

CPI INTERNATIONAL, INC.
Form DEF 14A
January 25, 2008

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

SCHEDULE 14A
(Rule 14a-101)

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
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

CPI INTERNATIONAL, INC.

(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):

- 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:

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

CPI International, Inc.
811 Hansen Way
Palo Alto, California 94303
January 25, 2008

Dear Stockholder:

You are cordially invited to attend the Annual Meeting of Stockholders of CPI International, Inc. (the "Company") to be held on February 26, 2008, at 9:00 a.m. local time, at The Westin San Francisco Airport, One Old Bayshore Highway, Millbrae, California 94030.

At the meeting, you will be asked to consider and vote on the election of directors and the ratification of KPMG LLP as the Company's independent registered public accounting firm. Accompanying this letter is the formal notice of the Annual Meeting of Stockholders, proxy statement and proxy card relating to the meeting. The proxy statement contains important information concerning the matters to be acted upon at the meeting.

Your vote is very important regardless of how many shares you own. We hope you can attend the meeting in person. However, whether or not you plan to attend the meeting, please complete, sign, date and return the enclosed proxy card as soon as possible so that your vote will be counted. If you attend the meeting, you may vote in person if you wish, even though you may have previously returned your proxy card.

Very truly yours,

O. Joe Caldarelli
Chief Executive Officer

**CPI International, Inc.
811 Hansen Way
Palo Alto, California 94303**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON FEBRUARY 26, 2008**

NOTICE IS HEREBY GIVEN that the 2008 Annual Meeting (the "Annual Meeting") of Stockholders of CPI International, Inc., a Delaware corporation (the "Company"), will be held at The Westin San Francisco Airport, One Old Bayshore Highway, Millbrae, California 94030, on February 26, 2008, at 9:00 a.m. local time. At the Annual Meeting, the Company's stockholders will be asked to consider and vote upon:

1. the election of two directors to serve for a three-year term ending at the 2011 Annual Meeting of Stockholders and until their respective successors are duly elected and qualified;
2. the ratification of the appointment of KPMG LLP as the Company's independent registered public accounting firm for fiscal year 2008; and
3. any other matter that may properly come before the Annual Meeting or any adjournment or postponement thereof.

Information regarding the two Board of Directors nominees is contained in the accompanying proxy statement, which you are urged to read carefully.

The Company's Board of Directors has fixed the close of business on January 2, 2008 as the record date for determining stockholders of the Company entitled to notice of and to vote at the Annual Meeting. A list of stockholders as of the record date will be available for inspection at the Company's corporate headquarters during business hours for a period of 10 days before the Annual Meeting.

Your vote is very important. TO ENSURE THAT YOUR SHARES ARE REPRESENTED AT THE ANNUAL MEETING, YOU ARE URGED TO COMPLETE, DATE AND SIGN THE ENCLOSED PROXY CARD AND MAIL IT PROMPTLY IN THE POSTAGE-PAID ENVELOPE PROVIDED, WHETHER OR NOT YOU PLAN TO ATTEND THE ANNUAL MEETING IN PERSON. YOUR PROXY CAN BE WITHDRAWN BY YOU AT ANY TIME BEFORE IT IS VOTED.

By Order of the Board of
Directors,

Joel A. Littman
Corporate Secretary

Palo Alto, California
January 25, 2008

**CPI International, Inc.
811 Hansen Way
Palo Alto, California 94303**

**PROXY STATEMENT RELATING TO
ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON FEBRUARY 26, 2008**

GENERAL

This proxy statement is being furnished to the stockholders of CPI International, Inc., a Delaware corporation (the "Company"), in connection with the solicitation of proxies by the Company's Board of Directors for use at the Annual Meeting of the Company's stockholders (the "Annual Meeting") to be held on Tuesday, February 26, 2008, at 9:00 a.m. local time, at The Westin San Francisco Airport, One Old Bayshore Highway, Millbrae, California 94030, and at any adjournments or postponements thereof.

At the Annual Meeting, holders of the Company's common stock, \$0.01 par value per share, will be asked to vote upon: (1) the election of two directors to serve for a three-year term ending at the 2011 Annual Meeting of Stockholders and until their respective successors are duly elected and qualified, (2) the ratification of the appointment of KPMG LLP as the Company's independent registered public accounting firm for fiscal year 2008 and (3) any other matter that may properly come before the Annual Meeting or any adjournment or postponement thereof.

This proxy statement and the accompanying proxy card are first being mailed to the Company's stockholders on or about January 25, 2008. The mailing address of the principal executive offices of the Company is 811 Hansen Way, Palo Alto, California 94303.

SOLICITATION OF PROXIES

The cost of preparing, assembling and mailing proxy materials will be borne by the Company. The solicitation of proxies is being made primarily by mail, but directors, officers and employees of the Company, none of whom will receive additional compensation therefor, may also engage in the solicitation of proxies by telephone or other means. The Company may reimburse brokers, custodians, nominees and other record holders for their reasonable out-of-pocket expenses in forwarding proxy materials to beneficial owners of the Company's common stock. Proxies solicited by means of this proxy statement will be tabulated by the inspectors of election designated by the Board of Directors.

