitle the holder to receive payment in exchange for the surrender, in whole or in part of the related option, of an amount equal to the excess of the fair market value at the time of surrender over the aggregate option price of such shares. Such payment may be made in shares of common stock of the Company, in cash, or a combination thereof, as determined by the committee administering the plan. For financial reporting purposes, the difference between the aggregate market value and exercise price of outstanding SARs is considered compensation expense to the Company. No such compensation was incurred during any of the three years in the period ended July 31, 1987.

1976 Incentive Stock Option Plan No additional options or SARs may be granted under the Company's 1976 Incentive Stock Option Plan. Under this plan, the Company had granted options to officers and key employees at prices which were not less than 85 percent of the fair market value of such shares on the date of grant and are exercisable over a period determined by the Board of Directors at the time of grant.

Incentive Warrant Plan The Company's Incentive Warrant Plan for Directors of the Company who were neither officers nor employees of the Company was terminated; however, warrants to purchase 12,500 shares of stock remain outstanding under the Plan, all of which are exercisable.

Directors' Option Plan In June 1987, the Board of Directors approved a plan, subject to shareholder approval, under which options to purchase up to 50,000 shares may be granted to "outside" directors at an option price of not less than the fair market price per share at the date of grant. Options granted under this plan become exercisable at the rate of 20 percent per year commencing one year from the date of grant.

Other Warrants In February 1983, the Company sold 800,000 warrants in connection with the issuance of the 13% Subordinated Notes (see Note 8). Each warrant entitles the holder to purchase one share of the Company's common stock at a price of $11, subject to adjustment, until January 31, 1988. As of July 31, 1987, none have been exercised.

Warrant Held by STC STC holds a warrant to purchase 450,000 shares of the Company's common stock which expires on March 8, 1990. As part of the agreement with STC (see Note 8), the exercise price of the warrant was reduced from $12 to $2 per share, subject to adjustment, as defined in the agreement. As of July 31, 1987, no portion of this warrant has been exercised.

Warrant Sold to the Purchaser of Premier As part of the sale of Premier's net assets (see Note 1), Comtech issued a warrant to purchase 500,000 shares of the Company's common stock at a price of $2.00 per share exercisable through July 1992. Shares purchased through the exercise of this warrant will contain restrictions on voting and transferability.

For financial reporting purposes, this warrant was valued at $50,000.

Option and Warrant Activity

The following table sets forth summarized information concerning the Company's stock options and warrants:

	1987		1986	
	Number	Exercise Price Range	Number	Exercise Price Range
Options/warrants outstanding at the beginning of the fiscal year	1,640,266	$1.125-$11.00	1,608,600	$1.125-$12.00
Granted	849,300	.50 - 2.00	72,666	1. 19- 1.50
Expired/cancelled	(296,866)	.94 - 4.69	(41,000)	1. 59- 4.69
Options/warrants outstanding at the end of the fiscal year	2,192,700	.50 - 11.00	1,640,266	1.125- 11.00
Options/warrants exercisable at the end of the fiscal year	1,795,584	.50 - 11.00	1,506,786	1.125- 11.00
Options/warrants available for grant at the end of the fiscal year	154,600		374,600	

Employee Stock Purchase Plan

The Company has an Employee Stock Purchase Plan under which 300,000 shares of the Company's authorized and unissued common stock were reserved for offering to employees, other than officers and directors, who have been employed for at least one year and meet certain other minimum eligibility requirements. Under the terms of the plan, at the beginning of each six-month period, participants are granted the right to purchase up to 100 shares of the Company's common stock at a price equal to 85 percent of the fair market value of such stock at either the beginning or the end of the period, on whichever date the price is lower. Employees electing to participate in the plan may purchase stock by executing a subscription agreement and authorizing payroll deductions. During the fiscal years ended July 31, 1987, 1986 and 1985, employees purchased 6,650, 9,247 and 27,244 shares, respectively. At July 31, 1987, 218,719 shares are reserved for possible future issuances under this plan.

Other Agreements

The Company had agreements with officers and employees under which such officers and employees received, subject to certain restrictions, shares of the Company's common stock at a price of $.10 per share. The differences between the fair market value of the Company's common stock as of the date of the respective agreements and the purchase price are treated as compensation expense over the term of the respective agreements. Compensation expense relating to agreements with officers and employees was $185,000 in 1987 and $89,000 in both 1986 and 1985, respectively.

