FORM 10-K

Annual report pursuant to section 13 and 15(d)

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TCI INTERNATIONAL INC

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SIC: **3663** Radio & tv broadcasting & communications equipment

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WASHINGTON, D.C. 20549
FORM 10-K

___X__ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (Fee Required)
For the fiscal year ended September 30, 1996

OR

______ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (No Fee Required)

For the transition period N/A

Commission file number 0-10877

TCI INTERNATIONAL, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

94-3026925
(IRS Employer Identification No.)

222 Caspian Drive, Sunnyvale CA 94089 (408) 747-6100
(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

Securities registered pursuant to Section 12(b) of the Act:
Name of each exchange on which registered None
Title of each class None

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, $.01 Par Value

Indicate by check mark whether the registrant (l) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days:
YES X NO_____

Indicate by check mark if disclosure of delinquent filers pursuant to item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K [X]

As of September 30, 1996, the aggregate market value of voting stock held by non-affiliates was $21,063,724.

As of September 30, 1996, the number of shares of common stock outstanding was 3,179,430.

DOCUMENTS INCORPORATED BY REFERENCE
Portions of the Proxy Statement to be filed with the Securities and Exchange Commission in connection with the Annual Meeting of Stockholders to be held on February 11, 1997 are incorporated by reference into

Part III hereof.

PART I

ITEM 1. Business

General

Except for historical information contained herein, the matters discussed in this report contain forward-looking statements that involve risks and uncertainties that could cause results to differ materially.

TCI International, Inc. (the Company) is a holding company which has three operating subsidiaries, Technology for Communications International ("TCI"), a company incorporated in California on March 13, 1968; BR Communications ("BR"), a company incorporated in California on January 24, 1966, and; TCI Wireless, Inc. ("TCIW") a company incorporated in California on April 28, 1995. The operating subsidiaries share resources, including facilities, management and labor. Prior to fiscal year 1994, the Company was organized into three separate operating units. In response to the forecast changes to its order trend, the Company relocated its operations and began a consolidation of its three independent operating units into its present facilities. In fiscal year 1994, the Company completed this physical consolidation and now operates under one central management structure. Unless the context indicates otherwise, the terms "Company," "TCI," "BR", and "TCIW" shall include their consolidated subsidiaries.

The Company manufactures and markets signal collection systems, spectrum and frequency management systems, special purpose communications systems, and antennas and related equipment for high-power broadcasting, over-the-horizon radar, and short-wave communication. The Company's products historically have been sold primarily to U.S. and foreign government agencies, and to a lesser extent, commercial broadcast entities. See "United States Government Contracts and Regulations."

Products

The Company's signal collection systems cover the full spectrum of radio frequencies, while the majority of the Company's antenna and frequency management products are primarily designed for operation in the HF, or "short-wave," portion of the electromagnetic spectrum (1.6 to 30 megahertz), and to the medium frequency portion of this spectrum (0.5 to 1.6 megahertz). High frequency radio signals have the special characteristic of being reflected by the earth's ionosphere and, therefore, offer an effective medium for radio communication over long distances. The Company has recently developed antennas covering frequencies up to 3000 megahertz which have applications in both signal collection and broadcasting systems.

Antenna Systems

High frequency antennas are typically complex wire-strung structures supported by towers up to four hundred feet high. Their design involves complex relationships between many electromagnetic and structural variables. Antennas are an important part of communication systems because effective radio communication depends upon signal strength relative to background noise. The signal-to-noise ratio can be improved by increasing transmitter power and by improving the performance of the transmitting and receiving antennas. In most situations, the ability to increase transmitter power is limited by either regulation or expense; accordingly, antenna design assumes a key role in the practical solution to the problem of increasing signal quality.

The integrated application of the Company's proprietary electromagnetic and structural design software, together with the technical experience of its staff, has made it possible for the Company to produce antenna designs having the optimal gain, bandwidth, and power-handling capability required for specific applications and environments, with reductions in design time and expense as well as product cost.

Communications antennas of the type designed and manufactured by the Company are usually employed in large scale systems, such as civil shore-to-ship and land-to-air systems, as well as their tactical military counterparts. Typical Company communications antennas and related antenna systems range in price from approximately $20,000 to $300,000.

Broadcast Systems

In many countries, short-wave radio broadcasting remains the preferred medium for the governments' international news organizations and propaganda services to reach foreign mass audiences. The U.S. Information Agency (Voice of America) and the BBC World Service are examples of users of radio broadcasting products of the Company. TCI markets high performance, high-power broadcast antennas and antenna systems which operate continuously over a wide range and provide for electronically-controlled broadcasting patterns. Typical system orders range in price between $200,000 and $15,000,000.

Within a country's borders, essentially all broadcasting is done using AM, FM, and TV. AM broadcasting uses frequencies in the medium frequency (MF) band in the range 525 to 1705 kHz, which are received by car radios or pocket transistor radios. FM and TV transmissions use frequencies above 30 MHz in the very high and ultra-high (VHF and UHF) frequency range.

The Company manufactures antennas for MF broadcasting, which it sells either directly to local broadcasting organizations or to transmitter manufacturers and systems integrators who re-sell to broadcasters. TCI also offers complete MF transmitting systems, including TCI antennas and transmitting and audio equipment manufactured by others and integrated by the Company.

The Company has recently completed several turn-key FM and TV transmitting systems comprised of both program input equipment, transmitters, transmission lines, and FM/TV antennas. The company also has several bids outstanding for additional FM and TV transmitting systems. Pay TV systems using cable or wireless technologies have become increasingly popular outside the United States, including a wireless pay TV system which utilizes microwave transmissions to avoid the necessity of wiring to subscribers' homes with coaxial cables. The Company is currently investigating ways to add value to this growing marketplace by developing strategic relationships with current suppliers and exploring product introduction avenues with its own products.

Signal Collection Systems

Signal collection systems are used to identify, locate, classify, and analyze radio transmissions which may originate at great distances from the system. These functions are performed rapidly, automatically, and without detection by the subject. The systems are principally used by military organizations to locate and track hostile forces.

A primary objective of signal collection systems is to locate the source of a transmission as quickly and precisely as possible. The conventional solution to this problem employs multiple "direction-finding" stations to locate a transmitter by triangulation. The Company's proprietary software, however, makes it possible to calculate the approximate distance, as well as the direction, of a transmission source using only a single locating station.

Signal collection systems may also require the ability to recognize the presence of new transmission sources rapidly, as well as to classify them by modulation, frequency, and signal characteristics. The Company's signal collection software performs these judgmental tasks automatically, thereby eliminating the need for the large numbers of operating personnel traditionally required. This software may be integrated with additional signal processing equipment and specialized receiving antennas to form various configurations of a computer-based signal collection system. The Company's collection systems can also manage or integrate the output from other intelligence-gathering sources to provide the system operators with integrated information from which useful estimates regarding the disposition and intentions of potential adversaries can be reached.

The sales prices of complete signal collection systems typically range from approximately $100,000 to $15,000,000, depending on system configuration. Certain components of a system may be useful to a client in special situations and would be priced considerably less.

Radio Spectrum Management Systems

Consistent and reliable management of the electromagnetic spectrum and effective enforcement of spectrum utilization regulations have become a world-wide necessity, brought about by the rapid expansion in the number of users of cellular telephones, pagers, and other personal communication devices. The Spectrum Management System produced by the Company provides an integrated solution to this regulatory problem. The principal users of these systems are regulatory agencies whose interest is in identifying and tracking in-country transmitters, and not external, hostile forces.

The primary objectives of spectrum management systems are the following: (a) maintenance of sufficient order and discipline in the radio spectrum so that modern radio and wireless services can function; (b) frequency assignments to users; (c) licensing, invoicing and administration; (d) data base management; (e) spectrum monitoring, which includes signal intercept, identification, location and measurement; and (f) preparation and submission of reports. Traditionally, these functions have been performed manually, using stand-alone receivers, measurement instruments, and numerous forms filled out by hand. The Company provides turn-key systems which perform all tasks in an automated, integrated, seamless operation, with a minimum of operator intervention. These systems use Company products, as well as other commercial, off the shelf equipment, integrated in a flexible configuration. This modular architecture allows the use of a common set of building blocks to tailor each system to the exact requirements of the customer.

The spectrum management system configuration can vary in complexity from a single site, single position station to a large scale multi-site network, including 5 - 15 fixed sites, plus a complimentary set of mobile measurement vans.   Typical systems range in price between $500,000 and $20,000,000.

Special Purpose Communications Systems

The Company has developed and sold special purpose communication systems in response to specific user needs. These systems include communication management systems, automated switching systems, antennas with special survivability specifications, and emergency communication networks.

Frequency Management and Spread Spectrum Communication Systems

The variability of propagation conditions and the difficulty of locating optimum propagation frequencies reduce the probability of establishing satisfactory HF communications at any given moment. While less than a 100% reliability factor is acceptable for many users of HF communications, historically certain military and diplomatic communicators have demanded a very high level of reliability. In order to achieve the dependability needed by these military and diplomatic users, the Company has developed frequency management systems which allow HF communicators to obtain real-time continuous measurements of spectrum-wide propagation characteristics, interference levels, and channel occupancy. By correlating these measurements, the HF operator can select the optimum frequency over which to communicate. Although developed initially for military users, these products are suitable for other applications, including HF broadcast.

The technology and equipment developed for frequency management systems provides highly reliable spread spectrum transmission and reception of short messages. These messages of 40 characters or less can include emergency action commands.

Given the change in the world's political environment over the last five years, the Company has observed that the U.S. Government's reliance upon HF communications has decreased, with increasing reliance placed upon satellite communications. There continues to be interest in HF communications by foreign governments who can not access satellites or who place less reliance upon such communications.

The Company's frequency management systems are currently employed by the United States Army, Navy, Air Force, and Marine Corps, as well as by the armed forces of numerous foreign nations. The price of a minimum configuration is approximately $50,000; however, the price of a typical system configuration is considerably higher.

Marketing

The Company markets its equipment and systems to U.S. and foreign government agencies by its direct marketing force, supplemented by local representatives who are paid a commission for most foreign sales. Communications and broadcast systems are also sold to national telephone and telegraph carriers, information services, and religious organizations. Foreign sales of signal collection systems, frequency management systems, spread spectrum communication systems, and certain antennas having specialized military applications must have the approval of the United States Department of State which limits the sales of such products to foreign markets. Such sales are subject to changes in United States policy concerning the export of military technology.

Historically, more than 90% of the Company's overseas sales have been denominated in United States dollars. The value of the United States dollar, relative to foreign currencies, affects the competitive position of the Company's products overseas.

See Note 6 of the Notes to Consolidated Financial Statements for information concerning revenue attributable to export sales and individual customers.

Manufacturing

Antenna systems are generally manufactured to order from standard cable, fittings, insulators, and fasteners. In the manufacturing process, fittings are attached to antenna wires by machinery which also measures, forms, and cuts the wires to close tolerances. Antennas are packaged in pre-assembled kits, reducing installation time and cost, and increasing reliability.

Signal collection systems are assembled from standard computers, radio frequency switches, receivers, and specialized instruments manufactured to the Company's specifications either by the Company or by specialized vendors. After the proprietary software is incorporated into the system, it is tested in a simulated operating environment.

Frequency management products are generally assembled from standard components and other items produced to the Company's specifications, such as printed circuit boards, fabricated metal parts and crystal filters. Many of the products contain microprocessors for which proprietary software is designed and tested by the Company's engineers and technicians. Certain custom communications systems involve the integration of other manufacturers' equipment with products produced by the Company.

Radio spectrum monitoring systems are assembled using readily available computer equipment and specialized signal measurement equipment provided by qualified subcontractors combined with specialized equipment provided by the Company. To a significant extent, the heart of such systems lies in the proprietary software that is incorporated into the system. These systems are thoroughly tested in a simulated operating environment prior to final delivery.

