

GIGA TRONICS INC
Form DEF 14A
July 10, 2002

Table of Contents

SCHEDULE 14A INFORMATION

**PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE
SECURITIES EXCHANGE ACT OF 1934**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement
 Definitive
Proxy
Statement
Confidential, for
Use of the
Commission Only
(as permitted by
Rule 14a-6(e)(2))
Definitive
Additional
Materials
Soliciting
Material Pursuant
to sec.
240.14a-11(c) or
sec. 240.14a-12

GIGA-TRONICS INCORPORATED

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

Fee not required.
 Fee
computed on
table below per
Exchange Act
Rules 14a-6(i)(1)
and 0-11.
(1) Title of each
class of securities
to which
transaction
applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials. Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or

Edgar Filing: GIGA TRONICS INC - Form DEF 14A

Registration
Statement No.:

(3) Filing Party:

(4) Date Filed:

Table of Contents

Giga-tronics Incorporated
4650 Norris Canyon Road
San Ramon, California 94583
(925) 328-4650

July 31, 2002

To Our Shareholders:

I cordially invite you to attend the annual meeting of Giga-tronics Incorporated shareholders to be held at 9:30 a.m. on Wednesday, September 4, 2002, at the Giga-tronics executive offices, 4650 Norris Canyon Road, San Ramon, California.

At the meeting, you will be asked to elect four directors and ratify the appointment of independent certified public accountants. Information about these matters is set forth in the attached Notice and Proxy Statement.

Giga-tronics counts on your continued interest, and I hope you will be able to attend the meeting. However, regardless of whether you plan to attend in person, it is important that your vote be counted. I urge you to vote your shares by signing and returning the accompanying proxy card.

Sincerely,

George H. Bruns, Jr.
Chairman and Chief Executive Officer

Table of Contents

Giga-tronics Incorporated
4650 Norris Canyon Road
San Ramon, California 94583
(925) 328-4650

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To the Shareholders:

The Annual Meeting of Shareholders of Giga-tronics Incorporated will be held at 9:30 AM, local time, on Wednesday, September 4, 2002, at the Giga-tronics executive offices, at 4650 Norris Canyon Road, San Ramon, California, for the following purposes:

1. Elect four directors for the ensuing year;
2. Ratify the appointment of independent certified public accountants;
3. Transact such other business as may properly come before the meeting.

Only shareholders of record at the close of business on July 8, 2002 will be entitled to vote at this meeting, or any adjournment of this meeting.

IT IS IMPORTANT THAT YOUR SHARES BE REPRESENTED AT THE ANNUAL MEETING REGARDLESS OF THE NUMBER YOU HOLD. PLEASE DATE, SIGN, VOTE AND RETURN YOUR PROXY PROMPTLY IN THE ENCLOSED, PREPAID ENVELOPE.

By Order of the Board of Directors,

Mark H. Cosmez, II
Secretary

San Ramon, California
July 31, 2002

TABLE OF CONTENTS

PROPOSAL 1 ELECTION OF DIRECTORS

INFORMATION ABOUT THE BOARD OF DIRECTORS AND COMMITTEES OF THE BOARD

STOCK OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

EXECUTIVE COMPENSATION

PROPOSAL 2 APPOINTMENT OF INDEPENDENT PUBLIC ACCOUNTANTS

AUDIT FEES

SHAREHOLDERS PROPOSALS

OTHER MATTERS

Table of Contents

Giga-tronics Incorporated
4650 Norris Canyon Road
San Ramon, California 94583
(925) 328-4650

July 31, 2002

PROXY STATEMENT

**ANNUAL MEETING OF SHAREHOLDERS
to be held
September 4, 2002**

This proxy statement is submitted by the board of directors of Giga-tronics Incorporated (Giga-tronics or the Company), a California corporation, in connection with the solicitation of proxies for use at the Annual Meeting of Shareholders (the Annual Meeting) to be held on September 4, 2002, in accordance with the notice to shareholders, and at any adjournment thereof.

