UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended December 31, 2004, or

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

Commission File Number 0-16106

APA ENTERPRISES, INC.
(Exact name of Registrant as specified in its charter)

MINNESOTA	41-1347235
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

2950 N.E. 84TH LANE, BLAINE, MINNESOTA 55449
(Address of principal executive offices and zip code)

(763) 784-4995
(Registrant's telephone number, including area code)

FORMER NAME: APA OPTICS, INC.
(FORMER NAME, FORMER ADDRESS, AND FORMER FISCAL YEAR END)

Indicate by check mark whether the registrant (1) 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 the filing requirement for the past 90 days.

Yes X No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes No X

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

Class:	Outstanding at February 7, 2005
Common stock, par value $.01	11,872,331

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

APA ENTERPRISES, INC.
CONSOLIDATED CONDENSED BALANCE SHEETS
(UNAUDITED)

	December 31, 2004	March 31, 2004
ASSETS		
Current assets:		
Cash and cash equivalents	$ 11,772,849	$ 13,544,910
Accounts receivable, net of allowance for uncollectible accounts of $44,530 at December 31, 2004 and $49,038 at March 31, 2004	1,230,198	1,787,541
Inventories	1,340,012	1,574,188
Prepaid expenses	148,195	174,503
Bond reserve funds	87,010	133,865
Total current assets	14,578,264	17,215,007
Property, plant and equipment, net	3,968,103	4,550,956
Other assets:		
Bond reserve funds	335,668	332,433
Goodwill	3,422,511	3,422,511
Other	514,331	562,609
	4,272,510	4,317,553
Total assets	$ 22,818,877	$ 26,083,516
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	$ 1,474,082	$ 1,637,923
Accounts payable	724,749	1,050,690
Accrued compensation	438,931	645,293
Accrued expenses	235,811	212,713
Total current liabilities	2,873,573	3,546,619
Long-term debt	118,045	173,836
Shareholders' equity:		
Undesignated shares	-	-
Preferred stock	-	-
Common stock	118,723	118,723
Additional paid-in capital	51,959,537	51,980,946
Accumulated deficit	(32,251,001)	(29,736,608)
Total shareholders' equity	19,827,259	22,363,061
Total liabilities and shareholders' equity	$ 22,818,877	$ 26,083,516

SEE ACCOMPANYING NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

APA ENTERPRISES, INC.
CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2004	2003	2004	2003
Revenues	$ 3,305,299	$ 3,301,955	$10,661,085	$ 8,430,517
Costs and expenses:				
Cost of sales	2,704,159	3,314,468	8,676,806	8,544,502
Research and development	314,151	248,128	725,954	657,092
Selling, general and	1,268,958	1,380,005	4,094,073	4,134,963

administrative				
	4,287,268	4,942,601	13,496,833	13,336,557
Loss from operations	(981,969)	(1,640,646)	(2,835,748)	(4,906,040)
Gain on sale of operations	-	-	208,314	-
Other income	84,952	39,781	197,465	146,478
Other expense	(30,612)	(40,408)	(80,843)	(93,598)
	54,340	(627)	324,936	52,880
Loss before income taxes	(927,629)	(1,641,273)	(2,510,812)	(4,853,160)
Income taxes	881	1,163	3,581	2,163
Net loss	$ (928,510)	$(1,642,436)	$(2,514,393)	$(4,855,323)
Net loss per share:				
Basic and diluted	($0.08)	($0.14)	($0.21)	($0.41)
Weighted average shares outstanding:				
Basic and diluted	11,872,331	11,872,331	11,872,331	11,872,331

</TABLE>

SEE ACCOMPANYING NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

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APA ENTERPRISES, INC.
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Nine Months Ended December 31,	
	2004	2003
<S>	<C>	<C>
OPERATING ACTIVITIES		
Net loss	$(2,514,393)	$(4,855,323)
Adjustments to reconcile net loss to net cash used in operating activities, net of acquisition:		
Depreciation and amortization	734,563	688,182
Stock based compensation	(22,065)	(26,336)
Changes in operating assets and liabilities:		
Accounts receivable	557,343	(345,002)
Inventories	234,176	(367,478)
Prepaid expenses and other	(2,095)	(124,441)
Accounts payable and accrued expenses	(284,205)	647,999
Net cash used in operating activities	(1,296,676)	(4,382,399)
INVESTING ACTIVITIES		
Purchases of property and equipment	(299,373)	(558,545)
Acquisition of business	-	(1,960,000)
Other	-	(7,376)
Net cash used in investing activities	(299,373)	(2,525,921)
FINANCING ACTIVITIES		
Repayment of long-term debt	(219,632)	(351,702)
Decrease in bond reserve funds	43,620	64,801
Net cash used in financing activities	(176,012)	(286,901)
Decrease in cash and cash equivalents	(1,772,061)	(7,195,221)
Cash and cash equivalents at beginning of period	13,544,910	22,235,686
Cash and cash equivalents at end of period	$11,772,849	$15,040,465

Noncash investing and financing activities		
Capital expenditure included in accounts payable	$ 225,000	$ -
Net assets held for sale	28,008	57,564

</TABLE>

SEE ACCOMPANYING NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

NOTE 1. BASIS OF PRESENTATION

The accompanying consolidated condensed financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. For further information, refer to the financial statements and footnotes thereto included in the Company's annual report on Form 10-K for the year ended March 31, 2004.

In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Certain reclassifications of previously reported amounts have been made to conform that presentation to the current period presentation.

NOTE 2. NET LOSS PER SHARE

The following table sets forth the computation of basic and diluted net loss per share:

<TABLE>
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	Three Months Ended December 31,		Nine Months Ended December 31,	
	2004	2003	2004	2003
<S>	<C>	<C>	<C>	<C>
Numerator for basic and diluted net loss	$ (928,510)	$(1,642,436)	$(2,514,393)	$(4,855,323)
Denominator for basic and diluted net loss per share- weighted-average shares outstanding	11,872,331	11,872,331	11,872,331	11,872,331
Basic and diluted net loss per share	($0.08)	($0.14)	($0.21)	($0.41)

</TABLE>

Common stock options and warrants to purchase 879,327 and 1,008,697 shares of common stock with a weighted average exercise price of $6.62 and $6.67 were outstanding at December 31, 2004 and 2003, respectively, but were excluded from calculating diluted net loss per share because they were antidilutive.