The Company is dependent upon the ability of its suppliers and subcontractors to meet performance specifications, quality standards, and delivery schedules in order to fulfill commitments to its customers. While the Company endeavors to assure the availability of multiple sources of supply, in certain cases involving complex equipment it must rely on a sole source. The failure of certain suppliers or subcontractors to meet the Company's needs would adversely affect the Company. While the Company has from time to time experienced delays in obtaining raw materials and components, to date these delays have not materially affected its business.

Although most of the Company's products are installed by the Company's customers, the Company offers installation services including turn-key project management.

United States Government Contracts and Regulations
Sales to the U.S. Government under prime and subcontracts accounted for 42%, 60%, and 52% of the Company's revenue in fiscal years 1996, 1995, and 1994, respectively. The Company's U.S. Government business is performed under cost-reimbursement-type contracts (cost-plus-fixed-fee, cost-plus-incentive-fee, and cost-plus-award-fee) and under fixed-price-type contracts (firm fixed-price and fixed-price incentive). During fiscal 1996, 40% of the Company's total revenue came from U.S. Government fixed-priced-type contracts, and 2% from U.S. Government cost-reimbursement-type contracts, compared to 59% and 1%, respectively, in fiscal 1995 and 50% and 2%, respectively, in fiscal 1994.

Under U.S. Government regulations, certain costs, including certain financing costs and marketing expenses, are not reimbursable. The U.S. Government also regulates the methods under which costs are allocated to U.S. Government contracts. Additionally, costs incurred under U.S. Government contracts are subject to audit. Management believes the results of such audits, if any, will not have a material effect on the Company's financial results.

Contracts with the United States Information Agency ("USIA") combined with subcontracts to companies with prime contracts to the USIA accounted for 23% of total revenue in fiscal 1996, 18% in fiscal 1995 and 33% in fiscal 1994. See further discussion regarding a contract with the USIA in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations."

U.S. Government contracts are, by their terms, subject to termination by the U.S. Government either for convenience or for default of the contractor. The continuation of long-term U.S. Government contracts may be dependent upon the continuing availability of Congressional appropriations. Due to the size of the Company's contracts with the USIA and other agencies, a U.S. Government contract termination may have a material negative affect on the operating results of the Company. See further discussion in Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations."

The Company believes that the United States intelligence community is adjusting its focus from the ex-Soviet Union to a much wider and diverse population of threats. Because of this shift in focus from Cold War driven planning, the Company expects that large, long duration U.S. Government programs in defense intelligence and broadcasting will not return and that revenue from such contracts will generally decrease as a percentage of total revenue in future periods. See Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Competition and Risk

The Company encounters intensive competition in the sale of its products from numerous other companies. Accordingly, substantial efforts must be undertaken continually and on a long-term basis in order to maintain existing levels of business. All of the Company's major competitors have substantially greater financial and marketing resources than the Company.

The world political environment has seen dramatic changes within the last several years and as a result U.S. Government procurements for signal collection systems, special purpose communications systems, and propaganda-oriented broadcasting systems have decreased substantially. As a result, the Company is focusing more on overseas and commercial opportunities, as are the Company's competitors.

The principal competitive factors in the broadcast and communications markets are reliability, performance, price, and breadth of product line. The Company's principal competitors in the ground-based, high frequency (HF) communications antenna market are Andrew Corporation, Antenna Products Corporation, CSA, and Marconi Communications Systems, Limited. In the market for HF (short-wave) and medium wave (MF) broadcast antennas, the principal competitors are divisions of larger companies, including Thomcast, Marconi Communications Systems, Limited, and Continental Electronics, all of which also manufacture broadcasting transmitters. The size, international reputation, and vertically integrated operations of these companies give them an advantage over the Company, particularly in bidding on entirely new stations in Third World countries.

In signal collection systems, competitors include Lockheed-Martin, TRW, E-Systems, Loral Corporation, Harris Corporation, Andrew Corporation, AEG Telefunken, Siemens Plessey & Co. Ltd., Racal Communications, Rohde and Schwarz, Southwest Research Institute (SWRI), Thomson-CSF, and Tadiran. Performance, the ability to design and produce a system for a specialized application, and price are the principal competitive determinants. Selection of a particular supplier's products for incorporation in a military signal collection system frequently limits further competition by other vendors during the program's life cycle.

Manufacturers of HF frequency management systems include, among others, Rockwell International Corp., Harris Corporation, Andrew Corporation, and Racal Communications. Since the competitors' products tend to be less expensive, the Company must convince its customers that its equipment has sufficient performance advantages.

Competition to provide radio spectrum monitoring and compliance systems comes from, among others, Tadiran, Rohde and Schwarz, Thomson-C.S.F., Hewlett Packard and ZETA, a division of Sierra Networks, Inc.. Similar to the Company's position in supplying signal collection systems, best value expressed as a function of performance and price are the competitive determinants in most markets. Additionally, since many of these systems are marketed in less developed countries, the ability to offer attractive financing alternatives also weighs strongly in the customer's decision making process. The Company will continue to rely on the availability of external sources of capital to meet its requirement to offer financing on these international procurements.

The Company's communication products are also subject to competition from alternative methods of communications, particularly from satellites and terrestrial microwave transmissions which presently are, and will continue to be, the dominant carriers of long distance communications. However, because these carriers are vulnerable in an armed conflict and require a large capital investment or access to equipment not owned or controlled by the user, the Company believes there is a continuing market for short-wave communication systems.

For further information on risks, see Item 7 - "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Backlog

See Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Research and Development
See Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Patents

The Company believes that its success does not depend on the ownership of patents or trademarks but rather on its proprietary software, innovative skills, technical competence, marketing abilities, and responsiveness to customer needs.

Employees

As of September 30, 1996, the Company had 168 full-time employees plus 46 temporary agencies' employees assigned to the Company. None of the employees are represented by a labor union, and the Company considers its employee relations to be good. The Company's success is dependent on its ability to retain highly-skilled personnel.

ITEM 2 - Properties

	Floor Area (sq. ft.) Company Leased	Lease Expiration Date
Sunnyvale, CA (1 building)	95,000	2000
Sunnyvale, CA (1 building)	29,000	1998
Total	124,000	

In addition, the Company leases office space in Alexandria, Virginia and in Redhill, Surrey, United Kingdom (U.K.). The Company believes that its office space for its corporate headquarters is suitable and adequate and will meet its needs for the foreseeable future.

ITEM 3 - Legal Proceedings

On December 14, 1994, the California Regional Water

Quality Control Board for the San Francisco Bay Region adopted an order naming the Company as a potentially responsible party (PRP), along with several other parties, for ground water contamination in the vicinity of a property the Company formerly occupied as a tenant in Mountain View, California. The Company contends that it is not responsible for any such contamination. In a related development in early 1995, the Regional Water Board ordered the owner of the property to conduct a program of soil sampling to determine if the site is currently a source of ground water contamination. The results of this sampling program were reviewed by and summarized in a letter from the Regional Water Board dated October 11, 1995 in which it concluded that the current levels of contamination do not indicate the site is a source of ground water contamination presently, and as a result no further investigative or remedial action is necessary. However, in its correspondence the Regional Water Board refused to rule out the possibility that the site was a source of contamination in the past and as such it has left the matter to be resolved through binding arbitration. Being named as a PRP could result in the Company becoming subject to a subsequent final order from the Regional Water Board or a defendant in a civil lawsuit in which others might seek to recover from the Company a portion of the costs spent on investigating and cleaning up the contamination. Because there is currently no proposal to impose a final binding regulatory order on the Company, it is not possible to predict either the outcome of the current regulatory proceedings or to estimate with any certainty whether the Company will ultimately be judged to be liable for any portion of the investigation and remediation costs associated with the subject site. There have been no further developments on this issue since October 1995.

During 1990, the Company received a notice from an overseas customer stating that the Company had not fulfilled certain requirements of a $6,000,000 contract. No legal proceedings have been initiated on this claim. The Company believes, based upon a review of the customer's claim and consultation with legal counsel, that the liability, if any, relating to this claim would not have a material adverse effect on its results of operations or its financial position.

The Company is from time to time involved in routine litigation or threatened litigation arising from the ordinary course of its business. Such matters, if decided adversely to the Company, would not, in the opinion of management, have a material adverse effect on the financial condition of the Company.

ITEM 4 - Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of security holders through the solicitation of proxies or otherwise during the fourth fiscal quarter of 1996.

PART II

ITEM 5 - Market for Registrant's Common Equity and Related Stockholder Matters

The Company's common stock is traded over-the-counter on the National Market System and quoted on the National Association of Securities Dealers Automated Quotation

System (NASDAQ Symbol TCII). The following table sets forth the high and low closing ales price as reported on the Over-the-Counter National Market System. These prices do not include retail markups, markdowns or commissions.

<TABLE>

	Fiscal 1996		Fiscal 1995	
Quarter Ended	High	Low	High	Low
<S>	<C>	<C>	<C>	<C>
December 31	$10.13	$7.50	$4.50	$4.00
March 31	9.00	6.38	5.88	4.13
June 30	7.63	6.50	7.38	5.13
September 30	7.50	6.13	9.88	6.25

</TABLE>

As of September 30, 1996, there were 581 stockholders of record. The Company has not paid any cash dividends on its common stock since inception, and the Company presently intends to reinvest any earnings in the business.

ITEM 6 - Selected Financial Data

The following table summarizes certain selected consolidated financial data and is qualified in its entirety by the more detailed Consolidated Financial Statements included elsewhere herein.

<TABLE>

Data for the Five Years Ended September 30,
(In thousands, except per share amounts)

	1996	1995	1994	1993	1992
<S>					
Statement of Operations Data:	<C>	<C>	<C>	<C>	<C>
Revenue	$32,695	$29,354	$25,562	$28,258	$62,443
Operating costs and expenses:					
Cost of revenue	21,856	18,672	15,798	22,613	51,998
Marketing, general and administrative	10,941	10,348	9,555	10,110	12,060
Write-off of goodwill	0	0	0	5,462	0
Income (loss) from operations	(102)	334	209	(9,927)	(1,615)
Investment income, net	1,602	1,072	691	338	1,781
Income (loss) before provision (credit) for income taxes	1,500	1,406	900	(9,589)	166
Income (loss) before change in accounting for income taxes and extraordinary item	1,056	1,311	756	(8,322)	237
Change in accounting for income taxes (SFAS 109)	0	0	1,511	0	0
Extraordinary tax credit	0	0	0	0	360
Net income (loss)	1,056	1,311	2,267	(8,322)	597
Per share:					
Income (loss) before change in accounting for income taxes and extraordinary item	.31	.39	.23	(2.44)	.07
Change in accounting for income taxes (SFAS 109)	0	0	.45	0	0
Net income (loss)	.31	.39	.68	(2.44)	.18
Shares used in per share computations	3,366	3,400	3,335	3,417	3,315
Balance Sheet Data:					
Working capital	$22,246	$23,172	$22,098	$19,355	$19,833

Total assets	39,192	32,373	33,241	33,895	47,728
Stockholders' equity	26,014	24,855	24,072	22,620	30,840

</TABLE>

Quarterly Financial Data for the Two Years Ended September 30, 1996

Since revenue are generally recognized on a percentage of completion basis, which is based upon total direct and indirect costs incurred, there may be fluctuations in the Company's quarterly results. These fluctuations can result from uneven flow of incoming material and revisions to cost estimates on long-term contracts.

