May 20, 2015

# Westell Technologies Reports Fourth Quarter Revenue of $19 million

**Revenue growth of 33% compared to the prior quarter**

AURORA, Ill.--(BUSINESS WIRE)-- Westell Technologies, Inc. (NASDAQ: WSTL), a leading provider of in-building wireless, intelligent site management, cell site optimization, and outside plant solutions, today announced results for its fiscal 2015 fourth quarter ended March 31, 2015.

Consolidated revenue was $18.6 million, consisting of $7.1 million from the In-Building Wireless (IBW) segment and $11.5 million from the Communication Solutions Group (CSG) segment.

“Despite conservative capital spending by the major North American wireless service providers, our fiscal fourth quarter performance experienced steady improvement in order momentum and a solid increase in overall revenue,” said Tom Gruenwald, CEO of Westell Technologies. “Orders are off to a good start so far in the fiscal first quarter and we are continuing our relentless focus on improving profit margins and cash flow. We are also preparing for the release of a new IBW product that we plan on announcing by quarter-end.”

On a GAAP basis, the Company recorded a net loss in the quarter ended March 31, 2015 of $13.0 million or $0.22 per share, compared to a net loss of $27.5 million or $0.46 per share in the quarter ended December 31, 2014. The current quarter GAAP results included $5.3 million of charges, consisting of $3.2 million for the previously announced restructuring and $2.1 million related to the departure of the former CEO. The prior quarter GAAP results included a $20.5 million non-cash charge for goodwill impairment.

On a non-GAAP basis, the Company recorded a net loss of $5.5 million or $0.09 per share, compared to a non-GAAP net loss of $4.8 million or $0.08 per share in the prior quarter. The larger sequential non-GAAP net loss was primarily due to an unusually low gross margin in the current quarter, primarily as a result of higher-than-normal excess and obsolete inventory costs. Please refer to the schedule at the end of this release for a complete GAAP to non-GAAP reconciliation and other information related to non-GAAP measures.

Cash and short-term investments were $37.9 million at March 31, 2015, compared to $42.9 million at December 31, 2014. The decrease was driven by the net loss and employee severance payments.

**In-Building Wireless (IBW) Segment**

IBW segment revenue was $7.1 million in the quarter ended March 31, 2015, up 31% from $5.4 million in the quarter ended December 31, 2014. The sequential revenue increase was driven by record quarterly sales of our active DAS conditioner or UDIT (Universal DAS Interface Tray). Gross profit was $1.6 million and gross margin was 23.0%, compared to $1.9 million and 35.3% in the prior quarter. Gross profit and gross margin decreased largely as a result of higher excess and obsolete inventory costs. IBW R&D expenses were $2.3 million in both the current and prior quarter. As a result, IBW segment loss was $0.7 million, compared to $0.4 million in the quarter ended December 31, 2014.

**Communication Solutions Group (CSG) Segment**

CSG segment revenue was $11.5 million in the quarter ended March 31, 2015, up 34% from $8.6 million in the quarter ended December 31, 2014. The sequential revenue increase was driven by higher sales of tower mounted amplifiers (TMAs) and system integration projects, partly offset by lower intelligent site management (ISM) revenue. Gross profit was $3.0 million and gross margin was 26.4% compared to $2.5 million and 28.8% in the prior quarter. Gross profit increased due to the higher revenue while gross margin decreased due primarily to a less favorable mix. CSG R&D expenses were $1.9 million, compared to $2.0 million in the prior quarter. As a result, CSG segment profit was $1.1 million, compared to $0.5 million in the quarter ended December 31, 2014.

**Conference Call Information**

Management will discuss financial and business results during the quarterly conference call on Thursday, May 21, 2015, at 9:30 AM Eastern Time. Investors may quickly register online in advance of the call at http://www.directeventreg.com/registration/event/8390567. After registering, participants receive dial-in numbers, a passcode and a registration ID that is used to uniquely identify their presence and automatically join them into the audio conference. A participant may also register by telephone by dialing +1 (888) 869-1189 or +1 (706) 643-5902 no later than 9:15 AM Eastern Time on May 21, and using confirmation number 8390567.