Our board of directors has fixed July 8, 2002 as the record date for the Annual Meeting. Only shareholders of record at the close of business on the record date are entitled to notice of and to vote at this meeting. A majority of the shares of common stock will constitute a quorum for the transaction of business at the Annual Meeting. On the record date, there were 4,661,132 shares of Giga-tronics common stock issued and outstanding. Each share outstanding on the record date is entitled to one vote as to each matter to be acted on at this meeting. However, each shareholder will be entitled to cumulate his votes in the election of directors provided that notice of an intention to cumulate votes is given at this meeting by at least one shareholder before voting for the election of directors. Under cumulative voting, a shareholder is allowed one vote per share multiplied by the number of directors to be elected and may cast the total number of votes for one nominee or may distribute the total number of votes among as many nominees as the shareholder chooses. Four directors will be elected at this meeting.

Shares represented by properly executed proxies received by Giga-tronics will be voted at the Annual Meeting according to the instructions on the proxies. It is intended that shares represented by proxies received by Giga-tronics which are not marked to the contrary will be voted **FOR** all proposals included in the notice of this meeting.

Any person giving a proxy in the form accompanying this proxy statement has the power to revoke it at any time before its exercise. A shareholder giving a proxy may revoke it before its exercise by filing with the Secretary of Giga-tronics either an instrument revoking the proxy or a duly executed proxy bearing a later date. A proxy will be revoked automatically if the shareholder who executed it is present at the Annual Meeting and votes in person. Attendance at this meeting will not, in and of itself, constitute the revocation of a proxy. The granting of a proxy will give the proxy holder authority to cumulate votes if cumulative voting is elected.

The approximate date on which this Proxy Statement and the accompanying form of proxy will be sent to Giga-tronics shareholders is July 31, 2002.

In the election of directors, the candidates receiving the highest number of affirmative votes of the shares entitled to be voted for them up to the number of directors to be elected by such shares are elected. Votes against the director and votes withheld have no legal effect. Approval of a majority of the shares present or represented and voting at the Annual Meeting is required for all items submitted to the shareholders for their consideration except the election of directors. Georgeson Shareholder Communications, Inc. (Georgeson Shareholder) will be using an automated system for the tabulation of shareholder votes for Giga-tronics. With regard to the election of directors, votes may be cast in favor or withheld; votes that are withheld will be excluded entirely from the vote and will have no effect. Abstentions may be specified on proposals other than the election of directors and will be counted as present for purposes of the item on which the abstention is noted,

Table of Contents

and therefore counted in the tabulation of the votes cast on a proposal with the effect of a negative vote. Broker non-votes are shares which are represented at the Annual Meeting which a broker or nominee has indicated it does not have discretionary authority to vote on with respect to a particular matter. A broker non-vote will not be counted for purposes of determining the election of directors or ratifying the selection of Giga-tronics independent accountants, but for other proposals generally have the effect of a negative vote.

The Annual Report of Giga-tronics for its fiscal year ended March 30, 2002 is being mailed with this mailing of the Notice of Annual Meeting and Proxy Statement to all shareholders entitled to notice of and to vote at the Annual Meeting.

The costs of solicitation of proxies, including the printing, handling and mailing of the proxy material, will be paid by Giga-tronics. Copies of solicitation material will be furnished to brokerage houses, fiduciaries and custodians to be forwarded to beneficial owners of shares held in their names, and Giga-tronics will reimburse them for their expenses. The solicitation of proxies through this proxy statement may be supplemented by telephone, telegram or personal solicitation by directors, officers or other regular employees of Giga-tronics and by Georgeson Shareholder. Giga-tronics has retained Georgeson Shareholder to solicit proxies for a fee of approximately \$3,750, plus a reasonable amount to cover expenses. No additional compensation will be paid to directors, officers or other employees for such services.

The executive offices of Giga-tronics are located at 4650 Norris Canyon Road, San Ramon, California 94583, and the telephone number at that location is (925) 328-4650.