<TABLE>

(In thousands, except per share amounts)

	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
Fiscal 1996				
<S>	<C>	<C>	<C>	<C>
Revenue	$10,400	$8,559	$7,809	$5,927
Gross profit	2,614	2,936	2,599	2,690
Net income	77	285	360	334
Net income per share	.02	.08	.11	.10
Fiscal 1995				
Revenue	$7,270	$8,364	$6,881	$6,839
Gross profit	2,685	2,654	2,427	2,916
Net income	332	277	302	400
Net income per share	.10	.08	.09	.12

</TABLE>

ITEM 7 - Management's Discussion and Analysis of Financial Condition and Results of Operation

Overview

Since 1992, the Company believes its business has been affected by the end of the Cold War, which permanently eroded the market demand for many of the Company's traditional products. The Company believes that the United States intelligence community is adjusting its focus from the ex-Soviet Union to a much wider and diverse population of threats. Because of this shift in focus from Cold War driven planning, the Company expects that large, long duration U.S. government programs in defense intelligence and broadcasting will not return and that revenue from such contracts will generally constitute a smaller percentage of total revenue in future periods. Similarly, the Company believes the long-term market for ultra-reliable HF communication systems will continue to diminish and will in the future be limited to predominantly overseas markets. As a result, the Company is in many cases forced to pursue smaller, overseas projects with a strong component of proprietary Company products and software. The Company also intends to leverage its expertise in RF technology applications and its ability to conduct business in foreign markets by pursuing outside technology and business acquisitions which complement various characteristics of its existing core businesses. There can be no assurance that the company will be successful in implementing this diversification strategy.

Recently, the Company's diversification efforts have focused on three significant areas. The first two areas relate directly to proprietary elements of frequency management technology for use in commercial aviation and maritime communications applications. The third area of diversification leverages the direction finding technology developed by TCI principally for military applications into a world-wide market for similar radio spectrum monitoring and surveillance equipment. These systems are used by national regulatory agencies, similar to the Federal Communications Commission ("FCC") to maintain order and discipline in the radio spectrum.

Recently, the Company determined that certain attributes of the maritime communications market, including an assessment that an ever-growing, overabundance of satellite communications capacity is coming on line and as a result, introduction of a world-wide, maritime communications network using proprietary elements of the Company's HF radio technology is not economically viable at the present time. It has consequently decided to halt the expenditure of development funds in this area. While limited efforts continue to be made to find proprietary avenues for the use of the Company's equipment in the commercial aviation market, any resultant suitable market for the Company's products in this particular application is not expected to be large enough to materially affect future operating results.

During fiscal 1995, teamed with the Hewlett Packard Company, the Company achieved its first diversification success as it won a contract to supply radio spectrum monitoring and surveillance equipment to a foreign customer due to be delivered in early 1997. In early fiscal 1996, again teamed with the Hewlett Packard Company, the Company won its second significant radio spectrum monitoring and surveillance contract. In an effort to increase both its market share and the gross margins available, the Company plans to continue to make investments in its related product line so as to increase its relative content and value-added component.

During the last three years the Company has expended approximately $2,800,000 on research and development efforts related to its product and market diversification efforts. All costs for such product development are presently funded internally and are expensed as incurred. While the Company has remained profitable during the period of this investment, the Company expects that the future costs of these and other efforts including potential acquisitions may be significant enough to generate a loss from operations in both fiscal 1997 and 1998. While marketable products are not expected to be ready before fiscal 1998, at the earliest, the investment of money and personnel will continue on each of the commercial efforts until either successful product introduction is achieved or it is determined that a viable market does not exist for these products.

The Company's funded backlog as of September 30, 1996 was approximately $30 million, compared to approximately $26 million as of September 30, 1995. The following table sets forth the total backlog, which includes the value of unexercised options (on U.S. Government contracts) which the Company believed were likely to be exercised, for the periods indicated (in thousands):

	As of September 30,		
	1996	1995	1994
Backlog	$35,000	$36,000	$28,000

Of the $35 million backlog at 1996 fiscal year end, approximately $30 million is expected to be recognized as revenue prior to September 30, 1997. Most contracts are, by their nature, subject to termination for reasons of cause or default, and on occasion, can be terminated for reasons beyond the control of the Company.

The three-year trend of relative stability in the total backlog is a reflection of the Company's success in replacing diminishing sales from its traditional businesses with opportunities in the radio monitoring and spectrum compliance business area. Of the $35,000,000 total backlog reported at fiscal 1996 year end, approximately $11,000,000 is associated with the Company's first diversification success in the form of two contract awards for the supply of spectrum monitoring and compliance systems for two foreign customers. Future growth in revenue and backlog is largely contingent on the ability of the Company to successfully execute its plans for product and market diversification.

Results of Operations

As an aid to understanding the Company's consolidated operating results, the following table indicates the percentage relationships of income and expense items for each of the last three fiscal years.

<TABLE>

	Percentage of Revenue Years Ended September 30,		
	1996	1995	1994
<S>	<C>	<C>	<C>
Revenue	100.0%	100.0%	100.0%
Operating costs and expenses:			
Cost of revenue	66.8	63.6	61.8
Marketing, general and administrative	33.5	35.3	37.4
Income (loss) from operations	(0.3)	1.1	0.8
Investment income, net	4.9	3.7	2.7
Income before provision for income taxes	4.6	4.8	3.5
Provision for income taxes	1.4	0.3	0.6
Income before change in accounting for income taxes	3.2	4.5	3.0
Change in accounting for income taxes (SFAS 109)	0	0	5.9
Net income	3.2%	4.5%	8.9%

</TABLE>

The approximate revenue attributable to contracts from both domestic and overseas customers is shown below (in thousands):

	1996	1995	1994
Domestic revenue	$15,000	$18,100	$13,800
Overseas revenue	17,700	11,200	11,800
Total	$32,700	$29,300	$25,600

In fiscal 1996, largely due to the Company's diversification success in the radio monitoring and spectrum compliance market, revenue continued its two year trend of growth from levels of the previous year. Because more than 27% of fiscal 1996 revenue came from radio and spectrum compliance programs, substantially all of the Company's revenue growth can be seen to have come from its diversification efforts which have been focused entirely overseas. More specifically, revenue from one commercial contract in the radio monitoring and spectrum compliance business area represented 19% of the total revenue in fiscal 1996. The Company anticipates that revenue may continue to grow modestly, particularly in the international sector, but that it will not return to the historical levels of years prior to fiscal 1993 without the Company first achieving additional and broad-based success with product and market diversification efforts.

Because the Company has experienced significant competitive bidding pressures to be the low-priced supplier in its broadcast and spectrum management system product lines during the last two years, the reduction in gross margins initially seen in fiscal 1995 continued during fiscal 1996. Because the Company expects to execute a significant portion of this backlog during fiscal 1997, margins expressed as a percentage of revenue are not expected to improve until such time as new products are introduced which gain acceptance from customers in the form of new contracts. In fiscal 1996, Marketing, General and Administrative ("M,G&A") costs increased 6% over previous year levels. This increase reflects an added emphasis placed on marketing related activities as well as a general increase in personnel costs. The Company anticipates quarter to quarter fluctuations in the amount of revenue recognized based upon the timing of receipt of material on its long-term contracts as well as the timing of award of foreign business, and as a result, quarter-to-quarter comparisons of revenue and profitability are not particularly meaningful.

The growth in 1995 revenue over that recognized in fiscal 1994 is attributable principally to increased activity in its existing core product businesses. While fiscal 1995 overseas revenue remained at approximately the same level as fiscal 1994, domestic revenue increased 31% over prior year levels due to an increase in activity within the Company's broadcast antenna systems business area. Due to forces similar to those experienced in fiscal 1996, fiscal 1995 M,G&A costs grew approximately 8% over fiscal 1994 levels.

The one time effect of adopting SFAS No. 109 in fiscal 1994 resulted in an increase in net income of $1,511,000, or $.45 per share during the same year. Excluding this one-time adjustment, net income would have been 3% of revenue.

Over the recent three year period, the Company has successfully minimized its payment of income taxes by offsetting these liabilities with a net operating loss carryforward ("NOL") originally generated in fiscal 1993. As a result, the effective tax rate incurred by the Company in fiscal 1996, 1995, and 1994 was 30%, 7%, and 16% respectively. At the end of fiscal 1996, the Company had approximately $190,000 of NOL remaining which to the extent it is able to generate profits the Company intends to use the remaining NOL to offset tax liabilities in future fiscal years. If the Company is unable to generate profits against which the NOL would be utilized to offset a corresponding tax liability, the current NOL would expire in 2008. A valuation allowance has been recorded for the entire deferred tax asset as a result of uncertainties regarding the realization of the asset due to the lack of consistent earnings history for the Company.

Expenditures for independent research and development ("IR&D") were approximately $2,000,000, $1,800,000, and $1,500,000 in fiscal 1996, 1995, and 1994, respectively. In addition to IR&D, a significant portion of engineering effort is customer-sponsored by both cost reimbursement and fixed-price contracts. Such engineering effort relates to the design and development of new products as well as improvements to existing products. Expenditures for customer-sponsored research, development, and engineering were approximately $4,200,000, $3,500,000 and $3,200,000 in fiscal 1996, 1995, and 1994, respectively. Additionally, a portion of new product development work of a conceptual nature is charged to bid and proposal costs when the development has an immediate, potential customer. IR&D and bid and proposal costs are included in M,G&A expenses in the statements of operations.

During the past three years, a substantial part of the Company's net income has been derived from interest income from its various investments. Because the Company plans to expend significant funds on its product and market diversification efforts, and because the precise timing of payments due on existing contracts and the receipt of down payments on new contracts is difficult to predict, the Company believes investment income may decline and may not return to current levels until such time as the Company begins generating positive cash flows from its diversification activities.

Factors That May Affect Future Operating Results

The Company operates in a highly competitive environment that involves a number of risks, some of which are beyond the Company's control. The following discussion highlights some of these risks.

Fluctuations in Operating Results

The Company's operating results may fluctuate from quarter to quarter and year to year for a number of reasons. While there is no seasonality to the Company's business, because of the Company's relative small size, combined with the extended delivery cycles of its long-term project-oriented business, revenue and accompanying gross margins are inherently difficult to predict. Because the Company plans its operating expenses, many of which are relatively fixed in the short term, based on the assumption of stable performance, a relatively small revenue shortfall may cause profitability from operations to suffer. Historically, the Company has endured periods of volatility in its revenue results due to a number of factors, including shortfalls in new orders, delays in the availability of new products, delays in subcontractor provided materials and services, and delays associated with foreign construction activities. Gross margins are strongly influenced by a mix of considerations, including pressures to be the low price supplier in competitive bid solicitations, the mix of contract material and non-recurring engineering services, and the mix of newly developed and existing product sold to various customers. The Company believes these historical challenges will continue to affect its future business.

During fiscal 1995, the Company formed a wholly-owned subsidiary, TCIW, to provide wireless communication services to the maritime and commercial aviation markets using proprietary equipment developed by the Company and facilities and bandwidth provided by various coast station operators around the world. Since its formation, the Company has determined that an opportunity to provide a world-wide maritime communications network using elements of its proprietary products is not economically viable at the present time, and as a result, has ceased expenditures on this activity. The Company intends, however, to leverage its expertise in RF technology applications and its ability to conduct business in foreign markets by pursuing outside technology and business acquisitions which complement various characteristics of its existing core businesses. The Company expects that the future cost of this product diversification strategy may be significant enough to generate a loss from operations during any quarter between now and at least the end of fiscal 1998.

Managing a Changing Business

The Company is in the process of adopting a business management plan that includes substantial investments in its sales and marketing organizations, increased funding of existing internal research and development programs, and certain investments in corporate infrastructure that will be required to support the Company's diversification objectives during the next three years. Accompanying this process are a number of risks, including a higher level of operating expenses, the difficulty of competing with companies of larger size for talented technical personnel, and the complexities of managing a changing business. There also exists the risk the Company may inaccurately estimate the viability of any one or all of its diversification efforts and as a result, may experience substantial revenue shortfalls of a size so significant as to generate losses from operations.

