

CALIFORNIA AMPLIFIER INC
Form PRE 14A
June 02, 2004

SCHEDULE 14A
(Rule 14a-101)
INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION

**Proxy Statement Pursuant to Section 14(a) of the Securities
and Exchange Act of 1934**

Filed by the Registrant **x**
Check the appropriate box:

- x Preliminary Proxy Statement**
Confidential, For Use of the Commission Only
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to Rule 14a-12

CALIFORNIA AMPLIFIER, INC.

(Exact name of Registrant as specified in its Charter)

CALIFORNIA AMPLIFIER, INC.

(Name of Person(s) Filing Proxy Statement)

Payment of Filing Fee:

x No fee 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: |

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| (1) | Amount Previously Paid: |
| (2) | Form, Schedule or Registration Statement No.: |
| (3) | Filing Party: |
| (4) | Date Filed: |

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
to be held July 30, 2004

To the Stockholders of CALIFORNIA AMPLIFIER, INC.:

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The Annual Meeting of Stockholders of California Amplifier, Inc. will be held at the Ventura Beach Marriott, 2055 Harbor Blvd., Ventura, California 93001, on Friday, July 30, 2004 at 10:00 a.m. local time, for the purpose of considering and acting upon the following proposals:

- (1) To elect seven directors to hold office until the next Annual Meeting of Stockholders;
- (2) To approve an amendment to California Amplifier's certificate of incorporation to increase the authorized common stock of California Amplifier from 30,000,000 to 40,000,000 shares;
- (3) To approve an amendment to California Amplifier's certificate of incorporation to change the Company's name to CalAmp Corp.;
- (4) To approve the California Amplifier 2004 Stock Incentive Plan; and
- (5) To transact such other business as may properly come before the meeting and any postponements or adjournments thereof.

The Board of Directors has fixed the close of business on June 11, 2004 as the record date for the determination of stockholders entitled to notice of and to vote at the meeting. A list of stockholders entitled to vote at the Annual Meeting will be open to examination by any stockholder for any purposes related to the Annual Meeting, during normal business hours, from July 19, 2004 until July 29, 2004 at the Company's executive offices located at 1401 North Rice Avenue, Oxnard, California 93030.

By Order of the Board of Directors,

Richard K. Vitelle
Corporate Secretary

Oxnard, California
June 21, 2004

STOCKHOLDERS ARE CORDIALLY INVITED TO ATTEND THE MEETING IN PERSON. WHETHER YOU PLAN TO ATTEND THE MEETING, YOU ARE REQUESTED TO SIGN, DATE AND RETURN THE ENCLOSED PROXY TO MAKE SURE THAT YOUR SHARES ARE REPRESENTED AT THE MEETING. STOCKHOLDERS MAY VOTE IN PERSON IF THEY ATTEND THE MEETING EVEN THOUGH THEY HAVE EXECUTED AND RETURNED A PROXY.

CALIFORNIA AMPLIFIER, INC.

Corporate Headquarters:
1401 North Rice Avenue
Oxnard, CA 93030

Place of Meeting:
Ventura Beach Marriott
2055 Harbor Blvd.
Ventura, CA 93001

Telephone: (805) 987-9000

PROXY STATEMENT

ANNUAL MEETING OF STOCKHOLDERS

July 30, 2004

Approximate date of mailing: June 21, 2004

This Proxy Statement is furnished in connection with the solicitation by the Board of Directors of California Amplifier, Inc. (the "Company" or "California Amplifier") of proxies for use at the Annual Meeting of Stockholders of California Amplifier (the "Annual Meeting") to be held on Friday, July 30, 2004 at 10:00 a.m. local time or at any adjournment or postponement thereof.

VOTING RIGHTS

Stockholders of record of California Amplifier as of the close of business on the record date established for the Annual Meeting, June 11, 2004, have the right to receive notice of and to vote at the Annual Meeting. On June 11, 2004, California Amplifier had issued and outstanding 23,070,097 shares of Common Stock, par value \$0.01 per share ("Common Stock"), the only class of voting securities outstanding.