Table of Contents**PROPOSAL 1
ELECTION OF DIRECTORS**

At the Annual Meeting, four directors are to be elected to serve until the next annual meeting and until their successors are elected and qualified. The nominees of the board of directors for election as directors are listed below. There are no family relationships among the nominees or between any nominee and any executive officer of Giga-tronics.

| Name and Principal Occupation | Director Since | Age |
|---|----------------|-----|
| <p>George H. Bruns, Jr. Chief Executive Officer since January, 1995, Chairman of the Board and a Director of the Company. He provided seed financing for the Company in 1980 and has been a Director since inception. Mr. Bruns is General Partner of The Bruns Company, a private venture investment and management consulting firm. Mr. Bruns is Director of Testronics, Inc. of McKinney, Texas.</p> | 1980 | 83 |
| <p>James A. Cole General Partner of Windward Ventures, General Partner of Spectra Enterprise Associates and a Partner of New Enterprise Associates. Founder and President of Amplica, Inc. and presently a director of Vitesse Semiconductor Corp., a public company and eleven private companies including Troika Network and Astute Networks.</p> | 1994 | 60 |
| <p>William E. Wilson President of Microsource, Inc. since April 2001. Before joining the Company as the President of Microsource, Inc., Mr. Wilson was the Chairman and CEO of Microwave Technology Incorporated of Fremont, CA, a producer of Microwave Devices and Amplifiers with broad application to the telecommunications and the test and measurement industries.</p> | 1998 | 62 |
| <p>Robert C. Wilson Chairman of Wilson & Chambers, a private investment firm. Mr. Wilson is currently a director of Spectrian Corporation and California Linear Devices.</p> | 1991 | 82 |

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE ELECTION OF ALL NOMINEES NAMED.

Table of Contents

**INFORMATION ABOUT THE BOARD OF DIRECTORS AND
COMMITTEES OF THE BOARD**

Meetings

There were six meetings of the board of directors during the last fiscal year.

Committees

Giga-tronics board of directors has an Audit Committee and a Compensation Committee.

During fiscal 2002, the Audit Committee consisted of independent (as determined under the rules of the National Association of Securities Dealers) non-employee directors, James A. Cole and Robert C. Wilson. The Audit Committee serves to monitor the effectiveness of the independent audit, as well as the Company's accounting, financial controls and financial reports. The Audit Committee held four meetings during the past fiscal year.

During fiscal 2002, the Compensation Committee consisted of independent non-employee directors James A. Cole and Robert C. Wilson, as well as William E. Wilson, who is an employee of the company. The committee formulates recommendations to the board of directors regarding levels of compensation for management. In addition, in order to recognize the expected future contributions of key employees and provide an additional incentive for them to remain with Giga-tronics over the long-term, the Committee awards options to purchase shares of our common stock. The Compensation Committee reviews and approves all stock options and executive compensation as part of the board of directors meetings. The Compensation Committee met six times during the last fiscal year.

Giga-tronics does not have a nominating committee or any committee performing such functions. All of the directors attended all the regularly scheduled meetings of the board of directors and all the committees on which they sat.

Compensation of Directors

Each of the directors who is not employed by Giga-tronics receives an annual director's fee of \$10,000 and \$1,000 for attendance at each board of directors meeting. Outside directors serving on committees of the board of directors receive \$500 for attendance at each committee meeting held on a day other than a Board meeting date.

From time to time, Giga-tronics makes discretionary grants of options to purchase shares of its common stock to directors in consideration for services as members of the Board they provide to Giga-tronics.

Giga-tronics has entered into indemnification agreements with all of its officers and directors.

Compliance with Section 16(a) of the Exchange Act

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our directors, executive officers, and holders of more than 10% of Giga-tronics common stock to file reports of ownership and changes in ownership with the Securities and Exchange Commission, or SEC. Officers, directors, and greater than 10% shareholders are required by SEC regulations to furnish Giga-tronics with copies of all Section 16(a) forms they file.

Based solely on a review of the copies of such forms received by Giga-tronics, or written representations from certain reporting persons, we believe that during the fiscal year ended March 30, 2002 its officers, directors and greater than 10% shareholders complied with all applicable filing requirements.

Table of Contents**STOCK OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The table below includes information as of July 8, 2002, concerning the beneficial ownership of Giga-tronics common stock for: each person known by Giga-tronics to own beneficially more than 5% of Giga-tronics outstanding common stock; each director; each executive officer named in the Summary Compensation Table below; and all directors and executive officers of Giga-tronics as a group:

| Name of Beneficial Owner | Amount and Nature of Beneficial Ownership | Percentage of Total Outstanding Common Stock |
|--|---|--|
| George H. Bruns, Jr. 4650 Norris Canyon Road San Ramon, California 94583 | 510,273 ⁽¹⁾ | 10.9% |
| James A. Cole 2804 Ladbroke Way Thousand Oaks, California 91361 | 31,969 ⁽²⁾ | 0.7 |
| Mark H. Cosmez II 4650 Norris Canyon Road San Ramon, California 94583 | 70,787 ⁽³⁾ | 1.5 |
| Jeffrey T. Lum 4384 Enterprise Place Fremont, California 94538 | 70,864 ⁽⁴⁾ | 1.5 |
| Claudio S. Mariotta 4650 Norris Canyon Road San Ramon, California 94583 | 23,797 ⁽⁵⁾ | 0.5 |
| Robert C. Wilson 274 Catalpa Drive Atherton, California 94027 | 29,375 ⁽⁶⁾ | 0.6 |
| William E. Wilson 145 Sugar Creek Lane Alamo, California 94507 | 24,000 ⁽⁷⁾ | 0.5 |
| All executive officers and directors as a group (8 persons, including those above) | 813,404 | 16.9% |
| Laurence W. Lytton 28 Sherwood Place Scarsdale, New York 10583 | 301,962 | 6.5% |

* Less than 0.1%

(1) Includes
260,870
shares
owned by
the Bruns
Trust,
170,000
registered

in the
names of
Mr. Bruns
son and
daughter,
22,163
shares
owned by
The Bruns
Company,
19,740
shares
owned
directly and
37,500
shares
issuable
under
options
exercisable
within
60 days of
July 8,
2002.(2) Includes
9,375
shares
issuable
under
options
exercisable
within
60 days of
July 8,
2002.(3) Includes
22,000
shares
issuable
under
options
exercisable
within
60 days of
July 8,
2002.(4) Includes
17,500
shares
issuable
under
options
exercisable
within 60
days of
July 8,
2002.(5) Includes
21,875
shares
issuable
under
options
exercisable
within 60
days of

July 8,
2002.(6) Includes
9,375
shares
issuable
under
options
exercisable
within
60 days of
July 8,
2002.(7) Includes
20,000
shares
issuable
under
options
exercisable
within 60
days of
July 8,
2002.

Table of Contents**EXECUTIVE COMPENSATION****Summary of Compensation**

The following table provides information concerning compensation paid or accrued by the Company, to or on behalf of Giga-tronics' chief executive officer and each of the four other most highly compensated executive officers during the last fiscal year ended March 30, 2002, and for the fiscal years ended March 31, 2001 and March 25, 2000:

Summary Compensation Table

| Name and Principal Position | Fiscal Year | Annual Compensation | | | Long-Term Compensation | |
|---|----------------|---------------------|-----------|---------------------------------|---|--------------------------------------|
| | | Salary(\$) | Bonus | Other Annual Compensation | Number of Securities Underlying Options/ SARs(#)(1) | All Other Compensation (\$)(2) |
| George H. Bruns, Jr. Chairman and Chief Executive Officer | 2002 | \$ 172,308 | | | | \$ 1,885 |
| | 2001 | \$ 126,154 | | | | \$ 2,000 |
| | 2000 | \$ 120,000 | | | | \$ 1,731 |
| Mark H. Cosmez II Vice President, Finance CFO & Secretary | 2002 | \$ 118,430 | | | 8,000 | \$ 2,908 |
| | 2001 | \$ 118,846 | | | | \$ 2,971 |
| | 2000 | \$ 105,000 | | | 10,000 | \$ 2,625 |
| Jeffrey T. Lum President, ASCOR, Inc. | 2002 | \$ 130,659 | \$ 7,810 | \$ 7,200 ⁽³⁾ | 10,000 | \$ 1,374 |
| | 2001 | \$ 146,116 | \$ 15,562 | \$ 7,200 ⁽³⁾ | | \$ 2,100 |
| | 2000 | \$ 124,519 | \$ 1,633 | \$ 891 ⁽³⁾ | | \$ 2,000 |
| Claudio S. Mariotta President, Giga-tronics Instrument Division | 2002 | 168,618 | | | 12,500 | \$ 4,145 |
| | 2001 | 133,125 | | | 7,500 | \$ 3,328 |
| | 2000 | 74,519 | | | 30,000 | \$ 721 |
| William E. Wilson President, Microsource, Inc. | 2002 | 140,819 | | \$ 6,925 ⁽⁴⁾ | 50,000 | \$ 1,371 |
| | 2001 | 12,750 | | | 7,500 | |
| | 2000 | 9,750 | | | | |

(1) Stock options granted under Giga-tronics' 1990 and 2000 Stock Option Plans.