NOTE 3. ACQUISITION

On June 27, 2003, the Company acquired certain assets of Americable, Inc. The acquisition was accounted for as a purchase and, accordingly, results of operations relating to the purchased assets have been included in the statement of operations from the date of acquisition. There are no contingent payments related to the acquisition. The Company reclassified certain balances from the original Americable purchase price allocation as part of an asset valuation adjustment. The adjustment was made after determining the fair value of the assets purchased. The result of the change was a decrease in inventory and property, an increase in accounts receivable, and an increase

in goodwill. This did not change the purchase price of the transaction. The purchase price and assets acquired with purchase price adjustments are as follows:

<TABLE>
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	Original Purchase Price Allocation	Purchase Price Adjustment	Revised Purchase Price Allocation
<S>	<C>	<C>	<C>
Accounts receivable	$ 594,000	$ 46,279	$ 640,279

Inventory	638,000	(13,944)	624,056
Property, plant and equipment	450,000	(49,186)	400,814
Assets purchased	1,682,000	(16,851)	1,665,149
Goodwill	278,000	16,851	294,851
Purchase price	$ 1,960,000	$ -	$ 1,960,000

</TABLE>

Goodwill is expected to be fully deductible for tax purposes.

NOTE 4. SEGMENT REPORTING

The Company has identified two reportable segments based on its internal organizational structure, management of operations, and performance evaluation. These segments are Optronics (historically referred to as the APA Optics, Inc. segment) and Cables and Networks (historically referred to as the APACN segment). Optronic's revenue is generated in the design, manufacture and marketing of ultraviolet (UV) detection and measurement devices and optical components. Cables & Network's revenue is derived primarily from standard and custom fiber optic cable assemblies, copper cable assemblies, value added fiber optics frames, panels and modules. Expenses are allocated between the companies based on detailed information contained in invoices. In addition, corporate overhead costs for management's time and other expenses are allocated. Segment detail is summarized as follows (unaudited, in thousands):

<TABLE>
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<S>	Optronics <C>	Cables & Networks <C>	Eliminations <C>	Consolidated <C>
THREE MONTHS ENDED DECEMBER 31, 2004				
External sales	$ 97	$ 3,301	$ (93)	$ 3,305
Cost of sales	339	2,458	(93)	2,704
Operating income (loss)	(996)	14	-	(982)
Depreciation and amortization	199	64	-	263
Capital expenditures	5	5	-	10
Total assets	23,092	7,106	(7,379)	22,819
THREE MONTHS ENDED DECEMBER 31, 2003				
External sales	$ 99	$ 3,239	(36)	$ 3,302
Cost of sales	790	2,561	(36)	3,315
Operating loss	(1,307)	(334)	-	(1,641)
Depreciation and amortization	182	54	-	236
Capital expenditures	309	15	-	324
Total assets	27,029	7,456	(7,186)	27,299

</TABLE>

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NINE MONTHS ENDED DECEMBER 31, 2004 <S>	<C>	<C>	<C>	<C>
External sales	$ 389	$ 10,595	$ (323)	$ 10,661
Cost of sales	1,299	7,701	(323)	8,677
Operating income (loss)	(3,058)	222	-	(2,836)
Depreciation and amortization	563	172	-	735
Capital expenditures	241	58	-	299
Total assets	23,092	7,106	(7,379)	22,819
NINE MONTHS ENDED DECEMBER 31, 2003				
External sales	$ 222	$ 8,253	(44)	$ 8,431
Cost of sales	2,150	6,439	(44)	8,545
Operating loss	(4,104)	(802)	-	(4,906)
Depreciation and amortization	551	137	-	688
Capital expenditures	410	149	-	559
Total assets	27,029	7,456	(7,186)	27,299

</TABLE>

NOTE 5. SALE OF OPTICS MANUFACTURING OPERATIONS

In January, 2004 the Company announced the discontinuance of optics manufacturing at its Blaine, Minnesota facility. The closure was the result of aggressive off-shore pricing and continued lower demand for this product line. This resulted in a charge of $171,000 taken in the 4th quarter ended March 31, 2004. The Company sold its optics manufacturing operations on April 14, 2004 for $220,000. The terms of the sale required the Company to restructure a loan with the City of Aberdeen, South Dakota, which included an upfront loan payment of $89,305 and payment of the remaining $140,000 loan amount in seven annual installments of $20,000 each beginning June 30, 2004.

NOTE 6. NET ASSETS HELD FOR SALE

In conjunction with the startup of the Company's new MOCVD semi-conductor machine in the third quarter of fiscal 2005, the Company shut down its former MOCVD systems. The Company identified certain assets related to its former systems and effective December 31, 2004, listed their book value as of that date as held for sale. The book value amount, which has been determined to be approximately $28,000, was reclassified and moved from Property, Plant and Equipment and is included within Other Assets on the Balance Sheet. The Company has a total of approximately $73,000 in net book value of assets held for sale classified in Other Assets.

NOTE 7. STOCK BASED COMPENSATION

The Company has various incentive and non-qualified stock option plans which are used as an incentive for directors, officers, and other employees. The Company uses the intrinsic value method to value stock options issued to employees. Under this method, compensation expense is recognized for the amount by which the market price of the common stock on the date of grant exceeds the exercise price. The Company's stock based compensation expense also reflects the benefit of the cancellation of previously unvested expensed options. The Company recognized compensation expense of $6,843 for the three months ended December 31, 2004 and compensation income of $22,065 for the nine months ended December 31, 2004, versus income of $56,215 and $26,336 for the three and nine months ended December 31, 2003. For those stock options granted where the exercise price was equal to the market value of the underlying common stock on the date of grant, no stock-based employee compensation cost is reflected in the net loss. Had the fair value method been applied, our compensation expense would have been different.