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Each stockholder of record as of the record date will be entitled to one vote for each share of Common Stock held as of the record date. The presence at the Annual Meeting in person or by proxy of a majority of the shares of Common Stock outstanding as of the record date will constitute a quorum for transacting business. Abstentions and broker non-votes are counted for purposes of determining the presence or absence of a quorum for the transaction of business. With regard to 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, and therefore counted in the tabulation of the votes cast on a proposal with the effect of a negative vote. In tabulating the voting result for any particular proposal, shares which constitute broker non-votes are not counted for purposes of determining the votes cast on the proposal and therefore will have no effect on the outcome of such matters requiring the affirmative vote of a majority of the votes cast; however, with respect to the proposals to amend the Certificate of Incorporation which require for approval the affirmative vote of a majority of the Company's outstanding shares of Common Stock, broker non-votes will have the effect of a negative vote.

Persons Making the Solicitation

The Proxy is solicited on behalf of the Board of Directors of the Company. The only solicitation materials to be sent to stockholders will be this Proxy Statement and the accompanying Proxy. California Amplifier has retained Georgeson Shareholder Communications to assist with the solicitation of proxies for a fee estimated to be \$12,500, plus reimbursement for out-of-pocket expenses. All expenses of California Amplifier's solicitation of proxies for the California Amplifier special meeting will be borne by California Amplifier. In addition to solicitation by use of the mails, proxies may be solicited from California Amplifier stockholders by the directors, officers and employees of California Amplifier in person or by telephone, facsimile, electronic mail or other means of communication. These directors, officers and employees will not be additionally compensated, but may be reimbursed for reasonable out-of-pocket expenses in connection with the solicitation. Copies of the solicitation material will be furnished to brokerage firms, fiduciaries and other custodians holding shares in their names that are beneficially owned by others to forward to such beneficial owners. The Company will pay all reasonable expenses by such holders for mailing the solicitation material to the stockholders for whom they hold shares. All solicitation expenses are being paid by the Company.

Terms of the Proxy

The enclosed Proxy indicates the matters to be acted upon at the Annual Meeting and provides a box to be marked to indicate the manner in which the stockholder's shares are to be voted with respect to such matters. By appropriately marking the boxes, a stockholder may specify, with respect to the election of directors, whether the Proxy holder shall vote for or be without authority to vote on any or all candidates. The Proxy also confers upon the holders thereof discretionary voting authority with respect to such other business as may properly come before the Annual Meeting.

Where a stockholder has appropriately directed how the Proxy is to be voted, the shares will be voted in accordance with the stockholder's direction. In the absence of instructions, shares represented by valid Proxies will be voted in favor of the nominees for director and in favor of all proposals set forth in the Notice of Meeting and this Proxy Statement. If any other matters are properly presented at the Annual Meeting, the persons named in the Proxy will vote or refrain from voting in accordance with their best judgment. A Proxy may be revoked at any time prior to its exercise by giving written notice of the revocation thereof to the Corporate Secretary of the Company or by filing a duly executed Proxy bearing a later date. Stockholders may also vote in person if they attend the Annual Meeting even though they have executed and returned a Proxy.

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SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information regarding the beneficial ownership of the Company's Common Stock as of June 11, 2004 by (i) each person or entity who is known by the Company to own beneficially more than 5% of the Company's Common Stock, (ii) each director and nominee for director, (iii) each executive officer appearing in the Summary Compensation Table appearing elsewhere in this Proxy Statement and (iv) all directors and executive officers as a group. The Company knows of no agreements among its stockholders that relate to voting or investment power over its Common Stock.