13. Other—net

Other—net relating to continuing operations consists of the following for the three fiscal years in the period ended July 31, 1987:

	1987	1986	1985
	Income (Expense)		
Reversal of reserves no longer considered necessary (see Note 1)	$ 1,326,000	$ 426,000	
Interest—net	(1,389,000)	(1,491,000)	$(2,100,000)
Gain on sale of assets			2,544,000
Tax refund, gain on transfer of contracts to other companies, etc.		451,000	
Other—net	47,000	32,000	
Total	$ (16,000)	$ (582,000)	$ 444,000

The $2,544,000 gain on sale of assets in fiscal 1985 related to the net proceeds of $5,500,000 in cash received from the sale of the Company's former factory facility in Hauppauge, New York. The proceeds of the sale were used to repay an outstanding first mortgage and to prepay a substantial portion of the Army loan (see Note 8).

14. Segment and Principal Customer Information

For the purposes of segment reporting, Management considers Comtech to operate in one industry, the communications equipment industry.

In fiscal 1987, the Company performed work under two long-term contracts with the same commercial customer on which it recognized sales revenue of $6,825,000 (or 50 percent of net sales from continuing operations). Such contracts are expected to be completed during fiscal 1988. The terms of the contract award provided for the Company to receive 100 percent progress billings, the proceeds from which are restricted to use on the equipment covered thereby. During the fiscal years ended July 31, 1987, 1986 and 1985, approximately 17, 80, and 75 percent, respectively, of the Company's net sales from continuing operations resulted from contracts with United States Government agencies.

Export sales were not significant in any fiscal year presented.

15. Supplementary Income Statement Information

Certain supplementary income statement information relating to continuing operations is as follows for the fiscal years ended July 31, 1987, 1986 and 1985:

	1987	1986	1985
Maintenance and repairs	$208,000	$225,000	$327,000
Amortization of intangibles and deferred expenses	258,000	348,000	348,000

Advertising costs amounted to $173,000 in fiscal 1986 and were not material during the fiscal years ended July 31, 1987 or 1985. Royalties and taxes other than income and payroll were not significant during any fiscal year presented.

16. Businesses Sold

In July 1987, Comtech sold the net assets of Premier (see Note 1). During fiscal 1985, the Company sold the net assets of its wholly-owned subsidiary, Comtech Data Corporation ("CDC"), for an aggregate cash consideration of $12,200,000 and its wholly-owned subsidiary, Comtech Communications Corp. ("CCC"), for an aggregate consideration of $4,000,000. Such sales of CDC and CCC resulted in gains, before income taxes, of $8,983,000, including the reversal of a $4,000,000 reserve recorded in fiscal 1984. The proceeds from these sales were used to reduce long-term debt and replenish working capital.

The net results of the foregoing operations are included in the caption "Operations of businesses sold" in the accompanying Statements of Consolidated Operations and consist of:

	1987	1986	1985
Operations:			
Net sales	$8,417,000	$7,290,000	$12,379,000
Costs and expenses:			
Cost of sales	5,782,000	5,599,000	9,520,000
Selling, general and administrative	1,391,000	939,000	3,058,000
Research and development		418,000	624,000
Other—net	15,000	14,000	(27,000)
Total	7,188,000	6,970,000	13,175,000
Operating income (loss) before income taxes	1,229,000	320,000	(796,000)
Provision for income taxes	418,000		
Income (loss) from operations	811,000	320,000	(796,000)
Gain on Sale of Business—net of applicable income taxes of $783,000 in 1987 and $2,400,000 in 1985	1,519,000		6,583,000
Operations of Business Sold	$2,330,000	$ 320,000	$ 5,787,000

Auditors' Opinion

To The Board of Directors
and Stockholders of Comtech Telecommunications Corp.:

We have examined the consolidated balance sheets of Comtech Telecommunications Corp. and subsidiaries (the "Company") as of July 31, 1987 and 1986 and the related consolidated statements of operations, changes in consolidated financial position and stockholders' deficiency for each of the three fiscal years in the period ended July 31, 1987. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our report dated October 2, 1987, our opinion on the Company's consolidated financial statements was qualified as being subject to the effects of such adjustments, if any, as might have been required had the Company been unable to continue as a going concern. As discussed in Note 1, on November 30, 1987 the Company completed an exchange of cash and common stock for all of its outstanding 13% Subordinated Notes. This exchange results in a substantial gain and reduces the Company's future debt service requirements. Accordingly, our present opinion on the Company's consolidated financial statements, as expressed herein, is different from that expressed in our previous report.

