

CPI INTERNATIONAL, INC.
Form 10-K/A
December 16, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-K/A
Amendment No. 1

(Mark One)

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

For the fiscal year ended October 1, 2010

OR

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

For the transition period from _____ to _____

Commission file number: 000-51928

CPI International, Inc.
(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

75-3142681
(I.R.S. Employer Identification No.)

811 Hansen Way, Palo Alto, California 94303
(Address of Principal Executive Offices and Zip Code)

(650) 846-2900
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each Class	Name of Each Exchange on Which Registered
Common Stock, par value \$0.01 per share	The Nasdaq Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Yes No

Rule 405 of the Securities Act.

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 Yes No (2) has been subject to such filing requirements for the past 90 days.

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "small reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

The aggregate market value of common stock held by non-affiliates of the registrant as of April 1, 2010 (the last business day of the registrant's most recently completed second fiscal quarter) was approximately \$96 million, based on the closing sale price of \$13.09 per share of common stock as reported on the Nasdaq Stock Market.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date: 16,820,741 shares of the registrant's common stock, par value \$0.01 per share, were outstanding at December 1, 2010.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the registrant's definitive 2011 proxy statement, anticipated to be filed with the Securities and Exchange Commission within 120 days after the close of the registrant's fiscal year, are incorporated by reference into Part III of this Form 10-K.

EXPLANATORY NOTE

We are filing this Amendment No. 1 on Form 10-K/A ("Amendment") to correct a typographical error in our Annual Report on Form 10-K for the fiscal year ended October 1, 2010, which was filed with the Securities and Exchange Commission on December 10, 2010 (the "Original Filing").

In the Original Filing, the Report of Independent Registered Public Accounting Firm issued by KPMG LLP ("Accountant's Report") was erroneously shown as December 9, 2010. The correct date should have been December 10, 2010, the date of the Original Filing.

This Amendment contains our financial statements (Part IV, Item 15 (a) (1)), with the correct date on the Accountant's Report. Except for changing the date of the Accountant's Report from December 9, 2010 to December 10, 2010, no other changes have been made to the Original Filing.

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a) (1) Financial Statements:

The following consolidated financial statements and schedules are filed as a part of this report:

- Report of Independent Registered Public Accounting Firm
- Consolidated Balance Sheets
- Consolidated Statements of Income
- Consolidated Statements of Stockholders' Equity and Comprehensive Income
- Consolidated Statements of Cash Flows
- Notes to Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
CPI International, Inc.:

We have audited the accompanying consolidated balance sheets of CPI International, Inc. and subsidiaries (the Company) as of October 1, 2010 and October 2, 2009, and the related consolidated statements of income, stockholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended October 1, 2010. We also have audited the Company's internal control over financial reporting as of October 1, 2010, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting (Item 9A). Our responsibility is to express an opinion on these consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of CPI International, Inc. and subsidiaries as of October 1, 2010 and October 2, 2009, and the results of its operations and its cash flows for each of the years in the three-year period ended October 1, 2010, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of October 1, 2010, based on criteria established in Internal Control – Integrated Framework issued by the COSO.

Mountain View, California
December 10, 2010

/s/ KPMG LLP

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CPI INTERNATIONAL, INC.
and subsidiaries

CONSOLIDATED BALANCE SHEETS
(in thousands, except per share data)

	October 1, 2010	October 2, 2009
Assets		
Current Assets:		
Cash and cash equivalents	\$ 42,829	\$ 26,152
Restricted cash	1,804	1,561
Accounts receivable, net	45,707	45,145
Inventories	75,208	66,996
Deferred tax assets	11,030	8,652
Prepaid and other current assets	6,459	6,700
Total current assets	183,037	155,206
Property, plant, and equipment, net	54,259	57,912
Deferred debt issue costs, net	1,604	3,609
Intangible assets, net	72,474	75,430
Goodwill	162,225	162,225
Other long-term assets	4,677	3,872
Total assets	\$ 478,276	\$ 458,254
Liabilities and stockholders' equity		
Current Liabilities:		
Current portion of long-term debt	\$ 66,000	\$ -
Accounts payable	24,290	22,665
Accrued expenses	23,653	19,015
Product warranty	5,101	3,845
Income taxes payable	5,022	4,305
Advance payments from customers	14,218	12,996
Total current liabilities	138,284	62,826
Deferred income taxes	21,707	24,726
Long-term debt, less current portion	128,934	194,922
Other long-term liabilities	5,411	2,227
Total liabilities	294,336	284,701
Commitments and contingencies		
Stockholders' equity		
Preferred stock (\$0.01 par value; 10,000 shares authorized and none issued and outstanding)	-	-
Common stock (\$0.01 par value, 90,000 shares authorized; 17,020 and 16,807 shares issued; 16,813 and 16,601 shares outstanding)	170	168
Additional paid-in capital	80,015	75,630
Accumulated other comprehensive (loss) income	(141)	598
Retained earnings	106,696	99,957
Treasury stock, at cost (206 shares)	(2,800)	(2,800)

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Total stockholders' equity	183,940	173,553
Total liabilities and stockholders' equity	\$ 478,276	\$ 458,254

The accompanying notes are an integral part of these consolidated financial statements.