Name and Address of Beneficial Owner (1):	Shares Beneficially Owned (2):	Percent (3):
Fred Sturm, Chief Executive Officer, President and Director	267,500	1.1%

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Robert Hannah, Vice President of Research and Development, Products Division (4)	177,500	*
Patrick Hutchins, President, Products Division (5)	83,000	*
Kris Kelkar, Senior Vice President, Wireless Access Products (6)	162,500	*
Tracy Trent, President, Solutions Division (7)	102,434	*
Richard Vitelle, Vice President, Finance and Chief Financial Officer	67,250	*
Ira Coron, Chairman of the Board of Directors	126,600	*
Richard Gold, Director	32,000	*
Arthur Hausman, Director	77,210	*
A.J. Bert Moyer, Director	--	*
James Ousley, Director	148,740	*
Frank Perna, Jr., Director	40,000	*
Thomas Ringer, Director	67,000	*
All directors and executive officers as a group (13 persons)	1,351,734	5.6%
Funds managed by Mobius Venture Capital 11512 El Camino Real Ste. 3215 San Diego, California 92105	1,669,069	7.2%
Funds managed by Charterhouse Group International, Inc. 535 Madison Ave., 28th Floor New York, New York 10022	1,664,940	7.2%
Funds managed by Frontenac 135 LaSalle Street, Suite 3800 Chicago, Illinois 60603	1,240,148	5.4%

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* Less than 1.0% ownership

- (1) The address of each named officer and director is 1401 North Rice Avenue, Oxnard, California 93030.
- (2) Includes shares purchasable upon exercise of exercisable stock options as of June 11, 2004 or within 60 days thereafter, in the following amounts:

Fred Sturm	247,500
Robert Hannah	166,250
Patrick Hutchins	76,250
Kris Kelkar	160,400
Richard Vitelle	56,250
Ira Coron	40,000
Richard Gold	32,000
Arthur Hausman	72,000

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Frank Perna, Jr.	40,000
Thomas Ringer	64,000
All officers and directors as a group	954,650

- (3) For the purposes of determining the percentage of outstanding Common Stock held by the persons set forth in the table, the number of shares is divided by the sum of the number of outstanding shares of the Company's Common Stock on June 11, 2004 (23,070,097 shares) and the number of shares of Common Stock subject to options exercisable currently or within 60 days of June 11, 2004 by such persons.
- (4) Mr. Hannah served as Vice President of Satellite Products until April 12, 2004, at which time he was appointed Vice President of Research and Development for the Products Division.
- (5) Mr. Hutchins served as Vice President of Operations until April 12, 2004, at which time he was appointed President of the Products Division.
- (6) Mr. Kelkar ceased to be an officer and employee of the Company on May 14, 2004, and currently serves as a consultant to the Company.
- (7) Mr. Trent was appointed President of the Solutions Division on April 12, 2004, concurrent with the acquisition of Vytex Corporation.

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PROPOSAL ONE ELECTION OF DIRECTORS

A board of seven directors will be elected at the Annual Meeting. It is intended that the shares of Common Stock represented by each Proxy, unless otherwise specified on the Proxy, will be voted for the election to the Board of Directors of each of the seven nominees set forth below. Directors shall be elected by a plurality of the votes of shares present in person or represented by proxy at the meeting. The term of office of each person elected as director will continue until the next Annual Meeting of Stockholders, or until his successor has been elected and qualified. **The Board of Directors recommends a vote FOR each of the seven nominees.**

In the event that any of the nominees for director listed below should become unavailable for election for any currently unforeseen reason, the persons named in the accompanying Proxy have the right to use their discretion to vote for such other person as may be determined by the holders of such Proxies. To the best of the Company's knowledge, all nominees are and will be available to serve.