In our opinion, the accompanying consolidated financial statements present fairly the financial position of the companies at July 31, 1987 and 1986 and the results of their operations and the changes in their financial position for each of the three fiscal years in the period ended July 31, 1987, in conformity with generally accepted accounting principles applied on a consistent basis.

Deloitte Haskins & Sells

October 2, 1987 (November 30, 1987 as to the last two paragraphs of Note 1 and the second paragraph of Note 8)
Woodbury, N.Y.

Liquidity and Capital Resources

On November 30, 1987, pursuant to the Exchange Offer, the Company completed an exchange of the entire $10,000,000 principal amount of its 13% Subordinated Notes due February 1, 1991 for $6,000,000, plus interest, in cash and 1,000,000 shares of the Company's common stock. This transaction significantly reduced the Company's debt service requirements and eliminated its equity deficiency.

The Company does not currently have a bank credit facility, although discussions are now ongoing with several banks to create a secured facility both for letters of credit and working capital requirements. At July 31, 1987 secured letters of credit were outstanding in the amount of $249,000.

Beginning in the fiscal year ended July 31, 1984, the Company experienced severe liquidity difficulties largely caused by operating losses during that year, principally incurred by its former Government Systems Division and former Comtech Communications Corp. subsidiary. The Company had a net loss for the 1984 fiscal year of $27,886,000, attributable in large part to the termination of its U.S. Army Radio Contract, certain asset write-offs and inventory reserves, as well as continuing operating losses of Comtech Communications Corp. Operating losses continued in fiscal 1985 and 1986, although in the second half of fiscal 1985 the Company's liquidity improved, principally as a result of the receipt of proceeds from the sale of certain of the Company's subsidiaries. However, while the Company had operating income from continuing operations of $362,000 during fiscal 1987, its liquidity difficulties continued principally due to debt service requirements. In July 1987, the Company received approximately $6,500,000 cash proceeds from the sale of Premier's assets. On November 30, 1987, the Company paid cash of $6,000,000, plus accrued interest of $430,000, to its 13% Subordinated Noteholders pursuant to the Exchange Offer.

In August 1987, the Company reached an agreement with the U.S. Army to settle the appeal of its Radio Contract termination. In August 1984, the U.S. Army terminated for default, assertedly as a result of delay by the Company, the U.S. Army Radio Contract, which provided for the production of 221 transportable microwave radios, and, among other things, demanded repayment of approximately $1,821,000 of unliquidated progress payments, plus accrued interest ($456,000 as of July 31, 1987). Under the settlement, the U.S. Army rescinded its contract termination for default and withdrew its claim for unliquidated progress payments plus interest, and the parties exchanged releases. The Company also agreed to transfer to the Army certain equipment and material relating to the contract. The settlement will not affect the Company's cash balance. As a result of the settlement, however, the Company's earnings for fiscal 1987 and stockholders' deficiency benefitted from the net reversal of reserves of approximately $1,000,000 no longer considered necessary.

The Company, over the past three years, has undertaken a number of significant actions to curtail its operating losses, reduce its indebtedness and meet its liquidity requirements.

It discontinued certain of the business activities previously engaged in by its Government Systems Division and reassigned to its other operating entities the bulk of such remaining activities, thereby, among other things, eliminating significant facility and other overhead and personnel costs not required for ongoing activities. As a result of these measures and the sales of the operating units referred to below, the Company's number of employees decreased from 604 at July 31, 1984 to 119 at July 31, 1987.

In October 1984, the Company sold its Hauppauge, Long Island manufacturing facility, which had housed the Government Systems Division, and applied the net proceeds of approximately $5,500,000 to reduce indebtedness, including the first mortgage of $1,876,000 and a major portion ($3,539,000) of the Company's loan from the U.S. Department of the Army, which had been secured by a second mortgage on the facility.