The following table illustrates the effect on net loss and net loss per share if the Company had applied the fair value method, to stock-based employee compensation for the following three and nine months ended:

<TABLE>
<CAPTION>

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2004	2003	2004	2003
<S>	<C>	<C>	<C>	<C>
Net loss to common shareholders - as reported	$ (928,510)	$(1,642,436)	$(2,514,393)	$(4,855,323)
Less: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(38,539)	(50,318)	(124,861)	(150,952)
Net loss - pro forma	$ (967,049)	$(1,692,754)	$(2,639,254)	$(5,006,275)
Basic and diluted net loss per common share - as reported	($0.08)	($0.14)	($0.21)	($0.41)
Basic and diluted net loss per common share - pro forma	($0.08)	($0.14)	($0.22)	($0.42)

</TABLE>

NOTE 8. ADOPTION OF NEW ACCOUNTING PRONOUNCEMENT

In December 2004, the Financial Accounting Standards Board (FASB) issued FASB Statement No. 123 (revised 2004), Share-Based Payment. This statement requires the compensation cost relating to share-based payment transactions to be recognized in a company's financial statements. That cost will be measured based on the fair value of the equity or liability instruments issued. Statement 123(R) covers a wide range of share-based compensation arrangements including share options, restricted share plans, performance-based awards, share appreciation rights, and employee share purchase plans. The Company will be required to apply Statement 123(R) effective July 1, 2005. Management believes it will have a significant impact due to the Company's use of options as employee incentives, but has not yet determined the impacts.

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

Statements in this Report about future sales prospects and other matters to occur in the future are forward looking statements and are subject to uncertainties due to many factors, many of which are beyond our control. These

factors include, but are not limited to, the continued development of our products, acceptance of those products by potential customers, our ability to sell such products at a profitable price, and our ability to fund our operations. For further discussion regarding these factors, see "Factors That May Influence Future Results."

OVERVIEW

APA Enterprises, Inc., (formerly known as APA Optics, Inc.) consisting of the Optronics group and the Cables & Networks group, develops, designs, manufactures and markets fiber optics, copper and gallium nitride (GaN) based components and devices for industrial, commercial, consumer and scientific applications. Optronics is active in the development, design, manufacture and marketing of ultraviolet (UV) measurement instruments for consumers and industrial customers, and gallium nitride (GaN) based transistors for power amplifiers and other commercial applications. Cables & Networks designs, manufactures and markets a variety of fiber optic and copper components to the data communication and telecommunication industries. Both groups also source from third parties components and devices for direct and value-added sales to our customers in all these technology areas.

Cables & Networks' internally manufactured products primarily include a broad line of standard and custom fiber optic cable assemblies, copper cable assemblies, optical components, value added fiber optic distribution frames, panels and modules. These products are manufactured at the Cables & Networks plant in Plymouth, Minnesota and Optronics' facility in Aberdeen, South Dakota, and marketed to broadband service providers, commercial data networks, and original equipment manufacturers. Cables & Networks acquired certain assets of Computer System Products, Inc. ("CSP") on March 14, 2003 and certain assets of Americable, Inc. ("Americable") on June 27, 2003. Several of the items discussed under "Results of Operations" show significant changes from the comparable periods in the preceding fiscal year as a result of these acquisitions.

In January 2004 Optronics terminated its optics manufacturing in Blaine, Minnesota as described in Note 5. Additionally in January 2004 Optronics consolidated its fiber optics operations within Blaine. Optronics plans to continue to market and sell fiber optic products using mainly Cables & Network's sales team and channels. We outsource several components from third parties including passive optical splitters, arrayed waveguides (AWGs) and wavelength division multiplexers (WDMs) based on Thin Film Filter (TFF) technology, which we combine with our internally manufactured products to create value added components for our customers. The majority of our outsourced product providers are located offshore.

Most companies in the communications industry have been affected by the slowdown in telecommunications equipment spending over the past several years. Decreased demand and competition have continued to put downward pressure on margins. This downward pressure is likely to continue and we will need to reduce operating costs and improve efficiencies to remain competitive in the marketplace.

Optronics' consumer UV detection product, the SunUVTM Personal UV Monitor (PUVM, formerly SunWatch) continues in production with a major focus on qualifying a second offshore manufacturer. A second manufacturer has been engaged and is currently determining how to resolve the cosmetic and mechanical quality issues that have impacted product deliveries from our current supplier. We anticipate production samples from the second supplier will be available for qualification during the first quarter of fiscal 2006. The present manufacturer is supplying sufficient quantities for low volume sales activities. APA has also obtained the "CE" designation which is necessary for the product to be sold in Europe.

APA's new 4-band "Profiler M" radiometer for the printing and UV curing industries was introduced to the market at the Specialty Graphics and Imaging trade show held in Minneapolis in October 2004. The major product design and development tasks are complete. A first phase of field tests with prospective customers has also been completed and feedback from the tests are being incorporated in the design. Marketing and sales activities have focused on industrial sales prospects, setting up domestic and international distributors, and identifying new sales opportunities with suppliers and manufacturers of UV coating products. We anticipate units will be available for sale during the fourth quarter of fiscal 2005.

Optronics continues to develop transistors based on GaN/AlGaN (gallium nitride/aluminum gallium nitride) for commercial opportunities including base transceiver station power amplifiers. With assistance from outside foundries we are processing, packaging and testing transistors built from our material. Our plan is to continue developing demonstration power amplifiers using AlGaN/GaN based transistors while qualifying the long term reliability of these devices.

Installation of our multi-wafer metal organic chemical vapor deposition

(MOCVD) system was completed in the latter part of the third quarter of fiscal 2005. We are currently working with potential epi-wafer customers to qualify our material. We expect to work toward wafer supply agreements with these potential customers, leveraging our cutting edge material and fundamental patent position. We are also processing wafers grown in the newly installed system to continue our power amplifier development efforts. Whereas this epi-layer capability will result in epi-wafer sales, we anticipate that this will also help in establishing a team for joint development, manufacturing and marketing of power amplifiers for cell phone base station application.

The Company continues to seek and expand its supplier base in Asia, mainly due to significantly lower manufacturing costs. Additionally, the Company has taken preliminary steps to establish an off-shore manufacturing and sales entity in India to take advantage of lower manufacturing costs and evolving fiber optic communication markets in Asia.

RESULTS OF OPERATIONS

THREE MONTHS ENDED DECEMBER 31, 2004 VS. THREE MONTHS ENDED DECEMBER 31, 2003

Consolidated revenues for the three months ended December 31, 2004 were $3,305,299 as compared to $3,301,955 in 2003, relatively unchanged between periods.