The following table sets forth the name and age of each nominee for director, the calendar year each was first elected as a director and the positions each currently holds with the Company:

Name	Age	Capacities in Which served	Director Since
Richard Gold	49	Director, and Chairman of the Board effective upon re-election at this annual meeting	2000
Arthur Hausman	80	Director	1987
A.J. Bert Moyer	60	Director	2004
James Ousley	58	Director	2004
Frank Perna, Jr.	66	Director	2000
Thomas Ringer	72	Director	1996
Fred Sturm	46	Chief Executive Officer, President and Director	1997

Richard Gold has been a director of the Company since December 2000. Mr. Gold is a Venture Director with InnoCal II, L.P., a venture capital partnership, a position held since May 2004. He served as President and Chief Executive Officer of Nova Crystals, Inc., a supplier of optical sensing equipment, from December 2002 until May 2004. From June 2002 to July 2003, he was Chairman of Radia Communications, Inc., a supplier of wireless communications semiconductors. From January 1999 to June 2002, he was Chairman, President and Chief Executive

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Officer of Genoa Corporation, a supplier of optical communications semiconductors. From November 1991 through December 1998, Mr. Gold held various senior-level executive positions with Pacific Monolithics, Inc., a supplier of wireless communications equipment, including Vice President-Engineering, Chief Operating Officer and, from January 1997 through December 1998, President and Chief Executive Officer.

Arthur Hausman has been a director of the Company since 1987. Mr. Hausman, a private investor, currently serves as a director of Drexler Technology Corporation, a manufacturer of optical data storage products. Until his retirement in 1988, he served as Chairman of the Board of Directors and Chief

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Executive Officer of Ampex Corporation, a manufacturer of professional audio-video systems, data/memory products and magnetic tape, where he was employed for 27 years. Mr. Hausman was appointed by President Reagan to the President's Export Council, to the Council's Executive Committee and to the Chairmanship of the Export Administration Subordinate Committee of the Council for the period 1985 to 1989.

A.J. Bert Moyer has been a director of the Company since February 2004. Mr. Moyer, a business consultant and private investor, served as Executive Vice President and Chief Financial Officer of QAD Inc., a publicly held software company, from March 1998 until February 2000, and he subsequently served as a consultant to QAD, assisting in the Sales Operations of the Americas Region. From February to July 2000, he served as president of the commercial division of Profit Recovery Group International, Inc. (now known as PRG-Schultz International, Inc.), a publicly held provider of recovery audit services. Prior to joining QAD in 1998, Mr. Moyer served as Chief Financial Officer of Allergan Inc., a specialty pharmaceutical company based in Irvine, California, from 1995 to 1998. Mr. Moyer also serves on the board of QAD Inc., a provider of enterprise resource planning software applications, Collectors Universe, Inc., a company engaged in grading, auctioning and selling high-end collectibles, and Virco Manufacturing Corporation, which designs and produces furniture for the commercial and education markets.

James Ousley has been a director of the Company since April 2004. Mr. Ousley served as President and Chief Executive Officer of Vytek Corporation, a wireless integration company, from September 2000 until Vytek was acquired by the Company effective April 12, 2004. From 1999 to 2000, Mr. Ousley was President, Chief Executive Officer and Chairman of Syntegra (USA) Inc. From 1992 to 1999, Mr. Ousley was President and Chief Executive Officer of Control Data Systems. Earlier in his career, Mr. Ousley held executive management positions with Ceridian, including Executive Vice President of Control Data Corp. (now Ceridian) and President of Ceridian's Computer Products business. Mr. Ousley is also a director of ActivCard, Corp., an authentication software company; Bell Microproducts, a value-added distributor of storage products and systems, semiconductors and computer products and peripherals; Datalink Corporation, a developer of enterprise-class information storage infrastructures; Norstan, Inc., a communications integration company; and Savvis Communication Corporation, a provider of internet protocol (IP) applications and services.

Frank Perna, Jr. has been a director since May 2000. From 1990 to 1993, Mr. Perna was Chief Executive Officer of MagneTek. From 1994 to 1998 Mr. Perna was Chairman and Chief Executive Officer of EOS Corporation, and from 1998 to the present has served as Chairman and Chief Executive Officer of MSC Software. Mr. Perna also serves as Chairman of the Board of Software.com and on the Board of Trustees of Kettering University.