Risk Associated with Expansion into Additional Markets and Product Development

The Company believes that its future success is substantially dependent on its ability to successfully acquire, develop and commercialize new products and penetrate new markets. In addition to the Company's ongoing efforts to diversify its product offerings within its core businesses such as the spectrum management system business, the Company intends to pursue a diverse, but focused product and market development initiative during the next three years. The Company believes that its general knowledge of RF technology and its related applications combined with its proven ability to conduct business in overseas markets can be exploited to return the Company to an aggressive growth posture. While not strictly limited to these product areas, the Company is currently pursuing various rural communication and telephony applications using its proprietary technology, certain transmitter product initiatives in the FM, TV and wireless cable TV markets which compliment the Company's antenna expertise, and certain RF technologies with potential application in the markets of tracking various kinds of assets in indoor and outdoor settings. There can be no assurance that the Company can successfully develop these or any other additional products, that any such products will be capable of being produced in commercial quantities at reasonable cost, or that any such products will achieve market acceptance. Should the Company expend funds to acquire outside entities or technology, there can be no assurance that sufficient returns will be realized to offset these investments. The inability of the Company to successfully develop or commercialize new products or failure of such products to achieve market acceptance would have a material adverse effect on the Company's business, financial condition and results of operations.

Risks Associated with Conducting Business Overseas
A substantial part of the Company's revenue are derived from fixed priced contracts with foreign governmental entities. With increasing frequency, the Company finds a demand for its products in third world countries and developing nations which have an inherently more volatile and uncertain political and credit risk profile than the U.S. Government market with which the Company is accustom to conducting its business. While the Company seeks to minimize the collection risks on these contracts by normally securing significant advanced payments with the balance secured by irrevocable letters of credit, the Company cannot always be assured of receiving full payment for work that it has performed due to unforeseen credit and political risks . Should such a default on payments owed the Company ever occur, a significant effect on earnings, cash flows and cash balances may result.

Competition

Most all of the Company's products are positioned in niche markets which include strong elements of imbedded proprietary technology. In most of these markets, the Company competes with companies of significantly larger size, many of whom have substantially greater technical, marketing, and financial resources compared to similar resources available within the Company. This type of competition has resulted in and is expected to continue to result in significant price competition.

Liquidity and Capital Resources

As of September 30, 1996, the Company had approximately $25 million in cash, short-term investments and long term investment. At September 30, 1996, the Company had standby letters of credit outstanding of approximately $4.4 million. These standby letters of credit are collateralized by the Company's cash or short-term investments. See further discussion in Note 8 of the Notes to Consolidated Financial Statements. The fiscal 1996 year end accounts payable balance is approximately three times the balance at fiscal year end 1995. The growth in this balance is attributable almost entirely to obligations the Company has accrued, but not yet paid to subcontractors on its spectrum monitoring business. As the Company completes its obligations on these contracts, the payables and cash or cash equivalents balances are expected to return to levels more consistent with those experienced prior to fiscal 1996. The Company currently believes that its cash and expected cash flow from operations will be sufficient to fund its operations through fiscal 1997.

A significant portion of the Company's sales is associated with long-term contracts and programs in which there are significant inherent risks. These risks include the uncertainty of economic conditions, dependence on future appropriations and administrative allotments of funds, changes in governmental policies, difficulty of forecasting costs and work schedules, product obsolescence, and other factors characteristic of the industry. Contracts with agencies of the U.S. Government or with prime contractors working on U.S. Government contracts contain provisions permitting termination at any time for the convenience of the Government. No assurance can be given regarding future financial results as such results are dependent upon many factors, including economic and competitive conditions, incoming order levels, shipment volume, product margins and foreign exchange rates.

The large size of certain of the Company's orders makes it possible that a single contract termination, cancellation, delay, or failure to perform could have a significant adverse effect on revenue, results of operations, and the cash position of the Company.

A portion of the Company's revenue are derived from governments in areas of political instability. The Company generally attempts to reduce the risks associated with such instability by requesting advance payment if appropriate, as well as letters of credit or central government guarantees. Most of the Company's overseas contracts provide for payments in U.S. dollars. However, in certain instances the Company, for competitive reasons, must accept payment in a foreign currency.

Management does not consider inflation to be a significant factor in its operations.

ITEM 8 - Financial Statements and Supplementary Data

See Index to Consolidated Financial Statements.

ITEM 9 - Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not applicable

PART III

ITEM 10 - Directors and Executive Officers of the Registrant

This information is included in Part I of this Report under the caption "Executive Officers of the Registrant who are not Directors" following Item 4, and/or will be included in the definitive Proxy Statement of Registrant filed with the Securities and Exchange Commission and is incorporated herein by reference.

ITEM 11 - Executive Compensation

This information will be included in the definitive Proxy Statement filed with the Securities and Exchange Commission and is incorporated herein by reference.

ITEM 12 - Security Ownership of Certain Beneficial Owners and Management

This information will be included in the definitive Proxy Statement filed with the Securities and Exchange Commission and is incorporated herein by reference.

ITEM 13 - Certain Relationships and Related Transactions

This information will be included in the definitive Proxy Statement filed with the Securities and Exchange Commission and is incorporated herein by reference.

PART IV

ITEM 14 - Exhibits, Financial Statement Schedules and Reports on Form 8-K

A. Financial Statements and Schedules

1. Consolidated Financial Statements as identified in the Index on Page F-1 of this report.

2. Financial Statement Schedules.

In accordance with Regulation S-X, individual financial statements of the Registrant and its subsidiaries and other financial statement schedules are not included herewith because (a) they are not applicable to or required of the Registrant or (b) the information required to be set forth therein is included in the financial statements or other schedules.

B. Reports on Form 8-K

Not applicable.

C. Exhibits

3.1 Restated Certificate of Incorporation of TCI International, Inc. (Incorporated by reference to Exhibit 3.1 to the Company's Form 10-K for fiscal year ended September 30, 1990; commission file number 0-10877)

3.2 Bylaws of Technology for Communications International, Inc. (Incorporated by reference to Exhibit 3.2 to the Company's Registration Statement on Form S-4 No. 33-11265)

3.3 Amendments to the Bylaws of TCI International, Inc. (Incorporated by reference to Exhibit 3.3 to the Company's Form 10-K for fiscal year ended September 30, 1988; commission file number 0-10877)

3.4 Amendment to Restated Certificate of Incorporation of TCI International, Inc. (Incorporated by reference to Exhibit 3.4 to the Company's Form 10-Q for the quarter ended March 31, 1992; commission file number 0-10877)

4.1 Rights Agreement between the Company and Bank of America, NT&SA, dated December 15, 1989 (Incorporated by reference to Exhibit 1 to the Company's Form 8-K dated January 5, 1990; commission file number 0-10877)

4.2 First Amendment to Rights Agreement between the Company and Bank of America, NT&SA. (Incorporated by reference to Exhibit 2 to the Company's Form 8, Amendment No. 1 dated October 7, 1991; commission file number 0-10877)

10.1 Amended and Restated Credit agreement between the Company and Wells Fargo Bank, National Associated. (Incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q for quarter ended June 30, 1994; commission file number 0-10877)

10.2 First Amendment to Credit agreement between the Company and Wells Fargo Bank, National Associated. (Incorporated by reference to Exhibit 10.6 to the Company's Form 10-Q for quarter ended

December 31, 1994; commission file number 0-10877)

10.3 Second Amendment dated April 14, 1995 to Credit agreement between the Company and Wells Fargo Bank, National Associated. (Incorporated by reference to Exhibit 10.17a to the Company's Form 10-K for fiscal year ended September 30, 1996; commission file number 0-10877)

10.4 Third Amendment and Addendum dated April 28, 1995 to Credit agreement between the Company and Wells Fargo Bank, National Associated. (Incorporated by reference to Exhibit 10.17b to the Company's Form 10-K for fiscal year ended September 30, 1996; commission file number 0-10877)

10.5 Fourth Amendment dated September 14, 1995 to Credit agreement between the Company and Wells Fargo Bank, National Associated. (Incorporated by reference to Exhibit 10.17c to the Company's Form 10-K for fiscal year ended September 30, 1996; commission file number 0-10877)

10.6 The Company's Stock Option Plan (1981) as amended. (Incorporated by reference to Exhibit 28(a) to the Company's Registration Statement on Form S-8 No. 33-11339 filed on December 29, 1988.)

10.7 Form of Incentive Stock Option Agreement under the Company's Stock Option Plan (1981). (Incorporated by reference to Exhibit 28(b) to the Company's Registration Statement on Form S-8 No. 33-11339 filed on December 29, 1988.)

10.8 Form of Non-Qualified Stock Option Agreement under the Company's Stock Option Plan (1981). (Incorporated by reference to Exhibit 28(c) to the Company's Registration Statement on Form S-8 No. 33-11339 filed on December 29, 1988.)

10.9 The Company's Employee Stock Ownership Plan (Incorporated by reference to Exhibit 99 to the Company's Registration Statement on Form S-8 No. 3-73484 filed on December 27, 1993.)

10.10 Amendment No. 1 to the Company's Employee Stock Ownership Plan dated as of October 1, 1992.(Incorporated by reference to Exhibit 10.6 to the Company's Form 10-K for fiscal year ended September 30, 1996; commission file number 0-10877)

10.11 Plan Amendment to the Company's Employee Stock Ownership Plan dated as of January 1, 1994.(Incorporated by reference to Exhibit 10.7 to the Company's Form 10-K for fiscal year ended September 30, 1996; commission file number 0-10877)

10.12 TCI's 401(k) Plan. (Incorporated by reference to Exhibit 10.21 to TCI's Form 10-K for the fiscal year ended September 30, 1986; commission file number 0-10877)

10.13 Amendments la, 1b, and 2 to the TCI International, Inc. 401(k) Plan. (Incorporated by reference to Exhibit 10.15 to the Company's Form 10-K for fiscal year ended September 30, 1988; commission file number 0-10877)

10.14 Directors' Indemnification Agreements and Addendum's dated November 29, 1990. (Incorporated by reference to Exhibit 10.21 to the Company's Form 10-K for fiscal year ended September 30, 1990; commission file number 0-10877)

10.15 Lease between Technology for Communications International and Justin M. Jacobs, Jr. DBA Caspian Investments, dated May 1, 1992. (Incorporated by reference to Exhibit 10.23 to the Company's Form 10-Q for the quarter ending March 31, 1992; commission file number 0-10877)

10.16 Lease between Technology for Communications International and RREEF USA FUND-II Inc. dated May 1, 1992. (Incorporated by reference to Exhibit 10.24 to the Company's Form 10-Q for the quarter ending March 31, 1992; commission file number 0-10877)

10.17 Purchase agreement dated December 28, 1995 between Technology for Communications International and Ministry of Communications, The Communications Fund, Colombia.

22 List of subsidiaries of TCI International, Inc.

23.1 Consent of KPMG Peat Marwick LLP

23.2 Consent of Deloitte & Touche LLP

TCI INTERNATIONAL, INC.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF KPMG PEAT MARWICK LLP

To the Stockholders and Board of Directors of TCI International, Inc.:

We have audited the accompanying consolidated balance sheet of TCI International, Inc. and subsidiaries as of September 30, 1996, and the related consolidated statements of operations, stockholders' equity and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 1996 consolidated financial statements referred to above present fairly, in all material respects, the financial position of TCI International, Inc. and subsidiaries as of September 30, 1996, and the results of their operations and their cash flows for the year then ended in conformity with generally accepted accounting principles.

KPMG Peat Marwick LLP

November 8, 1996
Palo Alto, California

REPORT OF DELOITTE & TOUCHE LLP

To the Stockholders and Board of Directors of TCI International, Inc.:

We have audited the consolidated balance sheet of TCI International, Inc. and its subsidiaries as of September 30, 1995, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the two years in the period ended September 30, 1995. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of TCI International, Inc. and its subsidiaries at September 30, 1995, and the results of their operations and their cash flows for each of the two years in the period ended September 30, 1995 in conformity with generally accepted accounting principles.

In fiscal 1994, the Company adopted Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes," and Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities," as described in Note 11 and 2, respectively, of the Consolidated Financial Statements.