(2) Represents contributions made by Giga-tronics to its 401(k) Plan which match in part the pre-tax elective deferral contributions included under Salary made to the 401(k) plan by the executive officers. (3) Other

compensation
for Mr. Jeffrey
T. Lum
represents the
use of a
company
automobile.(4) Mr. Wilson
became an
employee of
Giga-tronics
in April 2001.
Other
compensation
in 2002 for
Mr. Wilson
represents a
car allowance.

Table of Contents**Stock Options**

The following table sets forth stock options granted in fiscal 2002 to each of Giga-tronics' executive officers named in the Summary Compensation Table. No stock appreciation rights were granted during the 2002 fiscal year. All option exercise prices were based on market price on the date of grant. The table also sets forth the hypothetical gains that would exist for the options at the end of their five year terms, assuming compound annual rates of stock appreciation of 5% and 10%. These numbers are calculations based on the requirements promulgated by the SEC and do not reflect Giga-tronics' estimate of future stock price growth. The actual future value of all options will depend on the market value of Giga-tronics' common stock.

Option Grants in Fiscal 2002

| Name | Date of Grant | No. of Securities Under-lying Options Granted (#) | Percentage of Total Options Granted to Employees in Fiscal 2002 | Exercise Price (\$/sh) | Exp. Date | Potential Realization Value at Assumed Annual Rates of Stock Price Appreciation for Option Term | |
|---------------------|---------------|---|---|------------------------|-----------|---|------------|
| | | | | | | 5% (\$) | 10% (\$) |
| Mark H. Cosmez II | 7/23/2001 | 8,000 | 4.8% | \$3.09 | 7/24/2006 | \$ 7,000 | \$ 15,000 |
| Jeffrey T. Lum | 7/23/2001 | 10,000 | 5.9% | \$3.09 | 7/24/2006 | \$ 8,500 | \$ 19,000 |
| Claudio S. Mariotta | 4/06/2001 | 12,500 | 7.4% | \$5.75 | 4/07/2006 | \$20,000 | \$ 44,000 |
| William E. Wilson | 5/17/2001 | 50,000 | 29.8% | \$5.18 | 5/18/2006 | \$72,000 | \$ 158,000 |

Table of Contents**Options Exercises and Fiscal Year End Option Value Table**

The table below provides information for the executive officers named in the Summary Compensation Table, concerning the exercise of options during fiscal 2002 and unexercised options held as of the end of the fiscal year.

**Aggregated Options Exercises in Last Fiscal Year
and Fiscal Year-End Options Values**

| Name | Shares Acquired on Exercise | Value Realized | Number of Securities Underlying Unexercised Options at March 30, 2002(#) | | Value of Unexercised In the Money Options at March 30, 2002(1) | |
|---|--------------------------------------|-------------------|--|---------------|--|---------------|
| | | | Exercisable | Unexercisable | Exercisable | Unexercisable |
| George H. Bruns, Jr. Chairman and Chief Executive Officer | | | 37,500 | 18,750 | \$66,495 | \$33,248 |
| Mark H. Cosmez II Vice President, Finance CFO & Secretary | | | 17,500 | 20,500 | \$30,953 | \$28,225 |
| Jeffrey T. Lum President, ASCOR, Inc. | | | 15,000 | 15,000 | \$26,598 | \$16,636 |
| Claudio S. Mariotta President, Giga-tronics Instruments | | | 16,875 | 33,125 | \$16,755 | \$16,755 |
| William E. Wilson President, Microsource, Inc. | | | 7,500 | 57,500 | \$9,974 | \$3,325 |

- (1) Equal to the fair market value of the option shares on March 30, 2002 which was \$3.87 per share, less the aggregate option price payable for the shares. Options are in-the-money if the market value of the shares is greater than the option exercise price.