Revenues at Cables & Networks were $3,300,965, compared to sales of $3,239,275 reported in the same quarter a year ago, an increase of 2%. Sales were affected by seasonality in the third quarter. Sales for the current quarter to broadband service provider and commercial data networks were $2,186,000 versus $2,035,000 in the prior year quarter. The increase was primarily due to an increase in revenue from customers in the Fiber-to-the-Home market. Sales to OEM's were $1,115,000 versus $1,204,000 in the year ago period. The decrease is due to a focus away from lower margin products as well as lower demand from some OEM's. We expect that future sales of Cables & Networks products will continue to account for a substantial portion of our revenue. We anticipate revenues will remain consistent in the fourth quarter of this year due to further anticipated decline in demand from OEM's principally serving the semi-conductor industry along with seasonality typically experienced within the telecom industry in the winter months.

Gross revenues at Optronics decreased $2,075, or 2%, to $97,031 from $99,106 in the same quarter a year ago. Gross revenues for the third quarter ended reflect approximately $93,000 of sales to Cables & Networks for fiber optics products and subcontracted labor versus approximately $36,000 in the comparable period last year. These sales are eliminated as intercompany sales in the consolidated financials in each quarter. The net decrease in revenues for the quarter was due primarily to lower sales of consumer GaN and optics products.

COST OF SALES AND GROSS PROFIT

Cables & Network's gross profit increased $164,824, or 24%, to $843,193 from $678,369. Gross margins as a percent of revenues increased from 21% to 26%. The increase in margins reflects lower production costs in the current quarter for personnel reduced over the past several quarters to accommodate demand and outsourcing efforts, as well as an increased focus on selling higher margin products.

Gross cost of sales at Optronics decreased $450,904, or 57%, to $339,084 from $789,988. Gross cost of sales reflects approximately $93,000 related to cost of sales to Cables & Networks for fiber optics products and subcontracted labor versus approximately $36,000 in the last year period. These costs are eliminated as intercompany cost of sales in the consolidated financials in each quarter. The net decrease in cost of sales is due to lower material and production expenses related to the closure of the optics manufacturing line, lower personnel costs associated with cost reduction efforts, and lower obsolescence charges due to a large write-off of fiber optic equipment in the prior year period.

We anticipate comparable gross margins for Cables & Networks and cost of sales for Optronics for the fourth quarter.

RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses consist of the research and development expense at Optronics. There have been no research and development expenses at Cables & Networks. Expenses increased $66,023 to $314,151, from $248,128 in the prior year period. The increase is due mainly to rent and depreciation expenses associated with the installation and startup of a new semiconductor machine purchased in 2003 which is being housed at an outside facility.

SELLING, GENERAL, AND ADMINISTRATIVE

Consolidated S, G, & A expenses decreased $111,047, or 8%, to $1,268,958 from $1,380,005 in 2003.

Selling, general, and administrative expenses at Cables & Networks decreased $183,257, or 18%, to $828,809 from $1,012,066. The majority of the decrease is attributable to lower personnel costs within selling expenses due to reduced staff levels from last year's period, offset by slightly higher administration and professional costs.

Selling, general and administrative expenses at Optronics increased $72,210, or 20%, to $440,149 from $367,939. The increase is due to additional facility expenses reclassed to S, G, & A this year which were absorbed in cost of sales in the prior year period along with slightly higher expenses associated with India development expenses.

INCOME (LOSS) FROM OPERATIONS

Consolidated losses from operations decreased $658,677, or 40%, to $981,969 from $1,640,646 in 2003.

The income from operations at Cables & Networks was $14,384 versus a loss of $333,697 in the fiscal 2004 quarter. The increased income in the quarter was mainly the result of a combination of increased gross margins achieved through higher margin sales and reduced production costs as well as lower personnel costs within S, G&A in the current period.

The loss from operations at Optronics was $996,353, a decrease of $310,596, or 24%. The decrease in the loss is primarily the result of the cost reductions implemented over the prior fiscal year, mainly for personnel reductions and the elimination of the optics line of business. We expect to incur losses at Optronics until we realize significant revenues from the sales of our PUVM and GaN related products.

OTHER INCOME AND EXPENSE

Consolidated other income and expense increased $54,967 to $54,340 from a loss of $627 in 2003.

Other expense at Cables & Networks increased $14,912, primarily for interest expense due to a larger outstanding debt balance in the current period.

Other income at Optronics increased $69,879 to $133,226. Interest income increased approximately $47,000 due to a higher outstanding debt balance due from Cables & Networks and higher amount earned on short term investments, while other income increased approximately $9,000 from facility rental.

NET LOSS

Consolidated net loss for the quarter decreased $713,926, or 43%, to $928,510, or $.08 cents per share, from $1,642,436, or $.14 cents per share in the year ago period.

Cables & Networks had a net loss of $65,133 in the quarter, compared to a loss of $398,275 in the year ago quarter. The increase reflects improved gross margins through reduced production costs and reduced S, G, & A expenses attributable to lower personnel staffing levels than the year ago period.

Optronics recorded a net loss of $863,377, a decrease of $380,784, or 31%, from the loss of $1,244,161 reported in the same period of fiscal 2004. The decrease is due mainly to cost reductions implemented over the past year. While cost reductions implemented so far at Optronics will help lower the overall losses for the Company, achieving profitability in the future will strongly depend upon Optronic's ability to manufacture and market gallium-nitride products.

NINE MONTHS ENDED DECEMBER 31, 2004 VS. NINE MONTHS ENDED DECEMBER 31, 2003

Consolidated revenues for the nine months ended December 31, 2004 increased $2,230,568, or 26%, to $10,661,085 from $8,430,517 in 2003.

Revenues at Cables & Networks increased $2,342,697, or 28% to $10,595,512 from $8,252,815. The increase is attributable to higher revenues in the first quarter of fiscal 2005 generated by the acquisition from Americable, Inc., which occurred at the end of the first quarter of fiscal 2004. The Americable assets contributed no corresponding revenues for the first quarter of fiscal 2004. Sales to broadband service provider and commercial data networks were $7,147,000 or 67% of revenue, and sales to OEM's were $3,449,000, or 33% of revenue. This compares to 61% for broadband and commercial data networks and 39% for OEM's in the prior period. The change reflects an increased acceptance of the Company's products within the Fiber-to-the-Home market, offset by lower demand from some OEM customers.