As of July 31, 1987, the unpaid principal balance of the U.S. Army loan was $63,000. The principal balance is repayable monthly in equal installments ending on October 1, 1988, together with interest at an effective rate set prospectively every six months by the U.S. Secretary of the Treasury pursuant to the Contract Disputes Act of 1978. The rate for the period from July 1 through December 31, 1987 is 8.875%. The unpaid balance of interest accrued through May 1984 on the U.S. Army Loan ($227,000 as of July 31, 1987) is payable without interest in equal monthly installments ending October 1, 1988. The current aggregate monthly payment by the Company with respect to the U.S. Army loan is approximately $22,000.

In November 1984, the net assets of the Company's wholly-owned Comtech Data Corporation subsidiary were sold for an aggregate purchase price of approximately $12,200,000. Approximately $8,100,000 was used to repay the Company's entire outstanding secured bank debt, including accrued interest, approximately $1,300,000 was used to repay other indebtedness and approximately $2,800,000 of the net proceeds was used to replenish working capital.

In January 1985, the Company sold a wholly-owned subsidiary, Comtech Communications Corp., for aggregate consideration of $4,000,000, consisting of $3,500,000 in cash and a $500,000 interest-bearing promissory note. The remaining principal balance of $250,000 is payable in quarterly payments of $12,500 through July 1988, $25,000 through January 1989 and a final payment of $150,000 on April 30, 1989. The note bears interest at 10.5% per annum, payable monthly. The net proceeds of the sale were used for working capital. This subsidiary, a start-up operation, was involved in the manufacture and sale of voice compression and voice concentration products and had incurred substantial losses in fiscal years 1984 and 1985.

In September 1986, the Company entered into an agreement with Storage Technology Corporation ("StorageTek") for the restructuring of approximately $2,200,000 principal balance of the Company's promissory note to StorageTek made in connection with the Company's acquisition of certain assets from StorageTek, plus accrued interest. The agreement provided, among other things, for an extension of the payment period by means of a new note payable in quarterly installments through July 1, 1991. The outstanding balance as of July 31, 1987 was approximately $1,744,000. The Company's obligations to StorageTek are secured by a security interest in the assets of its Comtech Microwave Corp. subsidiary and the outstanding stock of such subsidiary. StorageTek may, under certain circumstances, require the Company to grant certain additional security or make certain additional repayments on its obligations. The agreement also provided for an extension of the exercise period to March 8, 1990 and the reduction to $2.00 of the exercise price of the warrant to purchase 450,000 shares of Common Stock held by StorageTek.

In July 1987, the Company sold the assets of Premier for aggregate consideration of approximately $7,500,000, consisting of approximately $6,500,000 in cash and a $1,000,000 subordinated promissory note payable on July 31, 1994, bearing interest at 8.5% per annum, payable annually, and the assumption by the purchaser of certain obligations of Premier. In connection with such sale, the Company also issued warrants expiring July 31, 1992 to purchase 500,000 shares of Common Stock at an exercise price of $2.00 per share, subject to adjustment in certain circumstances, to the sole shareholder of the purchaser of such assets.

As noted above, the retirement of the entire $10,000,000 principal amount of the Company's 13% Subordinated Notes significantly reduced the Company's debt service requirements and eliminated its equity deficiency.

In July 1987, the Company's Comtech Systems, Inc. subsidiary was awarded a contract for approximately $11,000,000 from an international customer for tactical digital troposcatter communications radio terminals. Initial deliveries under the contract are anticipated to begin in November 1988.

Cash and short-term investments at July 31, 1987 were $9,280,000 compared to $1,901,000 at July 31, 1986. The principal reason for the increase in the cash balance was the receipt of approximately $6,500,000 cash proceeds from the sale of Premier's assets as well as the reclassification from Other Assets of $1,145,000 representing, at July 31, 1986, the non-current portion of the cash deposit with ITT/Federal Electric Corporation. On November 30, 1987, the Company paid cash of $6,000,000, plus accrued interest of $430,000, to its 13% Subordinated Noteholders pursuant to the Exchange Offer.

Results of Operations

Fiscal Year 1987 Compared to Fiscal Year 1986

For the year ended July 31, 1987, the Company had net income of $3,877,000 as compared to a net loss of $606,000 for the prior year. The 1987 results included income of $196,000 from continuing operations, income of $811,000 from Premier's discontinued operations, a gain of $1,519,000 on the sale of Premier's assets, and an extraordinary credit of $1,351,000 arising from the utilization of federal net operating tax loss carryforwards. The 1987 results also benefitted from the net reversal of approximately $1,000,000 of reserves no longer considered necessary after the settlement of the U.S. Army Radio Contract termination. The 1986 loss included a $351,000 tax refund and a gain of $100,000 from the novation of a contract. Operating income from continuing operations was $362,000 in 1987 compared to an operating loss of $344,000 in 1986.