Table of Contents

Employment Contracts and Termination of Employment and Change-In-Control Arrangements

Change-In-Control Arrangements

All outstanding options will automatically accelerate and become exercisable for fully vested shares upon a change in control of Giga-tronics, whether effected through merger, sale of substantially all of Giga-tronics' assets, the successful completion of a hostile tender offer for 30% or more of Giga-tronics' outstanding common stock, or a change in the majority of the board of directors as a result of one or more contested elections for board of directors membership.

Compensation Committee Interlocks and Insider Participation

For the 2002 fiscal year, the Compensation Committee was comprised of Messrs. James A. Cole, William E. Wilson and Robert C. Wilson.

No executive officer of Giga-tronics serves as a member of the board of directors or compensation committee of any entity which has one or more executive officers serving as a member of Giga-tronics board of directors or Compensation Committee.

**Audit Committee
Report of the Audit Committee**

The Audit Committee of the Board is responsible for providing independent, objective oversight of Giga-tronics' accounting functions and internal controls. The audit committee operates under a written charter approved by the Board of Directors.

Management is responsible for the Company's internal controls and financial reporting process. The independent accountants are responsible for performing an independent audit of the Company's consolidated financial statements in accordance with generally accepted auditing standards and issuing a report thereon. The Audit committee's responsibility is to monitor and oversee these processes.

In connection with these responsibilities, the Audit Committee met with management to review and discuss the March 30, 2002 financial statements. The Audit Committee also discussed, with the independent accountants, the matters required by Statement on Auditing Standards No. 61, *Communication with Audit Committees*. The Audit Committee also received written disclosures from the independent accountants required by Independence Standards Board Standard No. 1, *Independence Discussions with Audit Committees*, and the Audit Committee discussed with the independent accountants that firm's independence.

In reliance on the reviews and discussions referred to above, the Committee recommended to the Board of Directors (and the Board has approved) that the audited consolidated financial statements be included in the Company's Annual Report (Form 10-K) for the year ended March 30, 2002 for filing with the Securities and Exchange Commission. The Committee has recommended and the Board has approved that KPMG, LLP be engaged to continue as the Company's auditors for the current year.

Respectfully submitted,

AUDIT COMMITTEE

Robert C. Wilson, Chair
James A. Cole

Table of Contents

Compensation Committee

Report on Executive Compensation

General Compensation Policy

Giga-tronics' executive compensation philosophy rests on two fundamental principles. First, the program is intended to provide fully competitive levels of compensation at expected levels of performance in order to attract, motivate and retain talented executives. Secondly, the program is intended to create an alignment of interest between Giga-tronics' executives and its shareholders such that a significant portion of each executive's compensation is linked directly to the creation of shareholder value.

The Executive Compensation Program is intended to place heavy emphasis on the variable pay, which is pay that varies with performance, and less focus on fixed base salary. The incentive pay programs are intended to reward performance that is directly relevant to the Company's short term and long term success. The three primary components of the program include base salary, annual incentive, which is performance based bonus, and long term incentives such as stock options.

Factors

The process involved and the factors considered in the executive compensation determination for fiscal year 2002 are summarized below. It is expected that this process will remain the same in fiscal year 2003. However, the Committee may, at its discretion, apply a different set of factors in setting executive compensation in the future in order to further enhance the basic concept of pay-for-performance.

Base Salary

Base salaries are based primarily on individual performance, and each individual's role in Giga-tronics. Employees with higher levels of sustained performance over time and/or those assuming greater responsibilities will be paid correspondingly higher salaries.

On the basis of its knowledge of the industry, this Committee believes that the base salary levels in effect for Giga-tronics' executive officers are competitive with the companies within and without our industry with which Giga-tronics competes for executive talent. However, the Committee did not, through one or more external salary surveys for the industry, independently confirm the specific percentiles at which the base salary levels in effect for Giga-tronics' executive officers stood in relation to other companies in our industry.

Salaries are reviewed annually based on individual performance, overall financial results and the general level of increases in the marketplace. Salary increases are granted within a pay-for-performance framework.

Annual Performance (Non-Stock) Based Incentive Compensation

Giga-tronics' annual incentive bonus plan is intended to:

reward key employees based upon company and individual performance,

motivate, and

provide competitive cash compensation opportunities.

Incentive awards are paid annually in cash based upon achievement of individual performance objectives for the most recently completed fiscal year.

Bonus payments totaling approximately \$8,000 were earned in fiscal 2002.