Gross revenues at Optronics increased $167,421, or 76%, to $388,719 from $221,298 in the same period a year ago. Gross revenues reflect approximately $323,000 of sales to Cables & Networks for fiber optics products and subcontracted labor versus approximately $44,000 last year. These sales are eliminated as intercompany sales in the consolidated financials in each quarter. The net decrease in revenues is due primarily to lower sales of fiber optics combined with no sales of optics products, due to this product line being sold in April 2004.

COST OF SALES AND GROSS PROFIT

Cables & Network's gross profit increased $1,080,645, or 60%, to $2,894,816 from $1,814,171. The increase is due mainly to higher margins generated in the first quarter of fiscal 2005 generated by the acquisition from Americable, Inc. Gross margins as a percent of revenues increased from 22% to 27%. The increase in margin percentage reflects reduced production costs for overhead and personnel costs absorbed in the prior year while operating and combining multiple facilities and continued focus on selling higher margin products.

Gross cost of sales at Optronics decreased $850,198, or 40%, to $1,299,256 from $2,149,454. Gross cost of sales reflects approximately $323,000 related to cost of sales to Cables & Networks for fiber optics products and subcontracted labor versus approximately $44,000 last year. These costs are eliminated as intercompany cost of sales in the consolidated financials in each quarter. The net decrease in cost of sales is due to lower material and production expenses related to the closure of the optics manufacturing line, lower personnel costs associated with cost reduction efforts in other product lines, and lower obsolescence charges.

RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses consist of the research and development expense at Optronics. There have been no research and development expenses at Cables & Networks. Expenses increased $68,862 to $725,954 from $657,092 in the prior year period. The increase reflects rental and depreciation costs absorbed beginning in the third quarter associated with the start up costs of operating a new semiconductor machine acquired in late 2003.

SELLING, GENERAL, AND ADMINISTRATIVE

Consolidated S, G, & A expenses decreased $40,890 to $4,094,073 from $4,134,963 in 2003.

Selling, general, and administrative expenses at Cables & Networks increased $56,453, or 2%, to $2,673,096 from $2,616,643. The majority of the increase is attributable to expenses generated by the acquisition

from Americable, Inc. which occurred at the end of the first quarter of fiscal 2004 and had no expenses in the fiscal 2004 first quarter.

Selling, general, and administrative expenses at Optronics decreased $97,343, or 6%, to $1,420,977 from $1,518,320. The decrease is due to lower personnel and related costs associated with cost reductions implemented over fiscal year 2004.

INCOME (LOSS) FROM OPERATIONS

Consolidated losses from operations decreased $2,070,292, or 42%, to $2,835,748 from $4,906,040 in 2003.

The income from operations at Cables & Networks was $221,720 versus a loss of $802,472 in the year ago period. The increased income was mainly the result of a combination of increased revenues and gross margins as well as reductions in production and S, G, & A expenses relating to multiple facilities absorbed in the prior year.

The loss from operations at Optronics was $3,057,468, a decrease of $1,046,100, or 26%. The decrease in the loss is primarily the result of the cost reductions implemented over the prior fiscal year, mainly for personnel reductions, and the elimination of the optics line of business.

OTHER INCOME AND EXPENSE

Consolidated other income and expense increased $272,056 to $324,936 from $52,880.

Higher income at Cables & Networks in fiscal 2004 was due to management fee income earned in relation to the acquisition from CSP. Interest expense at Cables & Networks increased $57,244. The increase is due to a larger outstanding debt balance mainly related to the acquisition of Americable late in the second quarter in fiscal 2004.

Other income at Optronics increased $323,427, or 114%, to $607,091 from

$283,664. The sale of the optics manufacturing operations in April 2004 and related facility income accounted for $240,000 of the increase. Interest income increased approximately $85,000 due to a higher outstanding debt balance due from Cables & Networks and increased earnings on cash investments. Interest expense decreased approximately $6,000 to $68,000.

NET INCOME (LOSS)

Consolidated net loss decreased $2,340,930, or 48%, to $2,514,393, or $.21 cents per share, from $4,855,323, or $.41 cents per share in the year ago period.

Cables & Networks had net income of $5,226 versus a loss of $946,757 in the year ago period. The increase reflects additional revenue, improved gross margins mainly through reduced production costs, reduced S, G, & A expenses attributable to operating multiple facilities in the prior year, along with reduced staffing levels.

Optronics recorded a net loss of $2,519,619, a decrease of $1,388,947, or 36%, from the loss of $3,908,566 reported in the same period of fiscal 2004. The decrease is due mainly to cost reductions relating to personnel implemented over the past year as well as the gain on sale of the optics manufacturing business and the elimination of its related expenses.

LIQUIDITY AND CAPITAL RESOURCES

The Company's cash and cash equivalents consist primarily of money market funds, U.S. Government instruments or other government instruments with original maturities of less than three months.

Cash used in operating activities was $1,296,676 for the nine month period ending December 31, 2004 compared to $4,382,399 used in the same period in fiscal 2004. The decrease in the cash used between the two

periods reflects a decrease in loss from operations of $2,340,930, achieved by a combination of increased revenue and profitable operations at Cables & Networks and decreased costs at Optronics due to cost reduction efforts and a gain on the sale of the optics manufacturing business at Optronics in April 2004.

We used net cash of $299,373 in investing activities for the nine months ended December 31, 2004 compared to $2,525,921 used in the same period of the preceding fiscal year. The use of cash in the nine months ended December 31, 2004 reflects capital expenditures mainly for production equipment at Optronics. For the nine months ended December 31, 2003, $1,960,000 was used to purchase the assets of Americable, Inc. We anticipate a total of approximately $400,000 to $600,000 in capital expenditures in fiscal 2005.

Net cash used in financing activities for the nine months ended December 31, 2004 totaled $176,012. We used $219,632 for the scheduled reduction of debt and generated $43,620 from the reduction of bond reserve funds. During the same period in fiscal 2004 we used $286,901 in financing activities, of which $351,702 was used for the scheduled reduction of debt and $64,801 was generated from the reduction of bond reserve funds.

We believe we have sufficient funds for operations for at least the next twelve months.