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CPI INTERNATIONAL, INC.
and subsidiaries

CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except per share data)

	October 1, 2010	Year Ended October 2, 2009	October 3, 2008
Sales	\$ 360,434	\$ 332,876	\$ 370,014
Cost of sales	251,987	239,385	261,086
Gross profit	108,447	93,491	108,928
Operating costs and expenses:			
Research and development	12,429	10,520	10,789
Selling and marketing	20,794	19,466	21,144
General and administrative	24,988	20,757	22,951
Amortization of acquisition-related intangible assets	2,749	2,769	3,103
Strategic alternative transaction expenses	19,913	-	-
Total operating costs and expenses	80,873	53,512	57,987
Operating income	27,574	39,979	50,941
Interest expense, net	15,213	16,979	19,055
(Gain) loss on debt extinguishment	-	(248)	633
Income before income taxes	12,361	23,248	31,253
Income tax expense (benefit)	5,622	(218)	10,804
Net income	\$ 6,739	\$ 23,466	\$ 20,449
Earnings per common share - Basic	\$ 0.40	\$ 1.42	\$ 1.24
Earnings per common share - Diluted	\$ 0.37	\$ 1.33	\$ 1.15
Shares used to compute earnings per common share - Basic	16,571	16,343	16,356
Shares used to compute earnings per common share - Diluted	17,837	17,443	17,684

The accompanying notes are an integral part of these consolidated financial statements.

CPI INTERNATIONAL, INC.
and subsidiaries

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
AND COMPREHENSIVE INCOME

	Common Stock		Additional Paid-in		Other	Retained	Treasury Stock		Total
	Shares	Amount	Capital	Comprehensive	Income	Earnings	Shares	Amount	
Balances, September 28, 2007	16,370	\$ 164	\$ 68,763	\$ 937		\$ 56,042	-	\$ -	\$ 125,906
Comprehensive income:									
Net income	-	-	-	-		20,449	-	-	20,449
Unrealized loss on cash flow hedges, net of tax benefit of \$1,652	-	-	-	(2,697)		-	-	-	(2,697)
Unrealized actuarial loss and prior service credit for pension liability, net of tax benefit of \$30	-	-	-	(49)		-	-	-	(49)
Total comprehensive income									17,703
Stock-based compensation cost	-	-	2,160	-		-	-	-	2,160
Exercise of stock options	9	-	38	-		-	-	-	38
Tax benefit related to stock option exercises	-	-	5	-		-	-	-	5
Issuance of common stock under employee stock purchase plan	72	1	852	-		-	-	-	853
Issuance of restricted stock awards	89	-	-	-		-	-	-	-
Forfeiture of restricted stock awards	(2)	-	-	-		-	-	-	-
Purchase of treasury stock	-	-	-	-		-	(206)	(2,800)	(2,800)
Balances, October 3, 2008	16,538	165	71,818	(1,809)		76,491	(206)	(2,800)	143,865
Comprehensive income:									

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Net income	-	-	-	-	23,466	-	-	23,466
Unrealized gain on cash flow hedges, net of tax expense of \$1,471	-	-	-	2,415	-	-	-	2,415
Unrealized actuarial loss and prior service credit for pension liability, net of tax expense of \$52	-	-	-	(8)	-	-	-	(8)
Total comprehensive income								25,873
Stock-based compensation cost	-	-	2,729	-	-	-	-	2,729
Exercise of stock options	57	1	83	-	-	-	-	84
Tax benefit related to stock option exercises	-	-	48	-	-	-	-	48
Issuance of common stock under employee stock purchase plan	111	1	952	-	-	-	-	953
Issuance of restricted stock awards	106	1	-	-	-	-	-	1
Forfeiture of restricted stock awards	(5)	-	-	-	-	-	-	-
Balances, October 2, 2009	16,807	168	75,630	598	99,957	(206)	(2,800)	173,553
Comprehensive income:								
Net income	-	-	-	-	6,739	-	-	6,739
Unrealized loss on cash flow hedges, net of tax benefit of \$496	-	-	-	(653)	-	-	-	(653)
Unrealized actuarial loss and prior service credit for pension liability, net of tax benefit of \$22	-	-	-	(86)	-	-	-	(86)
Total comprehensive income								6,000
Stock-based compensation cost	-	-	3,051	-	-	-	-	3,051
Exercise of stock options	126	1	229	-	-	-	-	230
Tax benefit related to stock option exercises	-	-	526	-	-	-	-	526

Issuance of common stock under employee stock purchase plan	49	1	579	-	-	-	-	580
Issuance of restricted stock awards	38	-	-	-	-	-	-	-
Balances, October 1, 2010	17,020	\$ 170						