Deloitte & Touche LLP

November 22, 1995
San Jose, California

<TABLE>

TCI INTERNATIONAL, INC.
CONSOLIDATED BALANCE SHEETS

In thousands, except per share amounts September 30,	1996	1995
ASSETS		
<S>	<C>	<C>
Current assets:		
Cash and cash equivalents	$ 7,249	$ 3,598
(Includes restricted cash of $1,896 in 1996, $2,474 in 1995)		
Short-term investments	15,529	15,068
Accounts receivable:		
Billed	1,922	3,529
Unbilled	4,715	3,831
Inventories	5,179	4,282
Prepaid expenses	830	382
Total current assets	35,424	30,690
Property and equipment, net	1,566	1,592
Long-term marketable securities	1,788	0
Other assets	414	91
Total assets	$ 39,192	$ 32,373
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 6,123	$ 1,900
Customer deposits and billings on uncompleted contracts in excess of revenue recognized	3,336	1,754
Accrued liabilities	3,719	3,864
Total current liabilities	13,178	7,518
Commitments and contingencies (Notes 8 and 10)		
Stockholders' equity:		
Common stock:		

Authorized - 5,000 shares, $.01 par value		
Issued - 3,281 shares in 1996		
3,281 shares in 1995	11,780	11,780
Shares held in treasury at cost - 102 shares in 1996;		
142 shares in 1995	(455)	(634)
Retained earnings	14,723	13,702
Net unrealized gain (loss) on investments	(34)	7
Total stockholders' equity	26,014	24,855
Total liabilities and stockholders' equity	$ 39,192	$ 32,373

</TABLE>

See accompanying Notes to Consolidated Financial Statements.

<TABLE>

TCI INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

In thousands, except per share amounts

Years ended September 30,	1996	1995	1994
<S>	<C>	<C>	<C>
Revenue	$ 32,695	$ 29,354	$ 25,562
Operating costs and expenses:			
Cost of revenue	21,856	18,672	15,798
Marketing, general and administrative	10,941	10,348	9,555
	32,797	29,020	25,353
Income (loss) from operations	(102)	334	209
Investment income, net	1,602	1,072	691
Income before provision for income taxes	1,500	1,406	900
Provision for income taxes	444	95	144
Income before change in accounting for income taxes	1,056	1,311	756
Change in accounting for income taxes (SFAS 109)	0	0	1,511
Net income	$1,056	$1,311	$2,267
Per share:			
Income before change in accounting for income taxes	$.31	$.39	$.23
Net income	$.31	$.39	$.68
Shares used in per share computations	3,366	3,400	3,335

</TABLE>

See accompanying Notes to Consolidated Financial Statements

<TABLE>

TCI INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

In thousands

	Common Stock		Common Stock in Treasury		Retained	Net Unrealized Gain (Loss) on	
	Shares	Amount	Shares	Amount	Earnings	Investments	Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Balances at September 30, 1993	3,440	$12,350	0	$ 0	$10,270	$ 0	$22,620
Repurchase and retirement							

of common stock	(104)	(374)	0	0	(54)	0	(428)
Repurchase of common stock for treasury stock	0	0	(78)	(311)	0	0	(311)
Stock options exercised	5	17	0	0	0	0	17
Net unrealized loss on investments	0	0	0	0	0	(93)	(93)
Net income	0	0	0	0	2,267	0	2,267
Balances at September 30, 1994	3,341	11,993	(78)	(311)	12,483	(93)	24,072
Retirement of treasury stock	(60)	(213)	60	262	(49)	0	0
Repurchase of common stock for treasury stock	0	0	(164)	(764)	0	0	(764)
Stock options exercised	0	0	40	179	(43)	0	136
Net unrealized gain on investments	0	0	0	0	0	100	100
Net income	0	0	0	0	1,311	0	1,311
Balances at September 30, 1995	3,281	11,780	(142)	(634)	13,702	7	24,855
Stock options exercised	0	0	40	179	(35)	0	144
Net unrealized loss on investments	0	0	0	0	0	(41)	(41)
Net income	0	0	0	0	1,056	0	1,056
Balances at September 30, 1996	3,281	$11,780	(102)	$(455)	$14,723	$(34)	$26,014

</TABLE>

See accompanying Notes to Consolidated Financial Statements.

<TABLE>

TCI INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

In thousands

Year ended September 30,	1996	1995	1994
Cash flows from operating activities:			
<S>	<C>	<C>	<C>
Operations:			
Net income	$ 1,056	$ 1,311	$ 2,267
Reconciliation to cash provided by (used in) operations:			
Depreciation and amortization	557	644	736
Gain on properties held for resale	0	0	(363)
Gain on sale of investments	0	(32)	(82)
Effect of change in accounting for income taxes (SFAS 109)	0	0	(1,511)
Changes in assets and liabilities:			
Accounts receivable	723	(1,739)	7,324
Refundable income taxes	0	739	46
Inventories	(897)	619	715
Prepaid expenses and other assets	(771)	102	(18)
Accounts payable	4,223	(268)	699
Customer deposits and billings on uncompleted			

contracts in excess of revenue recognized	1,582	(724)	(1,274)
Accrued liabilities	(145)	(659)	(225)
Cash provided by (used in) operations	6,328	(7)	8,314
Cash flows from investing activities:			
Purchases of property and equipment	(531)	(347)	(275)
Purchases of short-term and long-term investments	(23,266)	(32,830)	(9,874)
Proceeds from sale of short-term investments	0	2,564	689
Proceeds from maturity of short-term investments	20,976	26,260	1,174
Proceeds from sale of buildings	0	0	1,725
Other	0	0	57
Cash used in investing activities	(2,821)	(4,353)	(6,504)
Cash flows from financing activities:			
Repurchases of common stock	0	(764)	(739)
Stock options exercised	144	136	17
Cash provided by (used in) financing activities	144	(628)	(722)
Net increase (decrease) in cash and cash equivalents	3,651	(4,988)	1,088
Cash and cash equivalents at beginning of year	3,598	8,586	7,498
Cash and cash equivalents at end of year	$ 7,249	$ 3,598	$ 8,586

</TABLE>

See accompanying Notes to Consolidated Financial Statements.

TCI INTERNATIONAL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Significant Accounting Policies

Principles of Consolidation - The consolidated financial statements include the accounts of TCI International, Inc. and its subsidiaries (collectively, the "Company"). The Company manufactures and markets signal collection systems, spectrum and frequency management systems, special purpose communications systems, and antennas and related equipment for high-power broadcasting, over-the-horizon radar, and short-wave communication. The Company's products historically have been sold primarily to U.S. and foreign government agencies, and to a lesser extent, commercial broadcast entities. The Company has three wholly-owned subsidiaries, Technology for Communications International ("TCI"), BR Communications ("BR"), and TCI Wireless ("TCIW"). All significant intercompany balances and transactions have been eliminated.

Although for presentation purposes the Company has indicated its year end as September 30, its fiscal year actually ends on the Sunday nearest to September 30. The Company's fiscal for 1996, 1995, and 1994 ended on September 29, October 1, and October 2, respectively.

Cash Equivalents - Cash equivalents consist of money market investments, government securities, and commercial paper purchased with a maturity at the date of acquisition of less than 90 days. The restricted cash represents the amount held as collateral for stand-by letters of credit at the end of the fiscal year.

Revenue Recognition - Revenue and costs under cost-reimbursable type contracts are recognized as costs are incurred and include applicable fees. Revenue from contracts calling for delivery of standard products are recognized as the product is shipped. Revenue and costs under certain long-term fixed-price contracts are recognized on the percentage-of-completion method, based on total direct and indirect production costs incurred. Amounts in excess of agreed upon contract price for customer-directed changes, constructive changes, customer delays or other causes of additional contract costs are recognized in contract value if it is probable that a claim for such amounts will result in additional revenue and the amounts can be reasonably estimated. Revisions in cost and profit estimates are reflected in the period in which the facts requiring the revision become known and are estimable. Losses on contracts are recorded when identified.

Risks Associated with Long-Term Contracts - A significant portion of the Company's revenue has been associated with long-term contracts and programs in which there are significant inherent risks. These risks include the uncertainty of economic conditions, dependence on future appropriations and administrative allotment of funds, changes in governmental policies, difficulty of forecasting costs and work schedules, product obsolescence, and other factors characteristic of the industry. To offset the expected downturn in revenue from the sales of signal collection systems, antenna systems, and special communications equipment to the U.S. Government, the Company will increasingly focus on overseas and commercial sales. However, many overseas customers are also experiencing reductions in their defense equipment budgets. Contracts with the U.S. Government are, by their terms, subject to termination by the U.S. Government either for its convenience or for default by the contractor. Additionally, costs incurred under U.S. Government contracts are subject to audit. Management believes the results of such audits, when conducted, will not have a material effect on the Company's financial results (see Note 6).

A portion of the Company's revenue are derived from governments in areas of political instability. The Company generally attempts to reduce the risks associated with such instability by requesting advance payment if appropriate, as well as letters of credit or central government guarantees. Most of the Company's overseas contracts provide for payments in U.S. dollars. However, in certain instances the Company, for competitive reasons, must accept payment in a foreign currencies. Foreign currency gains and losses have not been significant for any of the periods reported.

The large size of certain of the Company's orders make it possible that a single contract termination, cancellation, delay, or failure to perform may significantly affect management's estimates and the Company's performance.

Research and Development Expenses - Marketing, general and administrative expenses include independent (not directly related to or funded by a customer contract) research and development costs of $1,976,000 in fiscal 1996 $1,830,000 in fiscal 1995, and $1,512,000 in fiscal

1994.

Inventories - Inventories are stated at the lower of cost (first-in, first-out basis) or market and include material, labor, and overhead.

Property and Equipment - Property and equipment are stated at cost and are depreciated or amortized using the straight-line method over the following estimated useful lives:

	Years
Machinery and equipment	3 - 10
Leasehold improvements	Life of lease

Income Taxes - Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Net Income per Share - Net income per share is computed based on the weighted average number of common shares outstanding and common equivalent shares outstanding during the period. Common equivalent shares consist of the dilutive effect of stock options.

Financial Instruments - Due to the short maturities of the Company's financial instruments, including cash and cash equivalents, short-term investments, accounts receivable, accounts payable, and accrued liabilities, the carrying amounts approximate the fair value of the instruments. The long-term marketable securities are carried at fair value.

Use of Estimates - The Company's management has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with generally accepted accounting principles. Actual results could differ from those estimates.

Recent Accounting Pronouncement - In March 1995, the Financial Accounting Standards Board issued SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of." SFAS No. 121 will be effective for fiscal years beginning after December 15, 1995, and requires long-lived assets to be evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Company will adopt SFAS No. 121 in fiscal 1997 and does not expect it to have a material effect on the Company's results of operations or financial position.

2. Short-term and Long-term Investments

The Company classifies its investments as "available-for-sale securities" and the carrying value of such securities has been adjusted to fair market value. The resulting change in fair market value is reported as a separate component of stockholders' equity.

The amortized cost, gross unrealized holding gains, gross unrealized holding losses and fair value for available-for-sale securities by major security type at September 30, 1996 and September 30, 1995, were as follows:

<TABLE>

September 30, 1996 (In thousands)	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
Short-term investments:				
Certificate of deposits	$6,514	$0	$ 5	$6,509
Commercial paper	999	0	0	999
Corporate bonds	5,015	0	0	5,015
Government bonds	1,995	0	5	1,990
Municipal bonds	1,016	0	0	1,016
	15,539	0	10	15,529
Long-term investments:				
Government bonds	1,812	0	24	1,788
	$17,351	$0	$34	$17,317

September 30, 1996 (In thousands)	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
Short-term investments:				
Certificate of deposits	$4,235	$0	$0	$4,235
Commercial paper	3,848	0	3	3,845
Corporate bonds	3,065	3	0	3,068
Government bonds	2,913	7	0	2,920
Municipal bonds	1,000	0	0	1,000
	$15,061	$10	$3	$15,068

</TABLE>

The short-term and long-term cash management portfolio is managed by a securities investment firm which invests primarily in stocks and bonds based upon the Company's investment guidelines. The securities are of investment quality to ensure safety of principal and are selected by the firm, who has been given semi-discretionary authority to manage assets in the portfolio.