Our contractual obligations and commitments are summarized in the table below (in 000's):

	Total	Less than 1 Year	1-3 years	4-5 years	After 5 years
Long-term debt	$ 1,592	$ 1,474	$ 58	$ 40	$ 20
Leases	1,320	494	570	231	25
Total Contractual Cash Obligations	$ 2,912	$ 1,968	$ 628	$ 271	$ 45

Application of Critical Accounting Policies

In preparing our consolidated financial statements, we make estimates, assumptions and judgments that can have a significant impact on our revenues, loss from operations and net loss, as well as on the value of certain assets and liabilities on our consolidated balance sheet. We believe that there are several

accounting policies that are critical to an understanding of our historical and future performance, as these policies affect the reported amounts of revenues, expenses and significant estimates and judgments applied by management. While there are a number of accounting policies, methods and estimates affecting our consolidated financial statements, areas that are particularly significant include:

- Revenue recognition;

- Accounting for income taxes; and

- Valuation and evaluating impairment of long-lived assets and goodwill

Revenue Recognition

Revenue is recognized when persuasive evidence of an arrangement exists, the product has been shipped, acceptance by the customer is reasonably certain and collection is probable.

Accounting for Income Taxes

As part of the process of preparing our consolidated financial statements, we are required to estimate our income tax liability in each of the jurisdictions in which we do business. This process involves estimating our actual

current tax expense together with assessing temporary differences resulting from differing treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities. We must then assess the likelihood that these deferred tax assets will be recovered from future taxable income and, to the extent we believe that recovery is not more likely than not or unknown, we must establish a valuation allowance.

Significant management judgment is required in determining our provision for income taxes, our deferred tax assets and liabilities and any valuation allowance recorded against our deferred tax assets. At March 31, 2004, we recorded a full valuation allowance of $11,075,084 against our deferred tax assets, due to uncertainties related to our ability to utilize our deferred tax assets, consisting principally of certain net operating losses carried forward. The valuation allowance is based on our estimates of taxable income by jurisdiction and the period over which our deferred tax assets will be recoverable. The Company had U.S. net operating loss (NOL) carryforwards of approximately $27,899,000 which expire in fiscal years 2004 to 2024.

Realization of the NOL carryforwards and other deferred tax temporary differences are contingent on future taxable earnings. The deferred tax asset was reviewed for expected utilization using a "more likely than not" approach by assessing the available positive and negative evidence surrounding its recoverability. We will continue to assess and evaluate strategies that will enable the deferred tax asset, or portion thereof, to be utilized, and will reduce the valuation allowance appropriately at such time when it is determined that the "more likely than not" approach is satisfied.

Valuation and evaluating impairment of long-lived assets and goodwill

Goodwill represents the excess of the purchase price over the fair value of net assets acquired. Goodwill should not be amortized but reviewed for impairment at the fiscal year end or whenever conditions exist that indicate an impairment could exist. The Company performed the annual impairment test in fiscal years 2004 and 2003 and concluded that no impairment had occurred.

The Company evaluates the recoverability of its long-lived assets and requires recognition of impairment of long-lived assets in the event that events or circumstances indicate an impairment may have occurred and when the net book value of such assets exceeds the future undiscounted cash flows attributed to such assets. We assess the impairment of long-lived assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable. No impairment of long-lived assets has occurred through December 31, 2004.

FACTORS THAT MAY INFLUENCE FUTURE RESULTS

The statements contained in this report on Form 10-Q that are not purely historical are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, including, without limitation, statements regarding the Company's expectations, hopes, beliefs, anticipations, commitments, intentions and strategies regarding the future.

Forward-looking statements include, but are not limited to, statements contained in "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations." Actual results could differ from those projected in any forward-looking statements for the reasons, among others, detailed below. We believe that many of the risks detailed here are part of doing business in the industry in which we compete and will likely be present in all periods reported. The fact that certain risks are characteristic to the industry does not lessen the significance of the risk. The forward-looking statements are made as of the date of this Form 10-Q and we assume no obligation to update the forward-looking statements or to update the reasons why actual results could differ from those projected in the forward-looking statements.

Unless we generate significant revenue growth, our expenses and negative cash flow will significantly harm our financial position.

We have not been profitable since fiscal 1990. As of December 31, 2004, we had an accumulated deficit of $32.3 million. We may incur operating losses for the foreseeable future, and these losses may be substantial. Further, we may continue to incur negative operating cash flow in the future. We have funded our operations primarily

through the sale of equity securities and borrowings. We have significant fixed expenses and we expect to continue to incur significant and increasing manufacturing, sales and marketing, product development and administrative expenses. As a result, we will need to generate significantly higher revenues while containing costs and operating expenses if we are to achieve profitability.

Declining average selling prices for our fiber optic products will require us to reduce production costs to effectively compete and market these products.

Since the time we first introduced our fiber optic components to the marketplace we have seen the average selling price of fiber optic components decline. We expect this trend to continue. To achieve profitability in this environment we must continually decrease our costs of production. In order to reduce our production costs, we will continue to pursue one or more of the following:

- Seek lower cost suppliers of raw materials or components.
- Work to further automate our assembly process.
- Develop value-added components based on integrated optics.
- Seek offshore sources for assembly services.

We will also seek to form strategic alliances with companies that can supply these services. Decreases in average selling prices also require that we increase unit sales to maintain or increase our revenue. There can be no guarantee that we will achieve these objectives. Our inability to decrease production costs or increase our unit sales could seriously harm our business, financial condition and results of operations.

Demand for our products is subject to significant fluctuation. Adverse market conditions in the communications equipment industry and any slowdown in the United States economy may harm our financial condition.

Demand for our products is dependent on several factors, including capital expenditures in the communications industry. Capital expenditures can be cyclical in nature and result in protracted periods of reduced demand for component parts. Similarly, periods of slow economic expansion or recession can result in periods of reduced demand for our products. The current U.S. economic slowdown has been more profound in the telecommunications market, resulting in a significant reduction in capital expenditures for the Company's products. It is impossible to predict how long the slowdown will last. Such periods of reduced demand will harm our business, financial condition and results of operations. Changes to the regulatory requirements of the telecommunications industry could also affect market conditions, which could also reduce demand for our products. Moreover, some of our customers have experienced serious financial difficulties, which in certain cases have resulted in bankruptcy filings or cessation of operations.

Our industry is highly competitive and subject to pricing pressure.

Competition in the communications equipment market is intense. We have experienced and anticipate experiencing increasing pricing pressures from current and future competitors as well as general pricing pressure from our customers as part of their cost containment efforts. Many of our competitors have more extensive engineering, manufacturing, marketing, financial and personnel resources than we do. As a result, these competitors may be able to respond more quickly to new or emerging technologies and changes in customer requirements or to offer more aggressive price reductions.