This news release and related information that may be discussed on the conference call, will be posted on the Investor Relations section of Westell's website: http://www.westell.com. A digital recording of the entire conference will be available for replay on Westell's website by approximately 1:00 PM Eastern Time after the call ends.

**About Westell**

Westell Technologies, Inc., headquartered in Aurora, Illinois, is a leading provider of in-building wireless, intelligent site management, cell site optimization, and outside plant solutions focused on innovation and differentiation at the edge of telecommunication networks, where end users connect. The Company's comprehensive set of products and solutions enable telecommunication service providers, cell tower operators, and other network operators to reduce operating costs and improve network performance. With millions of products successfully deployed worldwide, Westell is a trusted partner for transforming networks into high quality, reliable systems. For more information, please visit www.westell.com.

“Safe Harbor” Statement under the Private Securities Litigation Reform Act of 1995

Certain statements contained herein that are not historical facts or that contain the words “believe,” “expect,” “intend,” “anticipate,” “estimate,” “may,” “will,” “plan,” “should,” or derivatives thereof and other words of similar meaning are forward-looking statements that involve risks and uncertainties. Actual results may differ materially from those expressed in or implied by such forward-looking statements. Factors that could cause actual results to differ materially include, but are not limited to, product demand and market acceptance risks, customer spending patterns, need for financing and capital, economic weakness in the United States (“U.S.”) economy and telecommunications market, the effect of international economic conditions and trade, legal, social and economic risks (such as import, licensing and trade restrictions), the impact of competitive products or technologies, competitive pricing pressures, customer product selection decisions, product cost increases, component supply shortages, new product development, excess and obsolete inventory, commercialization and technological delays or difficulties (including delays or difficulties in developing, producing, testing and selling new products and technologies), the ability to successfully consolidate and rationalize operations, the ability to successfully identify, acquire and integrate acquisitions, the effect of the Company's accounting policies, retention of key personnel and other risks more fully described in the Company's SEC filings, including the Form 10-K for the fiscal year ended March 31, 2014, under Item 1A - Risk Factors. The Company undertakes no obligation to publicly update these forward-looking statements to reflect current events or circumstances after the date hereof, or to reflect the occurrence of unanticipated events, or otherwise.

Financial Tables to Follow:

**Westell Technologies, Inc.**

**Condensed Consolidated Statement of Operations**

(Amounts in thousands, except per share amounts)

(Unaudited)