Thomas Ringer has been a director of the Company since August 1996. Since 1990, Mr. Ringer has been actively involved as a member of the boards of directors for various public and private companies. Mr. Ringer is currently Chairman of Wedbush Morgan Securities, Inc., an investment banking and financial services company, Chairman of Document Sciences Corporation, a publicly held company engaged in developing and marketing document automation and content management output software, Chairman of M.S. Aerospace, Inc., a privately held manufacturer of aerospace fasteners, Chairman of the Center for Innovation and Entrepreneurship, an executive education services company, and a member of the Board of Directors of Maxwell Technologies, Inc., a leading ultracapacitor company. Prior to 1990, Mr. Ringer served as President and Chief Executive Officer of Recognition Equipment Inc., a New York Stock Exchange listed company, President and Chief Executive Officer of Fujitsu Systems of America, Inc. and President and Chief Executive Officer of Computer Machinery Corporation.

Fred Sturm was appointed Chief Executive Officer, President and Director in August 1997. Prior to joining the Company from 1990 to 1997, Mr. Sturm was President of Chloride Power Systems (USA), and Managing Director of Chloride Safety, Security, and Power Conversion (UK), both of which are part of Chloride Group, PLC (LSE: CHLD). From 1979 to 1990, he held a variety of general management positions with M/A-Com and TRW Electronics, which served RF and microwave markets.

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On June 1, 2004, the Company announced that Ira Coron, who has been Chairman of the Board for California Amplifier since March 1994, had decided not to stand for re-election to the Board at the 2004 annual meeting, and that effective at the annual meeting, Mr. Gold would become Chairman of the Board.

The Board of Directors and Corporate Governance

The Company has established corporate governance practices designed to serve the best interests of the Company and its stockholders. The Company is in compliance with the current corporate governance requirements imposed by the Sarbanes-Oxley Act of 2002 and the Nasdaq National Market, or NASDAQ. The Company may make additional changes to its policies and procedures in the future to ensure continued compliance with developing standards in the corporate governance area.

The Board of Directors presently consists of eight members, six of whom are independent. A director's independence is determined by the Board of Directors as defined by the rules of NASDAQ. The Board has determined that each director is independent, with the exception of Fred Sturm, the Company's Chief Executive Officer, and James Ousley who served as President and Chief Executive Officer of Vitek Corporation until it was acquired by the Company on April 12, 2004. As noted in the previous section, Mr. Coron will not stand for re-election to the Board of Directors at the 2004 Annual Meeting, so the size of the Board will be reduced to seven directors effective at the annual meeting.

Contacting the Board of Directors

Stockholders interested in communicating directly with the Board of Directors, any Committee of the Board, the Chairman, or the non-management directors as a group may do so by sending a letter to the California Amplifier Board of Directors, c/o Corporate Secretary, California Amplifier, Inc., 1401 North Rice Avenue, Oxnard, California 93030. The Corporate Secretary will review the correspondence and forward it to the Chairman of the Board, Chairman of the Governance and Nominating Committee, Audit Committee or to any individual director, group of directors or Committee of the Board to whom the communication is directed, as applicable, if the communication is relevant to California Amplifier's business and financial operations, policies and corporate philosophies.

Attendance of Directors at Annual Meetings

It is a policy of the Board of Directors that attendance of all directors at the annual meeting of stockholders is strongly encouraged but is not required. All directors attended last year's annual meeting.

Committees of the Board

The Board of Directors has delegated certain of its authority to three committees: the Compensation Committee, the Audit Committee and the Governance and Nominating Committee. The Compensation Committee is composed of Messrs. Hausman, Gold and, until the 2004 annual meeting, Coron, with Mr. Hausman serving as Chairman. The Audit Committee is composed of Messrs. Hausman, Moyer, Perna and Ringer, with Mr. Moyer serving as Chairman. The Governance and Nominating Committee is composed of Messrs. Gold and Perna, with Mr. Gold serving as Chairman. All of the Committees operate under written charters defining their functions and responsibilities.