Sales from continuing operations increased $4,875,000, or 56%, from 1986, principally reflecting sales recognition on a percentage-of-completion basis by Systems under contracts with ITT/Federal Electric Corporation and General Electric Co., offset by a decline in sales at Microwave.

Cost of sales increased $3,813,000, or 64%, from 1986, principally as a result of the higher sales volume. Additionally, gross profit percentage recognition under the ITT/Federal Electric Corporation contract is slightly lower than the total gross profit percentage realized in general by the Company in 1986.

Selling, general and administrative costs increased $539,000, or 20%, from 1986, reflecting increased expenses at both operating locations as well as in the Company's general business insurance costs. Additionally, during fiscal 1987, approximately $200,000 was charged to expense relating to the issuance of common stock to several key employees.

Research and development expenses for continuing operations decreased $183,000, or 54%, reflecting reduced budgets for 1987, particularly at Microwave.

Interest expense decreased $102,000, or 7%, from 1986, principally as a result of lower debt levels.

Fiscal Year 1986 Compared to Fiscal Year 1985

For the year ended July 31, 1986, the Company had a net loss of $606,000 as compared to net income of $6,675,000 for the prior year. The 1986 net loss included a $351,000 tax refund and a gain of $100,000 from novation of a contract. Operating loss from continuing operations for fiscal year 1986 was $344,000 as compared to an operating loss from continuing operations of $1,956,000 in fiscal year 1985. The 1985 results included a loss of $1,512,000 from continuing operations (including a gain of $2,544,000 from the sale of one of its Hauppauge, Long Island manufacturing facilities) and a loss of $796,000 from discontinued operations. The financial results for the year ended July 31, 1985 were also significantly impacted by the gain, net of taxes, on the sale of two of the Company's subsidiaries, Comtech Data Corporation and Comtech Communications Corp., of approximately $6,583,000. The utilization of Federal net operating tax loss carryforwards contributed $2,400,000 of extraordinary credit to the results for 1985.

Sales from continuing operations decreased $4,024,000, or 32% from 1985. This decrease reflected the completion in 1985 of certain contracts of the former Government Systems Division.

Cost of sales decreased $4,596,000, or 44% from 1985, principally as the result of reduced sales volume and operating efficiencies implemented since 1985. During 1986, the Company incurred approximately $300,000 of additional costs to complete certain contracts of the former Government Systems Division.

Selling, general and administrative costs decreased $1,147,000, or 30%, resulting principally from staff reductions, the consolidation of Long Island operations, and other operating efficiency measures implemented during fiscal 1985 and 1986.

Research and development expenses for continuing operations increased $107,000, or 46%, principally because of increased expenditures at Microwave.

Interest expense decreased $609,000, or 29%, principally as a result of the repayment of all outstanding bank debt during the second quarter of fiscal 1985.

Summary Selected Financial Data

(Dollars in thousands, except for per share amounts)

	Year Ended July 31,				
Selected Income Data:	1987	1986	1985	1984	1983
Net sales from continuing operations (1)	$13,533	$ 8,658	$12,682	$ 10,683	$21,427
Operating income (loss) from continuing operations (1)	362	(344)	(1,956)	(18,553)	525
Pretax income (loss) from continuing operations (1)	346	(926)	(1,512)	(21,885)	(617)
Income (loss) from continuing operations (1)	196	(926)	(1,512)	(21,328)	(617)
Net income (loss)	3,877	(606)	6,675	(27,886)	1,409
Earnings (loss) per share:					
Income (loss) from continuing operations (1)	.04	(.19)	(.31)	(4.51)	(.16)
Net income (loss)	.79	(.13)	1.39	(5.89)	.36
Selected Balance Sheet Data:					
Working Capital (deficit)	(2,526)	341	(1,353)	(10,009)	16,489
Total assets	15,652	13,211	12,151	18,467	35,060
Long-term debt, excluding current maturities	1,361	11,399	10,092	11,586	19,687
Stockholders' equity (deficiency) (2)	(1,394)	(5,673)	(5,299)	(12,037)	10,042

(1) Amounts have been restated to reflect Comtech Data Corporation, Comtech Communications Corp. and Premier Microwave as discontinued operations.