| | Three Months Ended March 31, | | Twelve Months Ended March 31, | |
|---|---|---|---|---|
| | **2015** | **2014 (adjusted [1] [2])** | **2015** | **2014 (adjusted [1] [2])** |
| Revenue | **$ 18,613** | $ 24,421 | **$ 84,127** | $ 102,073 |
| Gross profit | **4,666** | 8,090 | **26,810** | 40,461 |
| Gross margin | **25.1 %** | 33.1 % | **31.9 %** | 39.6 % |
| Operating expenses: | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| Sales & marketing | **3,343** | | 3,555 | **12,407** | | 13,304 |
| Research & development | **4,220** | | 3,494 | **17,348** | | 11,339 |
| General & administrative | **5,547** | | 3,827 | **14,678** | | 14,027 |
| Intangibles amortization | **1,520** | | 1,301 | **6,377** | | 4,889 |
| Restructuring | **3,188** | **(3)** | 62 | **3,243** | **(3)** | 335 |
| Goodwill impairment | **—** | | — | **31,102** | **(4)** | — |
| Total operating expenses | **17,818** | | 12,239 | **85,155** | | 43,894 |
| Operating loss from continuing operations | **(13,152)** | | (4,149) | **(58,345)** | | (3,433) |
| Other income (expense), net | **(18)** | | 7 | **(2)** | | (56) |
| Loss before income taxes and discontinued operations | **(13,170)** | | (4,142) | **(58,347)** | | (3,489) |
| Income tax benefit (expense) | **31** | | 8,585 | **201** | | 8,460 |
| | | **(5)** | | | **(5)** | |
| Net income (loss) from continuing operations | **(13,139)** | | 4,443 | **(58,146)** | | 4,971 |
| Income (loss) from discontinued operations, net of income tax | **139** | | (6) | **139** | | (45) |
| Net income (loss) | **$(13,000)** | | $4,437 | **$(58,007)** | | $4,926 |
| Basic net income (loss) per share: | | | | | | |
| Basic net income (loss) from continuing operations | **$(0.22)** | | $0.08 | **$(0.97)** | | $0.08 |
| Basic net income (loss) from discontinued operations | **—** | | — | **—** | | — |
| Basic net income (loss) | **$(0.22)** | | $0.08 | **$(0.97)** | | $0.08 |
| Diluted net income (loss) per share: | | | | | | |
| Diluted net income (loss) from continuing operations | **$(0.22)** | | $0.07 | **$(0.97)** | | $0.08 |
| Diluted net income (loss) from discontinued operations | **—** | | — | **—** | | — |
| Diluted net income (loss) | **$(0.22)** | | $0.07 | **$(0.97)** | | $0.08 |
| Weighted-average number of shares outstanding: | | | | | | |
| Basic | **60,286** | | 59,109 | **59,985** | | 58,786 |
| Diluted | **60,286** | | 60,971 | **59,985** | | 60,048 |

(1) In the first quarter of fiscal year 2015, the Company voluntarily changed its method of accounting for the classification of costs related to shipping and handling to cost of revenue. In previous periods, these shipping and handling costs were included as a component of sales and marketing expenses. Previously reported amounts for fiscal year 2014 have been restated to reflect this change. The Company filed the preferability letter regarding the change in accounting principle as an exhibit to its June 30, 2014 Form 10-Q.

(2) The results of operations relating to CSI are included in the Company's Consolidated Financial Statements from the March 1, 2014, acquisition date. Certain amounts have been adjusted to reflect measurement period adjustments related to the CSI acquisition.

(3) The Company recorded restructuring expense primarily relating to abandonment of excess office space at its headquarters.

(4) The Company recorded a non-cash charge of $31.1 million to record an impairment of the full carrying amount of goodwill.

(5) In fiscal year 2014, the Company acquired Kentrox and CSI in stock transactions. Deferred tax liabilities of $8.8 million resulted from the acquisitions relating primarily to acquired intangible assets. The Company's anticipated ability to realize deferred tax assets from the reversal of these deferred tax liabilities resulted in a partial reversal of valuation allowance related to the Company's deferred tax assets. Income tax expense, excluding the impact of the acquisitions noted above, was primarily from state income tax expense in non-unitary states and state taxes based on gross margin, not taxable income.

**Westell Technologies, Inc.**

**Condensed Consolidated Balance Sheets**

(Amounts in thousands)

(Unaudited)

| | **March 31, 2015** | March 31, 2014 (adjusted [1]) |
|---|---|---|
| **Assets:** | | |
| Cash and cash equivalents | **$ 14,026** | $ 35,793 |
| Short-term investments | **23,906** | 15,584 |
| Accounts receivable, net | **11,845** | 15,831 |