Cash equivalents and short term investments totaling $4,620,000 are held by banks as collateral for outstanding stand-by letters of credit (see Note 8).

Investment income consists of the following:

Year ended September 30,	1996	1995	1994
	(In thousands)		
Interest income and other	$1,602	$1,040	$ 609
Realized gain on sale of securities	0	32	82
	$1,602	$1,072	$ 691

3. Accounts Receivable

Accounts receivable contain amounts which are billed in accordance with the terms of the related contracts, which may allow for progress billings upon shipment, billings upon completion, or other billing arrangements. Such amounts are classified as billed accounts receivables. Unbilled accounts receivables represent revenue recognized generally under a percentage of completion basis which, based upon the terms of the related contracts are not yet billable.

Certain U.S. Government contracts contain a retainage provision, whereby a portion of the contract value is not paid until completion and acceptance by the customer. As of September 30, 1996 and 1995 accounts receivable included $122,000 and $444,000 of contract retentions receivable. As of September 30, 1996, approximately $83,000 of such retainages are not expected to be collected within one year.

4. Inventories

Inventories consist of the following:

September 30,	1996	1995
	(In thousands)	
Material and component parts	$3,726	$3,336
Work in process	1,453	946
	$5,179	$4,282

5. Property and Equipment

Property and equipment consist of the following:

September 30,	1996	1995
	(In thousands)	
Machinery and equipment	$8,690	$8,230
Leasehold improvements	375	375
	9,065	8,605
Accumulated depreciation and amortization		
	(7,499)	(7,013)
	$1,566	$1,592

6. Export Revenue and Revenue from Major Customers

Revenue were derived from sales to customers located in the following geographic areas:

Year ended September 30,	1996	1995	1994
		(In thousands)	
United States	$14,977	$18,127	$13,782
Europe	2,848	3,945	1,229
Middle East	543	1,296	1,012
Africa	3,757	1,915	4,263
Asia/Pacific Basin	3,961	3,746	3,677
South America	6,585	166	1,298
Other	24	159	301
	$32,695	$29,354	$25,562

Sales under U.S. Government prime contracts and subcontracts accounted for 42%, 60%, and 52% of the Company's total revenue in 1996, 1995, and 1994, respectively, of which the U.S. Government prime contracts accounted for 32%, 45%, and 22%, respectively. Revenue from contracts with the United States Information Agency (prime contracts and subcontracts) represented 23%, 18% and 33% of the Company's total revenue for 1996, 1995, and 1994, respectively.

Revenue from one commercial customer represented 19% of the Company's total revenue for fiscal 1996.

7. Accrued Liabilities

Accrued liabilities consist of the following:

September 30,	1996	1995
	(In thousands)	
Accrued contract costs	$1,455	$1,642
Compensation and employee benefit plans	1,070	1,077
Accrued vacation	816	756
Other	378	389
	$3,719	$3,864

8. Bank Credit Agreements

The Company has a bank credit agreement which expires on January 1, 1998 that provides a fully secured credit facility for the issuance of stand-by letters of credits up to $7,000,000. This credit facility is secured by the Company's cash or short-term investment portfolio.

At September 30, 1996, there were outstanding stand-by letters of credit of approximately $4,400,000 held as performance and payment bonds. The stand-by letters of credit expire at various dates through 2000; however, certain performance bonds are automatically renewable until canceled by the beneficiary.

9. Employee Benefit Plans

The Company's operating subsidiaries make contributions to their respective Employee Stock Ownership Plans (ESOP) subject to the approval of the Board of Directors. Accrued contributions were $200,000 for fiscal 1996, $200,000 for fiscal 1995, and $100,000 for fiscal 1994. As of September 30, 1996, the ESOP owns 603,404 of the Company's outstanding shares.

The Company has a 401(k) Plan (the Plan) covering all employees of the Company. The Plan provides for voluntary salary reduction contributions of up to 15% of eligible participants' annual compensation. The Company makes matching contributions of up to 2% of participants' annual compensation. The Company's accrued contributions to the Plan were $136,000 for fiscal 1996, $126,000 for fiscal 1995, and $64,000 for fiscal 1994.

Under the Company's Stock Option Plan, options may be granted to employees at not less than fair market value at the grant date. Most options vest ratably over an eight year period and expire ten years after the date of the grant. Activity in the Company's option plan is as follows:

	Shares	Option Price
Options Outstanding at September 30, 1993		
	664,870	$2.25 - $11.14
Granted	10,000	4.125
Exercised	(4,900)	3.375
Canceled	(90,680)	3.375 - 11.14
Options Outstanding at September 30, 1994		
	579,290	2.25 - 11.00
Granted	303,000	4.25 - 8.75

Exercised	(40,200)	3.375
Canceled	(66,440)	3.375 - 11.00
Options Outstanding at September 30, 1995		
	775,650	2.25 - 9.50
Granted	181,000	6.75 - 6.88
Exercised	(40,000)	3.375 - 4.25
Canceled	(107,850)	3.375 - 9.50
Options Outstanding at September 30, 1996		
	808,800	$2.25 - $9.50

At September 30, 1996, options for 300,218 shares were exercisable at prices ranging from $2.25 to $9.50 per share and 159,735 shares were available for future grant.

10. Commitments and Contingencies

The Company leases certain of its facilities and equipment under operating leases which expire at various dates through fiscal 2000 and require the following minimum payments:

Year Ending September 30,	Amounts (in thousands)
1997	$ 581
1998	538
1999	448
2000	315
	$1,882

Rental expense was $610,000, $601,000, and $568,000 in fiscal 1996, 1995, and 1994, respectively.

On December 14, 1994, the California Regional Water Quality Control Board for the San Francisco Bay Region adopted an order naming the Company as a potentially responsible party (PRP), along with several other parties, for ground water contamination in the vicinity of a property the Company formerly occupied as a tenant in Mountain View, California. The Company contends that it is not responsible for any such contamination. In a related development in early fiscal 1995, the Regional Water Board ordered the current owner of the property to conduct a program of soil sampling to determine if the site is currently a source of ground water contamination. The results of this sampling program were reviewed by and summarized in a letter from the Regional Water Board dated October 11, 1995 in which it concluded that the current levels of contamination do not indicate the site is a source of ground water contamination presently, and as a result, no further investigative or remedial action is necessary. However, in its correspondence the Regional Water Board refused to rule out the possibility that the site was a source of contamination in the past and as such it has left the matter to be resolved through binding arbitration. Being named as a PRP could result in the Company becoming subject to a subsequent final order from the Regional Water Board or a defendant in a civil lawsuit in which others might seek to recover from the Company a portion of the costs spent on investigating and cleaning up the contamination. Because there is currently no proposal to impose a final binding regulatory order on the Company, it is not possible to predict either the outcome of the current regulatory proceedings or to estimate with any certainty whether the Company will ultimately be judged to be liable for any portion of the investigation and remediation costs associated with the subject site. There have been no further developments on this issue since October 1995.

During 1990, the Company received a notice from an overseas customer stating that the Company had not fulfilled certain requirements of a $6,000,000 contract. No legal proceedings have been initiated on this claim. The Company believes, based upon a review of the customer's claim and consultation with legal counsel, that the liability, if any, relating to this claim would not have a material adverse effect on its results of operations or its financial position.

The Company is from time to time involved in routine litigation or threatened litigation arising from the ordinary course of its business. Such matters, if decided adversely to the Company, would not, in the opinion of management, have a material adverse effect on the financial condition of the Company.

11. Income Taxes

In fiscal year 1994 the Company adopted SFAS No. 109 "Accounting for income taxes" which requires an asset and liability method of accounting for deferred income taxes. The cumulative effect of the change was the reversal of previously recorded deferred tax liabilities resulting in an increase in net income of $1,511,000 or $.45 per share.

The Company has net operating loss carryforwards for federal income tax purposes of approximately $190,000 which expire through 2008.

The provision for federal income taxes for the years ended September 30, 1996, 1995, and 1994, consist of the following:

Years ended September 30,	1996	1995	1994
	(In thousands)		
Current:			
Federal	396	86	140
State	48	9	4
	444	95	144
Deferred:			
Federal	0	0	0
State	0	0	0
	0	0	0
Total	$ 444	$ 95	$ 144

The effective tax rate differed from the statutory federal income tax rate due to the following:

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Year ended September 30,	1996	1995	1994
Statutory federal rate	35%	35%	35%
State taxes, net of federal benefit	6	6	6
Net operating loss not utilized	6	(36)	(23)
Foreign sales corporation	(19)	0	0
Alternative minimum tax	2	2	3
Other	0	0	(5)
Effective income tax rate	30%	7%	16%

</TABLE>

TCI INTERNATIONAL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Deferred income taxes reflect the net tax effects of (a) temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, and (b) operating loss and tax credit carryforwards. Significant components of the Company's net deferred taxes are as follows:

Year ended September 30,	1996	1995
	(In thousands)	
Deferred tax assets:		
Net operating loss carryforward	72	35
Long-term contracts	697	347
Accruals not currently deductible	1,385	1,249
	2,154	1,631
Deferred tax liabilities:		
Differences in tax basis of property, plant and equipment	115	140
	115	140
Valuation allowance	2,039	1,491
Net deferred taxes	0	0

A valuation allowance has been recorded for the entire deferred tax asset as a result of uncertainties regarding the realization of the asset due to the lack of consistent earnings history for the Company. The net change in the total valuation allowance for the years ended September 30, 1996 and September 30, 1995 was an increase of $548,000 and a decrease of $743,000, respectively.

Cash payments for income taxes were $934,000 in 1996, $25,000 in 1995 and a net cash receipts from income tax refund of $73,000 in 1994.

Pursuant to the requirements to Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TCI International, Inc.

Date: December 27, 1996   By: /s/ John W. Ballard, III
John W. Ballard, III
Chief Financial Officer
(Principal Financial and
Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
/s/ John W. Ballard (John W. Ballard)	President and Director (Principal Executive Officer)	12/27/96
/s/ E.M.T. Jones (E.M.T. Jones)	Director	12/27/96

/s/ Hamilton W. Budge (Hamilton W. Budge)	Director	12/27/96
/s/ Asaph H. Hall (Asaph H. Hall)	Director	12/27/96
/s/ Alan C. Peyser (Alan C. Peyser)	Director	12/27/96
/s/ Donald C. Cox (Donald C. Cox)	Director	12/27/96
/s/ John W. Ballard, III (John W. Ballard, III)	Director	12/27/96
/s/ Slobodan Tkalcevic (Slobodan Tkalcevic)	Director	12/27/96

Ref: Form 10-K 1996

TCI INTERNATIONAL, INC.

EXHIBIT INDEX

Number	Exhibit
22	List of Subsidiaries of TCI International, Inc.
23.1	Consent of KPMG Peat Marwick LLP
23.2	Consent of Deloitte & Touche LLP

EXHIBIT 22

LIST OF SUBSIDIARIES OF TCI INTERNATIONAL, INC.

- Technology for Communications International, a California corporation (TCI)

- BR Communications, a California corporation (BR)

- TCI Wireless, a California corporation (TCIW)

EXHIBIT 23.1

CONSENT OF KPMG PEAT MARWICK LLP

We consent to the incorporation by reference in the registration statements (Nos. 33-73484, 33-26353, 33-11339, 2-98005 and 2-80875) on Form S-8 of TCI International, Inc. of our report dated November 8, 1996, relating to the consolidated balance sheet of TCI International, Inc. and subsidiaries as of September 30, 1996, and the related consolidated statements of operations, stockholders' equity, and cash flows for the year then ended, which report appears in the September 30, 1996 annual report on Form 10-K of TCI International, Inc..