Table of Contents

Long-Term (Stock Based) Incentive Compensation

Giga-tronics has always believed that stock ownership or stock option participation was the most effective way of aligning its management and shareholder interests. Options are generally issued at 100% of market value, for five year terms, exercisable for 25% of the total grant per year after the first year. The right to exercise options expires 60 days after termination of employment, except in case of death when an optionee's estate would have six months to exercise.

CEO Compensation

The CEO compensation is based on the same considerations as any other senior executive. Other compensation factors, including salary increases, incentive bonus and option participation are performance-based.

Based upon Giga-tronics' performance, the Compensation Committee increased Mr. Brun's base compensation to \$200,000 annually effective March 2001. Based on the subsequent performance of the company, Mr. Brun's elected to reduce his salary to \$160,000 effective July 16, 2001 and again reduce his salary to \$140,000 effective July 1, 2002. The Compensation Committee reviewed and approved this election.

Deduction Limit for Executive Compensation

Effective January 1, 1994, Section 162(m) of the Internal Revenue Code limits federal income tax deductions for compensation paid to the chief executive officer and the four other most highly compensated officers of a public company to \$1 million per individual per year, but contains an exception for performance-based compensation that satisfies certain conditions.

The 1990 Stock Option Plan was amended in 1994 to restrict the maximum number of shares of common stock for which any one participant may be granted stock options and stock appreciation rights to 200,000 shares, and the stockholders approved this amendment at the 1994 Annual Meeting. As a result, stock options granted to Giga-tronics' executive officers with an exercise price not less than the fair market value of the underlying shares on the grant date will generally qualify as performance-based compensation which is not subject to the \$1 million limitation. The 2000 Stock Option Plan reflects these same restrictions.

BY THE COMPENSATION COMMITTEE:

James A. Cole
Robert C. Wilson
William E. Wilson

11

Table of Contents

PERFORMANCE GRAPH

| | <u>Giga-tronics</u> | <u>NASDAQ Telecom Stocks</u> | <u>S&P 500 Index</u> |
|----------|---------------------|------------------------------|--------------------------|
| March-97 | 100.00 | 100.00 | 100.00 |
| March-98 | 82.04 | 194.51 | 144.23 |
| March-99 | 31.25 | 317.62 | 171.76 |
| March-00 | 175.00 | 506.87 | 207.50 |
| March-01 | 78.13 | 169.95 | 159.47 |
| March-02 | 48.34 | 91.95 | 159.99 |

COMPARISON OF FIVE YEAR CUMULATIVE TOTAL RETURN* AMONG GIGA-TRONICS INCORPORATED, THE S & P 500 INDEX AND THE NASDAQ TELECOMMUNICATIONS STOCKS

*\$100 INVESTED ON 3/29/97 OR INDEX, INCLUDING REINVESTMENT OF DIVIDENDS. FISCAL YEAR ENDING 3/30/02.

Table of Contents

**PROPOSAL 2
APPOINTMENT OF INDEPENDENT PUBLIC ACCOUNTANTS**

The board of directors upon recommendation of the Audit Committee has re-appointed the firm of KPMG LLP as Giga-tronics independent accountants for the fiscal year ending March 29, 2003 and to perform other appropriate services. We are seeking ratification by the shareholders for this appointment.

Representatives of KPMG LLP are expected to be present at Giga-tronics Annual Meeting with the opportunity to make a statement, if they desire to do so, and they are expected to be available to respond to appropriate questions.

AUDIT FEES

Fees for the last fiscal year were \$168,500 for the annual audit and related quarterly reviews. In addition, audit related fees of \$3,500 were paid in the last fiscal year for the review of registration statements and the issuance of consents. KPMG provided no other consulting or tax services for the fiscal year.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR RATIFICATION OF THE APPOINTMENT OF KPMG LLP.

Table of Contents

SHAREHOLDERS PROPOSALS

To be considered for presentation to the Annual Meeting of Shareholders to be held in 2003, a shareholder proposal must be received by Giga-tronics no later than June 5, 2003. To be considered for inclusion in the Giga-tronics proxy statement for its Annual Meeting of Shareholders to be held in 2003, a shareholder proposal must be received by Giga-tronics no later than April 2, 2003. Proposals should be addressed to the Corporate Secretary, Giga-tronics Incorporated, 4650 Norris Canyon Road, San Ramon, CA 94583.