| | | |
|---|---|---|
| Inventories | **16,205** | 24,056 |
| Prepaid expenses and other current assets | **3,285** | 1,952 |
| Deferred income tax assets | **973** | 899 |
| Land held-for-sale | **264** | 264 |
| Total current assets | **70,504** | 94,379 |
| Property and equipment, net | **3,603** | 2,681 |
| Goodwill | **—** | 31,102 |
| Intangible assets, net | **25,942** | 32,319 |
| Other non-current assets | **258** | 393 |
| Total assets | **$ 100,307** | $ 160,874 |
| **Liabilities and Stockholders' Equity:** | | |
| Accounts payable | **$ 4,011** | $ 7,508 |
| Accrued expenses | **4,131** | 7,315 |
| Accrued restructuring | **1,161** | 57 |
| Contingent consideration | **1,184** | 2,067 |
| Deferred revenue | **2,415** | 1,774 |
| Total current liabilities | **12,902** | 18,721 |
| Deferred revenue non-current | **751** | 787 |
| Deferred income tax liability | **1,019** | 1,072 |
| Accrued restructuring non-current | **1,642** | 0 |
| Contingent consideration non-current | **400** | 574 |
| Other non-current liabilities | **409** | 528 |
| Total liabilities | **17,123** | 21,682 |
| Total stockholders' equity | **83,184** | 139,192 |
| Total liabilities and stockholders' equity | **$ 100,307** | $ 160,874 |

(1) Certain amounts have been adjusted to reflect measurement period adjustments related to the CSI acquisition.

**Westell Technologies, Inc.**

**Condensed Consolidated Statement of Cash Flows**

(Amounts in thousands)

(Unaudited)

| | Twelve Months Ended March 31, | |
|---|---|---|
| | **2015** | **2014 (adjusted [1])** |
| **Cash flows from operating activities:** | | |
| Net income (loss) | **$ (58,007 )** | $ 4,926 |
| Reconciliation of net income to net cash provided by (used in) operating activities: | | |
| Depreciation and amortization | **7,416** | 5,511 |
| Goodwill impairment | **31,102** | — |
| Stock-based compensation | **2,605** | 1,871 |
| Restructuring | **3,243** | 335 |
| Deferred taxes | **(127 )** | (8,990 ) |
| Other | **140** | 41 |
| Changes in assets and liabilities: | | |
| Accounts receivable | **3,986** | (2,139 ) |
| Inventories | **8,186** | 595 |
| Accounts payable and accrued expenses | **(6,912 )** | (1,081 ) |
| Other | **(919 )** | 528 |
| Net cash provided by (used in) operating activities | **(9,287 )** | 1,597 |
| **Cash flows from investing activities:** | | |
| Net purchases of short-term investments and debt securities | **(8,322 )** | 8,765 |
| Acquisitions, net of cash acquired | **(304 )** | (66,170 ) |
| Purchases of property and equipment | **(2,137 )** | (443 ) |
| Changes in restricted cash | **—** | 2,500 |
| Net cash used in investing activities | **(10,763 )** | (55,348 ) |
| **Cash flows from financing activities:** | | |
| Payment of contingent consideration | **(1,104 )** | **—** |
| Purchase of treasury stock | **(863 )** | (359 ) |
| Proceeds from stock options exercised | **257** | 1,677 |
| Net cash provided by (used in) financing activities | **(1,710 )** | 1,318 |
| **(Gain) loss of exchange rate changes on cash** | **(7 )** | (7 ) |
| **Net decrease in cash and cash equivalents** | **(21,767 )** | (52,440 ) |
| **Cash and cash equivalents, beginning of period** | **35,793** | 88,233 |
| **Cash and cash equivalents, end of period** | **$ 14,026** | $ 35,793 |

(1) Certain amounts have been adjusted to reflect measurement period adjustments related to the CSI acquisition.