Our sales could be negatively impacted if one or more of our key customers substantially reduce orders for our products.

If we lose a significant customer, our sales and gross margins would be negatively impacted. In addition, the loss of sales may require us to record impairment, restructuring charges or exit a particular business or product line.

We may be required to rapidly increase our manufacturing capacity to deliver our products to our customers in a timely manner.

Manufacturing of our products is a complex and precise process. We have limited experience in rapidly increasing our manufacturing capacity or in manufacturing products at high volumes. If demand for our products increases, we will be required to hire, train and manage additional manufacturing personnel and improve our production processes in order to increase our production capacity. There are numerous risks associated with rapidly increasing capacity, including:

- Difficulties in achieving adequate yields from new manufacturing lines,

- Difficulty maintaining the precise manufacturing processes required by our products while increasing capacity,

- The inability to timely procure and install the necessary equipment, and

- Lack of availability of qualified manufacturing personnel.

If we apply our capital resources to expanding our manufacturing capacity in anticipation of increased customer orders, we run the risk that the projected increase in orders will not be realized. If anticipated levels of customer orders are not received, we will not be able to generate positive gross margins and profitability.

Our dependence on outside manufacturers may result in product delivery delays.

We purchase components and labor that are incorporated into our products from outside vendors. In the case of the SunUV(R) Personal UV Monitor, we supply components to an outside assembler who delivers the completed product. If these vendors fail to supply us with components or completed assemblies on a timely basis, or if the quality of the supplied components or completed assemblies is not acceptable, we could experience significant delays in shipping our products. Any significant interruption in the supply or support of any components or completed assemblies could seriously harm our sales and our relationships with our customers. In addition, we have increased our reliance on the use of contract manufacturers to make our products. If these contract manufacturers do not fulfill their obligations or if we do not properly manage these relationships, our existing customer relationships may suffer.

Our products may have defects that are not detected before delivery to our customers.

Some of the Company's products are designed to be deployed in large and complex networks and must be compatible with other components of the system, both current and future. Our customers may discover errors or defects in our products only after they have been fully deployed. In addition, our products may not operate as expected over long periods of time. In the case of the SunUV(R) Personal UV Monitor, a consumer product, customers could encounter a latent defect not detected in the quality inspection. If we are unable to fix errors or other problems, we could lose customers, lose revenues, suffer damage to our brand and reputation, and lose our ability to attract new customers or achieve market acceptance. Each of these factors would negatively impact cash flow and would seriously harm our business, financial condition and results of operations.

Consolidation among our customers could result in our losing a customer or experiencing a slowdown as integration takes place.

It is likely that there will be increased consolidation among our customers in order for them to increase market share and achieve greater economies of scale. Consolidation is likely to impact our business as our customers focus on integrating their operations and choosing their equipment vendors. After a consolidation occurs, there can be no assurance that we will continue to supply the surviving entity.

We must introduce new products and product enhancements to increase revenue.

The successful operation of our business depends on our ability to anticipate market needs and develop and introduce new products and product enhancements that respond to technological changes or evolving industry standards on a timely and cost-effective basis. Our products are complex, and new products may take longer to develop than originally anticipated. These products may contain defects or have unacceptable manufacturing yields

when first introduced or as new versions are released. Our products could

quickly become obsolete as new technologies are introduced or as other firms introduce lower cost alternatives. We must continue to develop leading-edge products and introduce them to the commercial market quickly in order to be successful. Our failure to produce technologically competitive products in a cost-effective manner and on a timely basis will seriously harm our business, financial condition and results of operations.

Our markets are characterized by rapid technological changes and evolving standards.

The markets we serve are characterized by rapid technological change, frequent new product introductions, changes in customer requirements and evolving industry standards. In developing our products, we have made, and will continue to make, assumptions with respect to which standards will be adopted within our industry. If the standards that are actually adopted are different from those that we have chosen to support, our products may not achieve significant market acceptance.

Customer payment defaults could have an adverse effect on our financial condition and results of operations.

As a result of adverse conditions in the telecommunications market, some of our customers have and may continue to experience financial difficulties. In the future, if customers experiencing financial problems default and fail to pay amounts owed to the Company, we may not be able to collect these amounts or recognize expected revenue. In the current environment in the telecommunications industry and in the United States and global economies, it is possible that customers from whom we expect to derive substantial revenue will default or that the level of defaults will increase. Any material payment defaults by our customers would have an adverse effect on our results of operations and financial condition.

Our products may infringe on the intellectual property rights of others.

Our products are sophisticated and rely on complicated manufacturing processes. We have received multiple patents on aspects of our design and manufacturing processes and we have applied for several more. Third parties may still assert claims that our products or processes infringe upon their intellectual property. Defending our interests against these claims, even if they lack merit, may be time consuming, result in expensive litigation and divert management attention from operational matters. If such a claim were successful, we could be prevented from manufacturing or selling our current products, be forced to redesign our products, or be forced to license the relevant intellectual property at a significant cost. Any of these actions could harm our business, financial condition or results of operations.

If we are unable to adequately protect our intellectual property, third parties may be able to use our technology, which could adversely affect our ability to compete in the market.

Our success will depend in part on our ability to obtain patents and maintain adequate protection of the intellectual property related to our technologies and products. The patent positions of technology companies, including our patent position, are generally uncertain and involve complex legal and factual questions. We will be able to protect our intellectual property rights from unauthorized use by third parties only to the extent that our technologies are covered by valid and enforceable patents or are effectively maintained as trade secrets. The laws of some foreign countries do not protect intellectual property rights to the same extent as the laws of the U.S., and many companies have encountered significant problems in protecting and defending such rights in foreign jurisdictions. We will apply for patents covering our technologies and products as and when we deem appropriate. However, these applications may be challenged or may fail to result in issued patents. Our existing patents and any future patents we obtain may not be sufficiently broad to prevent others from practicing our technologies or from developing competing products. Furthermore, others may independently develop similar or alternative technologies or design around our patents. In addition, our patents may be challenged, invalidated or fail to provide us with any competitive advantages.