Compensation Committee

The primary functions of the Compensation Committee are to review and make recommendations to the Board of Directors with respect to the compensation of the Company's executive officers, and to administer the Company's stock option plans. The Board of Directors has determined that each member of the Compensation Committee is independent as defined in the rules of NASDAQ. See also the Compensation Committee Report on Executive Compensation included elsewhere herein.

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Audit Committee

The primary functions of the Audit Committee are to review and approve the scope of audit procedures performed by the Company's independent auditors, to review the audit reports rendered by the Company's independent auditors, to monitor the internal control environment within the Company, and to pre-approve the fees for all audit and non-audit services charged by the independent auditors. The Audit Committee reports to the Board of Directors with respect to such matters and makes recommendations with respect to its findings. The Board of Directors has determined that Mr. Moyer is an audit committee financial expert within the meaning of SEC regulations. The Board has also determined that each member of the Audit Committee is independent as defined in the rules of NASDAQ. See also the Report of the Audit Committee included elsewhere herein.

Governance and Nominating Committee

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The primary functions of the Governance and Nominating Committee are to review and make recommendations on the composition of the Board and its committees, to evaluate and recommend candidates for election to the Board, and to review and make recommendations to the full Board on corporate governance matters. The Board of Directors has determined that each member of the Governance and Nominating Committee is independent as defined in the rules of NASDAQ. The Governance and Nominating Committee operates under a written charter, a copy of which is attached hereto as Exhibit A. The Governance and Nominating Committee has the authority to obtain advice and assistance from, and receive appropriate funding from, California Amplifier for outside legal, accounting or other advisors as the Governance and Nominating Committee deems necessary to assist it in the performance of its functions.

The bylaws of California Amplifier permit stockholders to nominate director candidates to stand for election to the Board at an annual meeting of stockholders. Nominations may be made by the Board or by any stockholder. Under the Company's by-laws, a stockholder may nominate a person for election as a director at a particular stockholder meeting only if written notice has been given to the Company not later than 60 days in advance of the meeting or, if later, the seventh day following the first public announcement of the date of such meeting.

The policy of the Governance and Nominating Committee is to consider properly made stockholder nominations for directors as described below under Identifying and Evaluating Nominees for Directors. In evaluating such nominations, like all nominations, the Board's criteria will include business experience and skills, independence, judgment, integrity, the ability to commit sufficient time and attention to Board activities and the absence of potential conflicts with California Amplifier's interests. The Governance and Nominating Committee has not established any specific minimum qualification standards for nominees to the Board, although from time to time the Governance and Nominating Committee may identify certain skills or attributes (e.g., financial experience or business experience) as being particularly desirable to help meet specific Board needs that have arisen. Any stockholder nominations proposed for consideration by the Governance and Nominating Committee should include the nominee's name and qualifications for Board membership and should be addressed to the Governance and Nominating Committee, c/o Corporate Secretary, California Amplifier, Inc., 1401 North Rice Avenue, Oxnard, California 93030.

Identifying and Evaluating Nominees for Directors

Pursuant to the policy set forth in the charter of the Governance and Nominating Committee, the Committee will utilize a variety of methods for identifying and evaluating nominees for director. The Governance and Nominating Committee's policy is to assess the appropriate size of the Board, and whether any vacancies on the Board are expected due to retirement or otherwise. In the event that vacancies are anticipated, or otherwise arise, the Governance and Nominating Committee may consider various potential candidates for director. Candidates may come to the attention of the Governance and

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Nominating Committee through current Board members, stockholders or other parties. These candidates will be evaluated at meetings of the Governance and Nominating Committee, and may be considered at any point during the year. As described above, the Governance and Nominating Committee will consider properly submitted stockholder nominations for candidates for the Board. Following verification of the stockholder status of persons proposing candidates, recommendations will be aggregated and considered by the Governance and Nominating Committee at a regularly scheduled meeting. If any materials are provided by a stockholder in connection with the nomination of a director candidate, such materials will be forwarded to the Governance and Nominating Committee. Of the two directors standing for election to the Board for the first time at the 2004 annual meeting, Mr. Moyer was appointed to the Board in February 2004 after being identified as a director candidate by a third-party search firm that was engaged by the Company to identify and screen potential candidates for evaluation by the Governance and Nominating Committee, and Mr. Ousley, who until April 12, 2004 served as the President and CEO of Vytex Corporation, was appointed to the Company's Board in April 2004 following the Company's acquisition of Vytex.