KPMG Peat Marwick LLP

December 27, 1996
Palo Alto, California

EXHIBIT 23.2

CONSENT OF DELOITTE & TOUCHE LLP

We consent to the incorporation by reference in Registration Statement (Nos. 33-73484, 33-26353, 33-11339, 2-98005 and 2-80875) of TCI International, Inc. on Forms S-8 of our report dated November 22, 1995, which includes an explanatory fourth paragraph concerning a change in accounting for income taxes and investments, appearing in this Annual Report on Form 10-K of TCI International, Inc. for the year ended September 30, 1996.

Deloitte & Touche LLP

December 23, 1996
San Jose, California

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EXHIBIT 10.17 for September 30, 1996 10-K

COLOMBIAN SPECTRUM MANAGEMANT AND CONTROL CONTRACT

CONTRACT No. 071

CONTRACTOR: Technology for Communications International (TCI)

OBJECT: Procurement by the Communications Fund of an Automatic Management and Control System of the RadioElectric Spectrum, including its design, supply and installation, training, maintenance and commissioning (1)

AMOUNT: US$ Seventeen million, one hundred seventy-two thousand, seven hundred eighty-four (US$ 17,172,784.00)

Between the undersigned, ARMANDO BENEDETTI JIMENO, identified with Citizenship Card No. 17.125.181 of Bogota in his capacity(2) as Minister of Communications, and for the purposes of this contract as the legal representative of THE COMMUNICATIONS FUND, a national public agency registered to the MINISTRY OF COMMUNICATIONS, created through Decree No. 1901 of 1990, regulated by Decree No. 313 of 1991, duly empowered by Law 80 of 1993 (hereinafter THE FUND) as one party, and as the other GEORG MORTEN KIER, identified with Foreign Citizenship Card No. 66973, in his capacity as legal representative of INSTRUMENTACION LIMITADA, a company with principal domicile in Colombia, which acts as the representative of Technology for Communications International (the latter company which shall hereinafter be referred to as THE CONTRACTOR) in Public Tender No. 004 of 1995 of THE FUND, with the purpose of contracting the procurement of an automatic system for the management and control of the radioelectric spectrum (hereinafter THE TENDER(3)) in the terms of the power of attorney contained in Folios A-5 and A-6 of the file entitled "SYSTEM FOR THE MANAGEMENT AND CONTROL OF THE SPECTRUM. Section A, Presentation Letters, Legal Documents and Table of Contents" of the proposal submitted by THE CONTRACTOR for THE TENDER and in the other relevant documents, and based on the following considerations:

1) That through Resolution No. 00280 of April 21, 1995 amended by Resolution No. 00282 of May 10, 1995, the

Director of the FUND ordered the opening of the TENDER.

2) That the TENDER was opened on May 26 at 10:am and was closed on September 15 of 1995 at 3:pm. 3) That on the Fourth (4th) day of December of 1995, within the legal term for award, the public hearing(4) for THE TENDER award took place as set forth in Article 30 of Law 80, 1993, numeral 10, and during which the Tender and Acquisitions Board of the Ministry of Communications recorded in the corresponding Minutes, prior relevant Legal, Technical and Economic reviews, a recommendation to the Minister of Communications to award THE TENDER to the CONTRACTOR, as was actually done through Resolution No. 01126 of December 7th. of 1995 of the FUND; we have decided to enter into this Contract (hereinafter THE CONTRACT) which shall be governed by the following clauses:

1st. CLAUSE - OBJECT: THE CONTRACT has the purpose of procuring, by the FUND, of an Automatic System for the Management and Control of the Radioelectric Spectrum including the design, supply, installation, training, maintenance and commissioning in accordance with that provided for the Annex and the CONTRACTOR proposal.

2nd. CLAUSE - DURATION OF THE CONTRACT : The period(5) of duration of this CONTRACT will be until the thirty (30) of November 1997.

3rd CLAUSE - PERFORMANCE TIME(6): The execution of the object of the CONTRACT is that of the schedule(7) presented by the CONTRACTOR in his proposal.

4th. CLAUSE - VALUE OF CONTRACT: the value of THE CONTRACT is the sum Seventeen million, one hundred seventy-two thousand, seven hundred eighty-four United States of America dollars (US$ 17,172,784.00), and which includes VAT(8)

5th. CLAUSE - BUDGETARY APPROPRIATION. The value shall be paid with charge to the budget of the FUND, and the Finance Fund for Development Projects(9) as follows: a) certificate of Budget Availability 708 for the value of three thousand four hundred thirty-five million pesos (COLP 3,435,000,000.00), program 0211, subprogram 0400, project 002 resource 90, issued on 28th(10) December 1995 by the Finance Division of the Ministry of Communications, fiscal validity 1995; b) certificate of Budget Availability 709 for the value of two thousand million pesos (COLP 2,000,000,000.00), program 0211, subprogram 0400, project 002 resource 99, issued on

28th(11) December 1995 by the Finance Division of the Ministry of Communications, fiscal validity 1995; c) certificate of Budget Availability 710 for the value of five thousand fifty million eight hundred thousand pesos (COLP 5,050,000,000.00), program 0211, subprogram 0400, project 001 resource 90, issued on 28th December 1995 by the Finance Division of the Ministry of Communications, fiscal validity of 1995 d) certificate of Budget Availability 720 for the value of three hundred one million pesos (COLP 301,000,000.00), program 0211, subprogram 0400, project 002 resource 90, issued on 28th December 1995 by the Finance Division of the Ministry of Communications, fiscal validity 1995; e) certificate of Budget Availability 538 for the value of one thousand nine hundred ninety-three million two hundred fifteen thousand one hundred forty pesos (COLP 1.993,215,140.00), purpose " Control management and automation of the Radioelectric Spectrum", agreement Fonade-Mincomunicaciones, issued 28 December 1995 by Budget of Finance Fund for Development Projects FONADE with validity to 1995 and base on an Inter administration Contract signed 28 December 1994; f) Authorization for future validities of the Estate(12) and Public Credit of 25 May 1995, report No. 21-532, through the powers of the Executive Secretariat of the Superior Board of Fiscal Policy-CONFIS per resolution 003 of 24 September 1991, as follows: for the value of three thousand two hundred twenty four million one hundred sixty-nine thousand pesos (COLP 3,224,169,000), program 0211, subproject 0400, project 001, resource 90 and for the value of three thousand one hundred thirty million five hundred thirty-nine thousand pesos (COLP 3,130,539,000), program 0211, subproject 0400, project 002, resource 90.

Paragraph: The budgetary register corresponding to the foregoing a), b), c) and d) will be provided by the Chief, Finance Division of the Ministry of Communications.

6th. CLAUSE - FORM OF PAYMENT. The price stipulated in the 4th Clause of THE CONTRACT shall be paid by the FUND in the following manner: a) the FUND shall deliver as advance payment the amount corresponding to fifty per cent (50%) of the total amount set forth in the 4th. Clause, and which corresponds to the supplies, once the requirements for execution of THE CONTRACT are fulfilled; b) Once the contractor accredits the nationalization(13) of the equipments, the amount corresponding to twenty percent (20%) of the total amount set forth in the 4th. Clause, c) The amount corresponding to the remaining thirty per cent (30%) of the amount set forth in the 4th. Clause once THE FUND receives the Act of Final Receipt(14) evidencing that all the hardware and software are completely installed and in perfect operating condition to complete satisfaction of the FUND. The Act of Final Receipt shall be prepared by the person or persons appointed by the FUND according to the 25th Clause.

1st Paragraph: The disbursement of cash to which the FUND is committed hereby, is subject to the budgetary appropriation for such and the FUND is obliged to include the necessary items in its annual expense project.

2nd Paragraph - The transport, insurance and all other expenses required to place the goods object of THE CONTRACT at the sites of installation will be at CONTRACTOR account.

3rd. Paragraph - For payments mentioned in b) and c) CONTRACTOR must inform the fund with prior notice of not less than 30 calendar days of the estimated dates when the payments will be due in accordance with the schedule proposed by the CONTRACTOR.

4th. Paragraph - Payment shall be made in Colombian Pesos at the Representative Market Exchange Rate on the date when each of the partial payments is caused as per this Clause, and in accordance with the certification of the Superintendent of Banks(15).

5th Paragraph: The Act of Final Receipt referred to in this Clause will include the acceptance of the system which will be made upon successful conclusion of the final acceptance tests in accordance the test plan and procedures which will be proposed by THE CONTRACTOR and which must be approved by THE FUND(16), and by the person or persons mentioned in the 25th Clause, before

7th. CLAUSE - INTEREST FOR DELAYS ON AMOUNTS NOT MADE ON TIME - If the payments as per the 6th Clause have not been made available to THE CONTRACTOR by THE FUND for withdrawal at the Treasury Section of the Ministry of Communications after fifteen (15) calendar days from them becoming due, interest at bank delay rates(17) as certified by the Superintendent of Banks will be recognized for THE CONTRACTOR from the date the payments were due and in the peso quantity of that date.

8th. CLAUSE - DELIVERY schedule: THE CONTRACTOR undertakes to deliver the goods and services to THE FUND in accordance with the schedule contained in the proposal , the time counting from when the down payment of the 6th. Clause is available for withdrawal at the Treasury Section of the Ministry of Communications.

9th. CLAUSE - THE FUND is responsible to make the necessary preparations, in accordance with the report and with the recommendations of THE CONTRACTOR, of the buildings and areas selected for the operation of the technical verification stations and in a manner which will not cause delays in the development of the schedule for the object of THE CONTRACT. Any work which will relate to the installation of the equipment, such as installing towers for antennas, cable ducts, false floors etc.(18), will be the responsibility of THE CONTRACTOR.

10th CLAUSE - FACTORY WARRANTY(19) - In case of damage or failures, THE CONTRACTOR undertakes to repair or replace all faulty parts(20) during the first year of operation of the contracted system, starting from the date of presenting to THE FUND the Act of Final Receipt as per the 6th Clause, and during which the necessary support will be equally given to software. As from the second year, the corrective and/or preventive maintenance may be provided by the contractor under another contract at the request of the fund.

1st Paragraph : This warranty does not apply: a) To any element which has been repaired, worked upon, disassembled or altered by individuals not authorized by THE CONTRACTOR; b) To any element which has been subject to misuse, negligence or accident not imputable to the Contractor; c) To any element which has not been connected, installed, used or adjusted pursuant to instructions given by the Contractor or where such procedures were not issued by the Contractor; d) to any element which has had its serial number altered, effaced or removed; e) failures of an element resulting from the additions to the system as made by THE FUND after the Act of Final Receipt mentioned in the 6th Clause of THE CONTRACT.

2nd. Paragraph. - Claims on elements under this guarantee must be attended to by THE CONTRACTOR in the terms expressed in his proposal.

11th. CLAUSE - SUBSTITUTION. - The Contractor may substitute the elements and equipment to be delivered in the development of the object of THE CONTRACT and listed in Annex 1 with prior written approval certified by the person(21) or persons referred to in the 25th Clause, as long as the Specifications are maintained or improved and as long as the substitution does not imply a modification in prices. The person or persons referred to in the 25th Clause may not deny authorization except for technical reasons duly justified.

12th CLAUSE - SOFTWARE LICENSE CONDITIONS. - THE CONTRACTOR grants THE FUND a license to use the software which must be delivered to THE FUND during the development of the object of THE CONTRACT for all the equipment to be supplied during the development of the object of THE CONTRACT and under the conditions contained in his proposal.

Paragraph - THE CONTRACTOR will provide the necessary back-up software on magnetic media in order to restore the system in case of failure and at all installations where it operates.