**Westell Technologies, Inc.**

**Segment Statement of Operations**

(Amounts in thousands)

(Unaudited)

| | **Three Months Ended March 31, 2015** | | |
|---|---|---|---|
| | **IBW** | **CSG** | **Total** |
| Revenue | **$ 7,082** | **$ 11,531** | **$ 18,613** |
| Cost of revenue | **5,456** | **8,491** | **13,947** |
| Gross profit | **1,626** | **3,040** | **4,666** |
| Gross margin | **23.0 %** | **26.4 %** | **25.1 %** |
| Operating expenses: | | | |
| Research & development | **2,315** | **1,905** | **4,220** |
| Segment (loss) profit | **$ (689 )** | **$ 1,135** | **446** |
| Sales & marketing | | | **3,343** |
| General & administrative | | | **5,547** |
| Intangible amortization | | | **1,520** |
| Restructuring [(1)] | | | **3,188** |
| Operating loss | | | **(13,152 )** |
| Other expense | | | **(18 )** |
| Income tax (expense) benefit | | | **31** |
| Net loss from continuing operations | | | **$ (13,139 )** |

| | Three Months Ended March 31, 2014 (adjusted [(2)]) | | |
|---|---|---|---|
| | IBW | CSG | Total |
| Revenue | $ 8,218 | $ 16,203 | $ 24,421 |
| Cost of revenue | 5,631 | 10,700 | 16,331 |
| Gross profit | 2,587 | 5,503 | 8,090 |
| Gross margin | 31.5 % | 34.0 % | 33.1 % |
| Operating expenses: | | | |
| Research & development | 807 | 2,687 | 3,494 |
| Segment profit | $ 1,780 | $ 2,816 | 4,596 |
| Sales & marketing | | | 3,555 |
| General & administrative | | | 3,827 |
| Restructuring | | | 62 |
| Intangible amortization | | | 1,301 |
| Operating loss | | | (4,149 ) |

| | |
|---|---|
| Other income | 7 |
| Income tax (expense) benefit [3] | 8,585 |
| Net income from continuing operations | $ 4,443 |

(1) The Company recorded restructuring expense primarily relating to abandonment of excess office space at its headquarters.

(2) Certain amounts have been adjusted to reflect measurement period adjustments related to the CSI acquisition.

(3) In fiscal year 2014, the Company acquired Kentrox and CSI in stock transactions. Deferred tax liabilities of $8.8 million resulted from the acquisitions relating primarily to acquired intangible assets. The Company's anticipated ability to realize deferred tax assets from the reversal of these deferred tax liabilities resulted in a partial reversal of valuation allowance related to the Company's deferred tax assets. Income tax expense, excluding the impact of the acquisitions noted above, was primarily from state income tax expense in non-unitary states and state taxes based on gross margin, not taxable income.

**Westell Technologies, Inc.**

**Segment Statement of Operations**

(Amounts in thousands)

(Unaudited)

| | **Twelve Months Ended March 31, 2015** | | |
|---|---|---|---|
| | **IBW** | **CSG** | **Total** |
| Revenue | **$ 37,714** | **$ 46,413** | **$ 84,127** |
| Cost of revenue | **23,999** | **33,318** | **57,317** |
| Gross profit | **13,715** | **13,095** | **26,810** |
| Gross margin | **36.4 %** | **28.2 %** | **31.9 %** |
| Operating expenses: | | | |
| Research & development | **8,955** | **8,393** | **17,348** |
| Segment profit | **$ 4,760** | **$ 4,702** | **9,462** |
| Sales & marketing | | | **12,407** |
| General & administrative | | | **14,678** |
| Intangible amortization | | | **6,377** |
| Restructuring [1] | | | **3,243** |
| Goodwill impairment [2] | | | **31,102** |
| Operating loss | | | **(58,345 )** |
| Other expense | | | **(2 )** |

| | |
|---|---|
| Income tax (expense) benefit | **201** |
| Net loss from continuing operations | **$ (58,146)** |