Board of Director and Committee Meeting Attendance

In fiscal year 2004, the Board of Directors held 11 meetings, the Compensation Committee held 9 meetings, the Audit Committee held 4 meetings, and the Governance and Nominating Committee held three meetings. All directors attended last year's annual meeting. All directors attended more than 75% of the aggregate meetings of the Board and committees on which the directors serve which were held during fiscal year 2004.

Compensation of Directors

For fiscal year 2004, each non-employee director received an annual retainer as follows:

\$25,000 for the Chairman of the Board;

\$20,000 for chairmen of board committees;

\$15,000 for other non-employee directors

Annual retainers are payable monthly at 1/12th of the annual amount.

Non-employee directors also receive meeting fees as follows:

A fee of \$1,250 for each Board meeting attended in person;

A fee of \$625 for each Board meeting attended telephonically;

A fee of \$1,000 for each committee meeting attended in person which is not held on the same day as a Board meeting; and

A fee of \$500 for each committee meeting attended telephonically, or which is held on the same day as a Board meeting.

Directors are also reimbursed for out-of-pocket expenses incurred in connection with attending meetings. In addition, pursuant to the terms of the Company's 1999 Stock Option Plan, each non-employee director receives an automatic grant of 8,000 non-qualified stock options upon initial appointment to the Board, and an additional grant of 8,000 non-qualified stock options annually upon re-election to the Board, with all such options vesting one year from date of grant.

The 2004 Stock Incentive Plan, described in Proposal Four starting on page 23, permits the Plan Committee, as described in Proposal Four, to grant, in its discretion, incentive stock options, non-qualified stock options, SARs, restricted stock, phantom stock and stock bonuses, to non-employee directors. Specifically, each year, on the first business day following the date of the annual meeting of the stockholders of the Company at which directors of the Company are elected, each non-employee director

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shall receive that number of Incentive Awards as determined by the Board of Directors from time to time in an amount not to exceed 10,000 stock options or SARs, or 8,333 shares of restricted stock, phantom stock, or bonus stock. Options granted to non-employee directors become exercisable one year from the date of grant or such longer period as the Board of Directors may establish.

Directors who are also executive officers of the Company receive no additional compensation for their services on the Board.

COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION

The Compensation Committee of the Board has furnished the following report on executive compensation. This report will not be deemed to be incorporated by reference by any general statement incorporating this proxy statement into any filing of the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent the Company specifically incorporates this information by reference and will not be deemed soliciting material or deemed filed under those Acts.

The Compensation Committee of the Board is composed entirely of independent outside directors. We are responsible for monitoring the performance and compensation of executive officers, reviewing the compensation plans, including bonuses, and administering the Company's stock option plans.

Each year, we comprehensively review the compensation of Fred Sturm, the Company's Chief Executive Officer, and the other executive officers to assure that compensation is appropriately tied to performance and that salary and potential bonus compensation levels are appropriate. To focus and facilitate such review, we developed the following executive compensation guidelines for the Company:

executive compensation should be at or above the 50th percentile of technology company market levels to allow the Company to attract and retain talented management;

annual variable compensation should reward the executives for achieving specific results which should lead to increased stockholder value; and

supplemental benefits and perquisites which reward executives without regard to performance should be minimal.