The Annual Report of Giga-tronics for the fiscal year ended March 30, 2002 is being mailed with this mailing of the Notice of Annual Meeting and Proxy Statement to all shareholders entitled to notice of and to vote at the Annual Meeting. Giga-tronics will mail the Annual Report on Form 10-K for the most recent fiscal year to any shareholder who requests a copy. Requests should be sent to the Corporate Secretary as noted above for proposals.

OTHER MATTERS

Giga-tronics knows of no other business which will be presented at the Annual Meeting other than the proposals included in the Notice of Meeting. If any other business is properly brought before the Annual Meeting, persons appointed as proxies for the shareholders in the enclosed form will vote on these matters in accordance with their judgments. Regardless of whether you intend to be present at the Annual Meeting, you are urged to complete, date, sign and return your proxy promptly.

The Report of the Compensation Committee, the Report of the Audit Committee, the Performance Graph, the Audit Committee Charter contained in Appendix A to this proxy statement and the statement of independence of Audit Committee members referred to under Information About the Board of Directors and Committees of the Board are not to be considered as filed with the Securities and Exchange Commission or incorporated by reference into any other filings which the Company makes with the Exchange Commission under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, nor is this information considered as proxy soliciting material. These portions of this proxy statement are not a part of any of those filings unless otherwise stated in those filings.

By order of the Board of Directors,

George H. Bruns, Jr.
Chairman and Chief Executive Officer

San Ramon, California
July 31, 2002

Edgar Filing: GIGA TRONICS INC - Form DEF 14A

Table of Contents

GIGA-TRONICS INCORPORATED
ANNUAL MEETING OF SHAREHOLDERS

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

George H. Bruns, Jr. and Mark H. Cosmez II, or either of them are hereby constituted and appointed the lawful attorneys and proxies of the undersigned, each with full power of substitution, to vote and act as proxy with respect to all shares of common stock of Giga-tronics Incorporated standing in the name of the undersigned on the books of Giga-tronics at the close of business on July 8, 2002 at the Annual Meeting of Shareholders to be held at 9:30 A.M., on September 4, 2002, at Giga-tronics principal executive offices at 4650 Norris Canyon Road, San Ramon, CA 94583, or at any adjournment or postponement thereof.

THE POWERS HEREBY GRANTED MAY BE EXERCISED BY BOTH OF SAID ATTORNEYS OR PROXIES OR THEIR SUBSTITUTES PRESENT AND ACTING AT THE ANNUAL MEETING OF SHAREHOLDERS OR ANY ADJOURNMENT OR POSTPONEMENT THEREOF OR, IF ONLY ONE BE PRESENT AND ACTING, THEN BY THAT ONE. THE UNDERSIGNED HEREBY REVOKES ANY AND ALL PROXIES HERETOFORE GIVEN BY THE UNDERSIGNED TO VOTE AT SAID MEETING.

(CONTINUED AND TO BE SIGNED ON OTHER SIDE)

- FOLD AND DETACH HERE -

FOR ALL NOMINEES LISTED (EXCEPT AS INDICATED BELOW).

WITHHOLD AUTHORITY TO VOTE FOR ALL NOMINEES LISTED.

- 1. Elect four Directors for the ensuing year.
Nominees: (1) George H. Bruns, Jr., (2) James A. Cole, (3) Robert C. Wilson, (4) William E. Wilson.

INSTRUCTION: To withhold authority to vote for one or more individual nominees, write such name or names in the space provided below.

- 2. Ratify the appointment of independent certified public accountants.

| | | |
|-----|---------|---------|
| FOR | AGAINST | ABSTAIN |
| [] | [] | [] |

- 3. In their discretion, the Proxies are authorized to vote upon such other business as may properly come before the meeting.

Signature(s) _____ Dated: _____, 2002
 Please sign exactly as the name appears printed hereon. When shares are held by joint tenants, both should sign. When signing as attorney, executor, administrator, trustee or guardian, please give full title as such. If a corporation, please sign in full corporate name by annual authorized officer. If a partnership, please sign in full partnership name by authorized person. Receipt is acknowledged of the Proxy Statement for the meeting.

- FOLD AND DETACH HERE -