(2) No cash dividends have been declared on Comtech's Common Stock during any period presented.

Price Range of Common Stock and Warrants

The Company's Common Stock and Warrants are traded in the over-the-counter market and are not listed on any securities exchange or quoted on NASDAQ. They were quoted on NASDAQ until September 3, 1985, when they were deleted due to the Company's failure to meet NASDAQ's capital and surplus requirements.

The following table sets forth the range of high and low closing bids for the Common Stock and Warrants for the periods indicated. The prices shown reflect representative quotations as reported on NASDAQ for the period from August 1, 1985 to September 3, 1985, and thereafter are quotations furnished to the Company by a market maker for the Common Stock. Such prices do not include retail markups, markdowns or commissions and do not necessarily reflect actual transactions.

	Common Stock		Warrants	
	High Bid	Low Bid	High Bid	Low Bid
Fiscal Year ended 7-31-86				
First Quarter	1½	½	⅛	⅛
Second Quarter	⅞	⅜	⅛	⅛
Third Quarter	1⅜	⅝	⅛	⅛
Fourth Quarter	1½	¾	⅛	⅛
Fiscal Year ended 7-31-87				
First Quarter	⅞	¾	⅛	⅛
Second Quarter	¾	¼	⅛	⅛
Third Quarter	1¾	⅜	⅛	⅛
Fourth Quarter	1⅞	⅞	⅛	⅛
Fiscal Year ending 7-31-88				
First Quarter	1⅝	¾	⅛	⅛

On October 31, 1987, the closing bid quotation per share of the Common Stock was $.75. Comtech has approximately 1700 holders of record of the Common Stock. No dividends were declared during any of the periods indicated.

Board of Directors

Fred Kornberg *(1)*
Chairman

George Bugliarello *(2) (3)*
President,
Polytechnic University

Sol S. Weiner *(2) (3)*
Managing Director,
Stenhouse, Weiner,
Sherman, Ltd.

Joe E. Davis *(2) (3)*
Private Investor

Richard L. Goldberg *(1)*
Partner, Botein Hays
& Sklar

(1) Executive Committee
(2) Audit Committee
(3) Compensation Committee

Officers

Fred Kornberg
Chief Executive Officer
and President

John Bang
Corporate Controller and
Secretary

Michael Javits
Vice President; President
of Comtech Microwave Corp.

Gerard Nocita
Treasurer

J. Preston Windus, Jr.
Vice President; President
of Comtech Systems, Inc.

Legal Counsel

Botein Hays & Sklar
200 Park Avenue
New York, New York 10166

Independent Public Accountants

Deloitte Haskins & Sells
100 Crossways Park West
Woodbury, New York 11797

Registrar & Transfer Agent

American Stock Transfer Company
99 Wall Street
New York, New York 10005

Stock Traded — OTC

Annual Meeting

Stockholders are cordially invited to attend and participate in the Annual Meeting of Stockholders scheduled for Thursday, March 3, 1988 at 10:00 a.m. at:

Sheraton Smithtown Hotel
110 Vanderbilt Motor Parkway
Smithtown, New York 11787
Tel: (516) 231-1100

Corporate Headquarters

Comtech Telecommunications Corp.
63 Oser Avenue
Hauppauge, New York 11788
(516) 435-4646

Operating Units

Comtech Microwave Corp.
63 Oser Avenue
Hauppauge, New York 11788
(516) 435-4646

Comtech Systems, Inc.
3100 Communications Road
St. Cloud, Florida 32769
(305) 892-6111

Availability of Form 10-K

Stockholders may obtain a copy of Form 10-K, exclusive of exhibits, free of charge by writing to:

Secretary
Comtech Telecommunications Corp.
63 Oser Avenue
Hauppauge, New York 11788

The Company also will furnish exhibits to the Form 10-K to stockholders who request same upon payment to the Company of a $25 fee.

Design: Curran & Connors, Inc., Hauppauge, N.Y. / Morristown, N.J.

COMTECH
TELECOMMUNICATIONS CORP.
63 Oser Ave.
Hauppauge, New York 11788
(516) 435-4646