The compensation of the Chief Executive Officer and of the Company's other executive officers is comprised of three primary components:

Salary
Bonus

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Stock options

Salary is set at a competitive level to attract and retain qualified candidates. *Bonuses* are tied specifically to performance of the Company or a specific business unit of the Company and/or individual contributions. *Stock options* are awarded in amounts we believe necessary to provide incentives for future performance, taking into account individual performance and length of service with the Company. This mix of compensation elements places a significant portion of compensation at risk and emphasizes performance.

From time to time we utilize the services of independent compensation consultants to review and assess various aspects of the Company's compensation program for executive officers as a means of ensuring that the Company maintains compensation at appropriate levels relative to the peer companies and the overall industry in which the Company operates.

Salary. The Chief Executive Officer's salary is determined by us in accordance with the general principles described above. Mr. Sturm's base salary for fiscal 2004 was initially set at \$325,000, which

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was unchanged from the previous year because of a downturn in the Company's business in the first quarter of fiscal 2004. Following a recovery in the business in the second quarter of fiscal 2004, Mr. Sturm's annual base salary was increased to \$350,000 effective September 1, 2003. The base salaries of the other executive officers were similarly reviewed and set, with consideration also given to the relationship of those salaries to the salary of Mr. Sturm. Mr. Sturm's annual base salary was increased to \$380,000 effective March 1, 2004, the beginning of fiscal 2005.

Bonus. For fiscal 2004, we established an expected target bonus for Mr. Sturm of 65% of his base salary that was dependent upon Company performance in relation to the annual operating plan. Mr. Sturm's actual bonus for the year was \$167,000. Under the fiscal 2004 incentive compensation program, the target bonus of other senior executive officers was set at 50% of their annual base salary, depending upon the actual executive officer, and was also dependent on Company or business unit performance.

Stock Options. We believe that the Company should provide equity incentives to the Chief Executive Officer and other executive officers to better align their interests with those of the Company's stockholders, and to enhance retention and continuity of management. Equity incentives for management at the Company have historically been below the median level at peer companies. We assigned option awards to Mr. Sturm and other executive officers in part based on our desire to increase equity incentives at the Company and on their respective compensation levels and individual performance.

COMPENSATION COMMITTEE

Arthur H. Hausman, Chairman
Ira Coron
Richard Gold

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The Compensation Committee is comprised of Messrs. Hausman, Gold and, until the 2004 annual meeting, Mr. Coron. Messrs. Hausman and Gold have never been employed by the Company. Mr. Coron was an officer of the Company from March 1994 to February 1999. There are no interlocks between the Company and other entities involving the Company's executive officers and directors who serve as executive officers or directors of other entities.

EXECUTIVE COMPENSATION

Summary Compensation Table

The following table sets forth the annual and long-term compensation for services in all capacities to the Company for each of the three fiscal years in the period ended February 28, 2004 of (i) the Chief Executive Officer and (ii) the next four most highly compensated executive officers:

Annual Compensation	Long Term Compensation Awards	All Other Compensation (1)
	Stock Option	

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Name and Principal Position	Fiscal Year	Salary	Bonus	Grants	
Fred Sturm	2004	\$ 337,000	\$ 167,000	50,000	\$ 6,500
Chief Executive Officer	2003	325,000	164,000	80,000	5,600
and President	2002	283,000	206,000	25,000	14,100(2)
Robert Hannah	2004	\$ 215,000	\$ 73,000	20,000	\$ 6,300
Vice President, Satellite	2003	210,000	76,000	30,000	5,900
Products	2002	200,000	100,000	15,000	5,700
Patrick Hutchins (3)	2004	\$ 210,000	\$ 81,000	25,000	\$ 6,300
Vice President, Operations	2003	200,000	81,000	40,000	52,900
	2002	108,000	55,000	50,000	103,900
Kris Kelkar	2004	\$ 204,000	\$ 24,000	20,000	\$ 6,300
Senior Vice President,	2003	204,000	94,000	30,000	5,800
Wireless Access Products	2002	210,000	99,000	50,000	5,400