13th CLAUSE - FORCE MAJEUR OR FORTUITOUS CASES. - The obligations resulting from THE CONTRACT will be suspended during the time when any of the parties are unable to fulfill all or part of them due to force majeur or fortuitous cases. When such a situation arises, the schedules of the 2nd and 3rd Clauses of THE CONTRACT may be suspended, through mutual agreement by the signing of an act, for a period equal to the event which gave rise to the force majeur or fortuitous case as well as the time necessary to allow the execution of the object of THE CONTRACT to return to normal, but without calculating a suspension time for the schedules of the 2nd and 3rd Clause of THE CONTRACT.

1st. Paragraph: Force Majeur or fortuitous cases are understood to be such situations considered and defined in article 64 of the Civil Code modified by Article 1 of Law 95 of 1980.

2nd Paragraph: The party which invokes Force Majeur or a fortuitous case must inform the other: a) the events of cause within five (5) working days of happening, b) the estimated time of suspension of activities within thirty (30) working days from the same time, c) the estimated impact on the schedules of the 2nd. and 3rd. Clause of THE CONTRACT also within thirty (30) working days from the same.

3rd. Paragraph: The party which invokes Force Majeur or a fortuitous case must make all efforts to reduce the effects on the schedules of the 2nd. and 3rd. Clauses of THE CONTRACT and to continue as soon as possible compliance with the obligations derived from THE CONTRACT.

14th. CLAUSE - GUARANTEES WHICH THE CONTRACTOR MUST ESTABLISH - THE CONTRACTOR commits to establish in favor of THE FUND a guarantee in the form of a policy issued by an insurance company legally authorized to operate in Colombia and whose master policy is approved by the Superintendent of Banks, or through a Bank guarantee, and which must cover the following risks: a) In order to ensure fulfillment of each and every obligation established in THE CONTRACT, equivalent to ten per cent (10%) of the amount set forth in the 4th Clause, and valid throughout THE CONTRACT period starting from the date of signing(22) of the same, b) To guarantee the quality and correct functioning of the system object of THE CONTRACT, and valid for a period of two (2) years counted from the date of presenting the Act of Final Receipt as per the 6th. Clause to THE FUND, and of the amounts: for the first year the amount of fifty percent (50%) and for the second year the amount of five percent (5%) of the total value of THE CONTRACT. This guarantee will be drawn upon only by prior requirement of THE FUND and in the case that there is persistent failure to perform(23). The quality and correct functioning of the system is understood to mean an adequate concept to meet the purposes for which the system was contracted, c) To guarantee the salaries and social benefits of personnel which THE CONTRACTOR could employ in the country(24) for the execution of the object of THE CONTRACT for the value one hundred thousand US dollars (US$100,000.00) and valid throughout the period of performance of THE CONTRACT and three (3) more years counted from the time of receipt by THE FUND of the Act of Final Receipt per the 6th. Clause of THE CONTRACT, and d) To support(25) the proper management of the advance payment, in an amount equivalent to one hundred per cent (100%) thereof, valid for the period of THE CONTRACT.

15th clause: establishment and Extension of thE Guarantee: If the contractor refuses to establish or extend the guarantee when the FUND so demands, the contract will be considered as terminated at its current state without the FUND having to acknowledge or pay any indemnization.

16th CLAUSE - ASSIGNMENT(26): The rights and obligations deriving hereof may not be assigned by the Contractor without prior written consent from THE FUND.

17th CLAUSE - EFFECTS OF EXPIRATION(27).- THE FUND may declar the present CONTRACT expired by a motivated administrative act, without prior requirement or indemnification whatsoever favorable to the CONTRACTOR, and may order the application of any previously decreed fines and the amount of the Monetary Penalty Clause, when THE FUND considers the default on the part of the CONTRACTOR as causing consequences which seriously and directly effect the performance of THE CONTRACT and may lead to its paralyzation or cause damages to THE FUND or the Ministry of Communications, pursuant to Article 18 of Law 80, 1993.

18th CLAUSE - INTERPRETATION, AMENDMENT AND UNILATERAL TERMINATIONS: are deemed incorporated in this contract in accordance with that established in Articles 15-17 of Law 80, 1993.

19th CLAUSE: - FINES(28).- In the event of delay or noncompliance with any of the obligations the CONTRACTOR assumed under THE CONTRACT, the FUND shall impose successive fines of up to 0.25% per day and up to a total amount equivalent to ten per cent (10%)of the value of THE CONTRACT. Imposition of fines will be carried out through a motivated Resolution and will be subject to norms set forth in Law 80 of 1993 as regarding notices and recourse. The imposition of fines shall be made without prejudice to the declaration of administrative expiration which shall be at the FUND's discretion.

Paragraph - The amount of the fines will be proportional to the causes prompting the fines or the damages caused.

20th CLAUSE - MONETARY PENALTY(29) CLAUSE: In the event of grave noncompliance with any of the obligations resulting from THE CONTRACT or in the event of administrative declaration of expiration, THE FUND may apply as penalty an amount equivalent to ten per cent (10%) of the total amount of THE CONTRACT, an amount which shall enter the Treasury of the contracting institution and may be taken directly from the balance, if any, of credit to THE CONTRACTOR or from the guarantee established and if such is not possible, it will be collected through coercive jurisdiction.

21st. CLAUSE - DISQUALIFICATIONS(30) AND INCOMPATIBILITIES: THE CONTRACTOR states under oath that he is not affected by disqualifications and incompatibilities set forth in Article Eight (8) of Law 80, 1993 and that is subject to regulations set forth in Article Nine (9) of the same Law if a situation occurs as described in the Article of reference.

22nd. CLAUSE - CONTRACT LAW: THE CONTRACT will be governed by Colombian Laws and the jurisdiction of Colombian Tribunals.

1st Paragraph: Controversies which may arise during the performance of THE CONTRACT and in its execution, development, termination or liquidation will be presented to an arbitration tribunal seated in Santafe de Bogota in accordance with the rules of Colombian arbitration procedures; said tribunal will comprise three arbitrators as follows - one by each of the parties and one more named jointly.

2nd. Paragraph - If the parties do not manage to agree on naming the 3rd. arbiter, he will be named by the other two already named.

3rd. Paragraph - The expenses of the arbitration procedures will be divided in equal parts between the parties(31).

23rd CLAUSE - OF CONTRACTUAL EQUILIBRIUM. THE CONTRACT will maintain the equality and equivalence between rights and obligations which arise from proposing or contracting, as the case may be. If such equality or equivalence is broken through causes not imputable to the effected party, the parties will take the necessary measures to reestablish them as soon as possible and in such case the parties will sign the necessary agreements and pacts regarding amounts, conditions and forms of payment for additional costs, recognize financial costs and interest if applicable, adjusting the availability of appropriations referred to in number 14 of Article 25 of Law 80 of 1993. THE FUND must take measures necessary to assure such payments and their availability to THE CONTRACTOR in the same or next period as may be the case.

24th. CLAUSE - TAXES AND FEES - THE CONTRACTOR will pay all taxes, assessments, rights etc. without exception, which arise from the execution of the object of THE CONTRACT at his account.

25th CLAUSE - SUPERVISION OF THE EXECUTION OF THE OBJECT OF THE CONTRACT. - THE FUND will designate one or more persons to be in charge of supervising the correct execution of the object of THE CONTRACT and such will be informed to THE CONTRACTOR. The costs of said supervision are at the account of THE FUND.

26th. CLAUSE - FORMALIZATION(32) OF THE AGREEMENT: This Agreement shall be deemed formalized upon its signature by the contracting parties; for its performance(33), the CONTRACTOR is required to establish the guarantee as set forth in the 14th Clause herein and such must have been approved by the Legal office of the Ministry of Communications.

Paragraph: This Contract must be published in the Consolidated Contracts Daily(34) at the cost of the CONTRACTOR and this requirement shall be deemed fulfilled upon presenting the receipt for payment of the corresponding fees, within an unextendable term of ten (10) days from the signature of the same. The stamp tax will be deducted by the FUND from the downpayment mentioned in the 6th Clause of THE CONTRACT.

27th CLAUSE - LEGAL RELATIONSHIP BETWEEN THE PARTIES: No consortium, temporary union, partnership, de facto partnership, agency or any other legal concept which may result in a new corporation, are established nor intend to be established by the parties. Each of the parties is independent with its own organization and employees and therefore will assume responsibility for them, for the subcontractors which they may contract or any other person with which they may become related within the framework of THE CONTRACT, and shall maintain the other party free from any claim of such individuals or entities.

28th CLAUSE - TRAINING - The Contractor will train, during the time specified in the Schedule of the proposal, the group designated by THE FUND. THE FUND shall inform in writing giving the names of the participants of each course not less than thirty (30) calendar days before the beginning of each training course.

1st Paragraph - The dates of the courses may be modified by mutual consent of the parties. The event that the dates will not be met, the parties must establish a new date which must not be later than thirty (30) working days from the initial one.

2nd Paragraph: - THE FUND will designate the person or persons charged with issuing the certification of completion, within five (5) working days on concluding the corresponding course.

3rd Paragraph: - THE CONTRACTOR will assume the costs of travel, lodging and maintenance in accordance with THE FUND currently applicable norms.

29th CLAUSE - CONTRACT DOCUMENTS: The following documents are integral parts of the present contract, in the following order: The text of this contract and its Annex (containing 12 pages printed on one side), the Requirements Document, those of the process of selection and the proposal presented by the contractor.

30th. CLAUSE: - NOTICES. All communications between the parties relating to THE CONTRACT must be in writing and in the Spanish language. The communications which must be exchanged will be made to the following addresses:

TO THE FUND:
MINISTERIO DE COMUNICACIONES
SECRETARIA GENERAL
CARRERA 8 ENTRE CALLES 12A Y 13, PISO 4
EDIFICIO MURILLO TORO
TELEPHONE: 2824890 AND 2824654
2866911 EXT, 214/372
FAX 2882250
SANTAFE DE BOGOTA

THE CONTRACTOR:
TECHNOLOGY FOR COMMUNICATIONS INTERNATIONAL
INSTRUMENTACION LIMITADA
CALLE 115 #11A 10
TELEPHONE 6121313
FAX 6120805
SANTAFE DE BOGOTA

as approved and signed in Santa Fe de Bogota D.C. 28 December 1995

for THE COMMUNICATIONS FUND FOR THE CONTRACTOR ARMANDO BENEDETTI JIMENO GEORG MORTEN KIER

FOOTNOTES

(1) Sp. " puesta en servicio" - placed in service - translated as "commissioning" throughout.

(2) Sp. "condicion"

(3) Sp. "Licitacion"

(4) Sp. "audiencia publica"

(5) Sp. "termino" -

(6) Sp. "Plazo de Ejecucion" - execution time

(7) SP. "cronograma"

(8) Sp. "IVA" - Impuesto de Valor Agregado - Value Added Tax

(9) Sp. "Fondo Financiero de Proyectos de Desarrollo" - FONADE

(10) - note! -

(11) - note! -

(12) Sp "Hacienda"

(13) Sp. "nacionalizacion" - meaning having imported into Colombia.

(14) Sp. "Acta de Recibo Final" - really the Final Acceptance Certificate.

(15) Sp. "Superintendencia Bancaria"

(16) meaning that the Act must be signed by at least the Secretary General and whoever is designated as Inspector.

(17) Sp. "tasa de interes moratorio bancario"

(18) Note: 1) mention of "civil works" deleted; 2) text taken from Requirements Document...

(19) Sp. "GARANTIA DE FABRICA"

(20) Sp. " elementos fisicos"

(21) note: difference with footnote 15.

(22) Sp. "perfeccionamento" - formalizing, completing the formalities.

(23) Sp. "incumplimient"

(24) meaning Colombia..

(25) Sp. "amparar" - support, guarantee

(26) Sp. "cesion"

(27) Sp. "Caducidad" - Caducity - can't find the correct legal term.....

(28) Sp. "multas"

(29) Sp. "Penal Pecuniaria"

(30) Sp. "inhabilidades"

(31) ....Solomonical....

(32) SP. "Perfeccionamiento"

(33) Sp. "execucion" - execution

(34) Sp. "Diario Unico de Contratacion"