| | Twelve Months Ended March 31, 2014 (adjusted [3]) | | | | | |
|---|---|---|---|---|---|---|
| | **IBW** | | **CSG** | | **Total** | |
| Revenue | $ 13,096 | | $ 88,977 | | $ 102,073 | |
| Cost of revenue | 8,935 | | 52,677 | | 61,612 | |
| Gross profit | 4,161 | | 36,300 | | 40,461 | |
| Gross margin | 31.8 | % | 40.8 | % | 39.6 | % |
| Operating expenses: | | | | | | |
| Research & development | 1,360 | | 9,979 | | 11,339 | |
| Segment profit | $ 2,801 | | $ 26,321 | | 29,122 | |
| Sales & marketing | | | | | 13,304 | |
| General & administrative | | | | | 14,027 | |
| Intangible amortization | | | | | 4,889 | |
| Restructuring | | | | | 335 | |
| Operating loss | | | | | (3,433 | ) |
| Other expense | | | | | (56 | ) |
| Income tax (expense) benefit [4] | | | | | 8,460 | |
| Net income from continuing operations | | | | | $ 4,971 | |

(1) The Company recorded restructuring expense primarily relating to abandonment of excess office space at its headquarters.

(2) The Company recorded a non-cash charge of $31.1 million to record an impairment of the full carrying amount of goodwill.

(3) Certain amounts have been adjusted to reflect measurement period adjustments related to the CSI acquisition.

(4) In fiscal year 2014, the Company acquired Kentrox and CSI in stock transactions. Deferred tax liabilities of $8.8 million resulted from the acquisitions relating primarily to acquired intangible assets. The Company's anticipated ability to realize deferred tax assets from the reversal of these deferred tax liabilities resulted in a partial reversal of valuation allowance related to the Company's deferred tax assets. Income tax expense, excluding the impact of the acquisitions noted above, was primarily from state income tax expense in non-unitary states and state taxes based on gross margin, not taxable income.

**Westell Technologies, Inc.**

**Reconciliation of GAAP to non-GAAP Financial Measures**

(Amounts in thousands, except per share amounts)

(Unaudited)

| | Three Months Ended March 31, | | Twelve Months Ended March 31, | |
|---|---|---|---|---|
| | **2015** | 2014 (adjusted) | **2015** | 2014 (adjusted) |
| GAAP net income (loss) | **$ (13,000)** | $ 4,437 | **$ (58,007)** | $ 4,926 |
| Adjustments: | | | | |
| Inventory fair value step-up [1] | **36** | 971 | **576** | 2,298 |
| Deferred revenue adjustment [1] | **64** | 169 | **386** | 2,089 |
| Amortization of intangibles [2] | **1,520** | 1,301 | **6,377** | 4,889 |
| Income taxes [3] | **—** | (8,824) | **—** | (8,824) |
| Restructuring [4] | **3,188** | 62 | **3,243** | 335 |
| CEO severance [5] | **1,801** | — | **1,801** | — |
| Stock-based compensation [6] | **977** | 578 | **2,605** | 1,871 |
| Land impairment | **108** | — | **108** | — |
| Goodwill impairment [7] | **—** | — | **31,102** | — |
| (Income) loss from discontinued operations [8] | **(227)** | 6 | **(227)** | 45 |
| Total adjustments | **7,467** | (5,737) | **45,971** | 2,703 |
| Non-GAAP net income (loss) | **$ (5,533)** | $ (1,300) | **$ (12,036)** | $ 7,629 |
| GAAP net income (loss) per common share: | | | | |
| Basic | **$ (0.22)** | $ 0.08 | **$ (0.97)** | $ 0.08 |
| Diluted | **$ (0.22)** | $ 0.07 | **$ (0.97)** | $ 0.08 |
| Non-GAAP net income (loss) per common share: | | | | |
| Basic | **$ (0.09)** | $ (0.02) | **$ (0.20)** | $ 0.13 |
| Diluted | **$ (0.09)** | $ (0.02) | **$ (0.20)** | $ 0.13 |
| Average number of common shares outstanding: | | | | |
| Basic | **60,286** | 59,109 | **59,985** | 58,786 |
| Diluted | **60,286** | 60,971 | **59,985** | 60,048 |