We rely on trade secret protection for our confidential and proprietary information. We have taken security measures to protect our proprietary information and trade secrets, but these measures may not provide adequate protection. While we seek to protect our proprietary information by entering into confidentiality agreements with employees, collaborators and consultants, we cannot assure you that our proprietary information will not be

disclosed, or that we can meaningfully protect our trade secrets. In addition, our competitors may independently develop substantially equivalent proprietary information or may otherwise gain access to our trade secrets.

Our business will suffer if we are unable to protect our patents or our proprietary rights.

Our success depends to a significant degree upon our ability to develop proprietary products. However, patents may not be granted on any of our pending patent applications in the United States or in other countries. In addition, the scope of any of our issued patents may not be sufficiently broad to offer meaningful protection. Furthermore, our issued patents or patents licensed to us could potentially be successfully challenged, invalidated or circumvented so that our patent rights would not create an effective competitive barrier.

Intellectual property litigation could harm our business.

It is possible that we may have to defend our intellectual property rights in the future. In the event of an intellectual property dispute, we may be forced to litigate or otherwise defend our intellectual property assets. Disputes could involve litigation or proceedings declared by the United States Patent and Trademark Office or the International Trade Commission. Intellectual property litigation can be extremely expensive, and this expense, as well as the consequences should we not prevail, could seriously harm our business.

If a third party claimed an intellectual property right to technology we use, we might be forced to discontinue an important product or product line, alter our products and processes, pay license fees or cease certain activities. We may not be able to obtain a license to such intellectual property on favorable terms, if at all.

Litigation or third party claims of intellectual property infringement could require us to spend substantial time and money and adversely affect our ability to develop and commercialize products.

Our commercial success depends in part on our ability to avoid infringing patents and proprietary rights of third parties, and not breaching any licenses that we have entered into with regard to our technologies. Other parties have filed, and in the future are likely to file, patent applications covering genes and gene fragments, techniques and methodologies relating to model systems, and products and technologies that we have developed or intend to develop. If patents covering technologies required by our operations are issued to others, we may have to rely on licenses from third parties, which may not be available on commercially reasonable terms, or at all.

Third parties may accuse us of employing their proprietary technology without authorization. In addition, third parties may obtain patents that relate to our technologies and claim that use of such technologies infringes these patents. Regardless of their merit, such claims could require us to incur substantial costs, including the diversion of management and technical personnel, in defending ourselves against any such claims or enforcing our patents. In the event that a successful claim of infringement is brought against us, we may be required to pay damages and obtain one or more licenses from third parties. We may not be able to obtain these licenses at a reasonable cost, or at all. Defense of any lawsuit or failure to obtain any of these licenses could adversely affect our ability to develop and commercialize products.

Acquisitions or investments could have an adverse affect on our business.

In March 2003, we completed the acquisition of the assets of CSP as part of our strategy to expand our product offerings, develop internal sources of components and materials, and acquire new technologies. We acquired the assets of Americable, Inc. in June 2003 and integrated them with the assets of CSP. We intend to continue reviewing acquisition and investment prospects. There are inherent risks associated with making acquisitions and investments including but not limited to:

- Challenges associated with integrating the operations, personnel, etc., of an acquired company;
- Potentially dilutive issuances of equity securities;
- Reduced cash balances and or increased debt and debt service costs;
- Large one-time write-offs of intangible assets;
- Risks associated with geographic or business markets different than those we are familiar with; and
- Diversion of management attention from current responsibilities.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Our exposure to market risk for changes in interest rates relates primarily to our investment portfolio. We invest in short-term securities of high credit issuers with maturities ranging from overnight up to 24 months. The average maturity of the portfolio does not exceed 12 months. The portfolio includes only marketable securities with active secondary or resale markets to ensure liquidity. We have no investments denominated in foreign country currencies and, therefore, our investments are not subject to foreign exchange risk.

ITEM 4. CONTROLS AND PROCEDURES.

a. Evaluation of disclosure controls and procedures. The Company's chief executive officer and chief financial officer have concluded that as

of the end of the fiscal period covered by this report the Company's disclosure controls and procedures (as defined in Exchange Act Rule 13a-14(c)) were sufficiently effective to ensure that the information required to be disclosed by the Company in the report was gathered, analyzed and disclosed with adequate timeliness, accuracy and completeness.

b. Changes in internal controls. There were no changes in the Company's internal controls over financial reporting during the fiscal period covered by this report that materially affected, or are likely to materially affect, the Company's control over financial reporting.

PART II

ITEMS 1 THROUGH 5. NOT APPLICABLE

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) Exhibits.

Exhibit 31.1 - Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

Exhibit 32.1 - Certification required of Chief Executive Officer and Chief Financial Officer by Section 906 of the Sarbanes Oxley Act of 2002

(b) Reports on Form 8-K.

None.

Signatures

Pursuant to the requirements 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.

APA ENTERPRISES, INC.

2/10/05	/s/ Anil K. Jain
Date	Anil K. Jain President, Chief Executive Officer and Chief Financial Officer (Principal Executive and Principal Financial Officer)
2/10/05	/s/ Daniel Herzog
Date	Comptroller (Principal Accounting Officer)

Exhibit 31.1

CERTIFICATION

I, Anil K. Jain, certify that:

1. I have reviewed this quarterly report on Form 10-Q of APA Enterprises, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly represent in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. APA Enterprises, Inc.'s other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a and 15(e)) for APA Enterprises, Inc. and we have:

   a) Designed such disclosure controls and procedures to ensure that material information relating to APA Enterprises, Inc., including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Evaluated the effectiveness of our disclosure controls and procedures as of a date and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on our evaluation.

   c) Disclosed in this report any change in APA Enterprises, Inc.'s internal control over financial reporting that occurred during the most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's control over financial reporting.

5. APA Enterprises, Inc.'s other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to our auditors and the audit committee of our board of directors:

   a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect APA Enterprises, Inc.'s ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

February 10, 2005

Signature: /s/ Anil K. Jain

Print Name: Anil K. Jain

Print Title: Chief Executive Officer and Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of APA Enterprises, Inc. (the "Company") on Form 10-Q for the period ending December 31, 2004, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Anil K. Jain, Chief Executive Officer and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Sec. 1350, as adopted pursuant to Sec. 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Sections 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly represents, in all material respects, the financial condition and results of operations of the Company.

February 10, 2005

Signature: /s/ Anil K. Jain

Print Name: Anil K. Jain

Print Title: Chief Executive Officer and Chief Financial Officer