| | Three Months Ended March 31, | | Twelve Months Ended March 31, | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| GAAP operating expenses | **17,818** | 12,239 | **85,155** | 43,894 |
| Adjustments: | | | | |
| Amortization of intangibles [2] | **(1,520)** | (1,301) | **(6,377)** | (4,889) |
| Restructuring [4] | **(3,188)** | (62) | **(3,243)** | (335) |
| CEO severance [5] | **(1,801)** | **—** | **(1,801)** | **—** |
| Stock-based compensation [6] | **(953)** | (560) | **(2,516)** | (1,818) |
| Land impairment | **(108)** | **—** | **(108)** | **—** |
| Goodwill impairment [7] | **—** | — | **(31,102)** | — |
| Total adjustments | **(7,570)** | (1,923) | **(45,147)** | (7,042) |
| Non-GAAP operating expense | **10,248** | 10,316 | **40,008** | 36,852 |

| | **Three Months Ended March 31, 2015** | | | Three Months Ended December 31, 2014 | | |
|---|---|---|---|---|---|---|
| | **Revenue** | **Gross Profit** | **Gross Margin** | Revenue | Gross Profit | Gross Margin |
| GAAP - consolidated | **$ 18,613** | **$ 4,666** | **25.1 %** | $ 14,043 | 4,395 | 31.3 % |
| Deferred revenue adjustment [1] | **64** | **64** | | 64 | 64 | |
| Inventory fair value step-up [1] | **—** | **36** | | — | 79 | |
| Stock-based compensation [6] | **—** | **24** | | — | 22 | |
| Non-GAAP - consolidated | **18,677** | **4,790** | **25.6 %** | 14,107 | 4,560 | 32.3 % |

The Company prepares its financial statements based on U.S. Generally Accepted Accounting Principles (GAAP). The schedules above reconcile the Company's GAAP financial measures to the most directly comparable GAAP measure. Management believes that non-GAAP operating results provide meaningful supplemental information to investors. Management also believes that the non-GAAP results reflect the Company's core performance and facilitates comparisons across reporting periods. The Company uses these non-GAAP measures when evaluating its financial results. Non-GAAP measures should not be viewed as a substitute for the Company's GAAP results.

(1) On April 1, 2013 and on March 1, 2014, the Company purchased Kentrox and CSI, respectively, which required the step-up of certain assets to fair value, which resulted in cost that will not recur once those assets have fully settled. The adjustments remove the increased costs associated with the third-party sales of inventory that was stepped-up and the step-down on acquired deferred revenue that was recognized in the periods presented.

(2) Amortization of intangibles is a non-cash expense arising from the acquisition of intangible assets.

(3) In fiscal year 2014, the Company acquired Kentrox and CSI in stock transactions. Deferred tax liabilities of $8.8 million resulted from the acquisitions relating primarily to acquired intangible assets. The Company's anticipated ability to realize deferred tax assets from the reversal of these deferred tax liabilities resulted in a partial reversal of valuation allowance related to the Company's deferred tax assets. The fiscal year 2014 adjustment removes the related income tax benefit. The Company is in a full valuation allowance in fiscal year 2014. The fiscal year 2013 adjustment removes the tax benefits recorded in fiscal year 2013 to reflect the tax result had the Company been in a full valuation allowance in fiscal year 2013.

(4) Restructuring expenses are not directly related to the ongoing performance of our fundamental business operations.

(5) The Company recorded severance benefits related to the departure of the former CEO.

(6) Stock-based compensation is a non-cash expense incurred in accordance with share-based compensation accounting.

(7) The Company recorded a non-cash charge of $31.1 million during fiscal 2015 to record the impairment of the full carrying value of the Company's goodwill.

(8) Historical results of operations of the CNS division and ConferencePlus are presented as discontinued operations.

View source version on businesswire.com:
http://www.businesswire.com/news/home/20150520006529/en/

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