VOTING

Outstanding Shares, Quorum and Vote Required

Only holders of record of common stock of the Company at the close of business on January 2, 2008 (the "Record Date") will be entitled to receive notice of and vote at the Annual Meeting. As of the close of business on the Record Date, there were 16,440,756 shares of common stock outstanding and entitled to vote. Each share of common stock entitles the holder to one vote on each matter to be voted on at the Annual Meeting. There is no cumulative voting for the election of directors.

The presence in person or by proxy of at least a majority of the total outstanding shares of common stock entitled to vote on the Record Date is necessary to constitute a quorum at the Annual Meeting. If there are not sufficient votes for a quorum or to approve any proposal at the Annual Meeting, then the Annual Meeting may be adjourned in order to permit the further solicitation of proxies.

Stockholders are requested to complete, date, sign and return the accompanying proxy card in the enclosed envelope. All properly executed, returned and unrevoked proxy cards will be voted in accordance with the instructions indicated thereon. If no instructions are indicated, then the shares of

common stock represented by a properly submitted proxy will be voted "FOR" the election of each of the named director nominees and "FOR" the ratification of the appointment of KPMG LLP as the Company's independent registered public accounting firm for fiscal year 2008.

With respect to the election of directors, a stockholder may (1) vote "FOR" the election of the named director nominees, (2) "WITHHOLD AUTHORITY" to vote for all named director nominees or (3) vote for the election of all director nominees other than any nominee with respect to whom the stockholder withholds authority to vote. The affirmative vote of a plurality of the shares of common stock present in person or by proxy at the Annual Meeting and entitled to vote on the election of directors is necessary to elect directors. Accordingly, if a quorum is present at the Annual Meeting, then the two persons receiving the greatest number of votes will be elected to serve as directors.

With respect to the ratification of the appointment of KPMG LLP as the Company's independent registered public accounting firm for fiscal year 2008, a stockholder may (1) vote "FOR" the approval of such matter, (2) vote "AGAINST" the approval of such matter or (3) "ABSTAIN" from voting on the matter. The affirmative vote of a majority of the shares of common stock present in person or by proxy at the Annual Meeting and entitled to vote thereon is required to ratify the appointment of KPMG LLP as the Company's independent registered public accounting firm.

The Board of Directors of the Company currently knows of no other business that will be presented for consideration at the Annual Meeting. Delivery of a proxy, however, confers on the designated proxies discretionary authority to vote the shares in accordance with their discretion on such other business, if any, that may properly come before the Annual Meeting or any adjournments thereof, including any motion made for adjournment of the Annual Meeting.

Abstentions, Withheld Votes and Broker Non-votes

Under Delaware law, abstentions with respect to matters other than the election of directors are generally considered as shares present and entitled to vote and therefore have the same effect as a vote against such matter. Accordingly, an abstention with respect to the ratification of the appointment of KPMG LLP as the Company's independent registered public accounting firm will count as a vote against such matter. Withholding authority to vote for a director will not affect the outcome of the election of directors.

A proxy submitted by a stockholder may indicate that all or a portion of the shares represented by the proxy are not being voted by the stockholder with respect to a particular matter. This could occur, for example, when a broker is not permitted to vote common stock held in street name on certain matters in the absence of instructions from the beneficial owner of the common stock. These "non-voted" shares, i.e., shares subject to a proxy that are not being voted with respect to a particular matter, will be considered shares not present and entitled to vote on such matter, although these shares may be considered present and entitled to vote for other purposes and will count for purposes of determining the presence of a quorum. Accordingly, any non-voted shares will not affect the outcome of the election of directors or of the ratification of KPMG LLP as the Company's independent registered public accounting firm.

Revocation of Proxies

Any stockholder who has given a proxy may revoke it at any time before it is exercised at the Annual Meeting by (1) filing a written revocation with, or delivering a duly executed proxy bearing a later date to, the Secretary of the Company, 811 Hansen Way, Palo Alto, California 94303, or (2) attending the Annual Meeting and voting in person (although attendance at the Annual Meeting will not, by itself, revoke a proxy).

Appraisal and Dissenters' Rights

Stockholders are not entitled to appraisal or dissenters' rights with respect to any of the proposals presented in this proxy statement.

ATTENDANCE AT THE ANNUAL MEETING

When you enter the Annual Meeting, you may be asked to present photo identification, such as a driver's license. If you hold common stock in street name, you may be asked for proof of ownership to be admitted to the meeting. A recent brokerage statement or a letter from a bank or broker are examples of proof of ownership. If you want to vote your common stock held in street name in person, you must get a written proxy in your name from the broker, bank or other nominee that holds your shares.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table shows information known to the Company with respect to the beneficial ownership of the Company's common stock as of January 8, 2008 by: (1) each of the Company's directors (including director nominees); (2) each of the Company's named executive officers (defined below); (3) all of the Company's directors and executive officers as a group; and (4) each person or group of affiliated persons whom the Company knows to beneficially own more than five percent of the Company's outstanding common stock.

Beneficial ownership and percentage ownership are determined in accordance with the rules of the Securities and Exchange Commission. This information does not necessarily indicate beneficial ownership for any other purpose. In computing the number of shares beneficially owned by a person and the percentage ownership of that person's shares of common stock, underlying options that are exercisable within 60 days of January 8, 2008 are considered to be outstanding. To the Company's knowledge, except as indicated in the footnotes to this table and subject to community property laws where applicable, the persons named in the table have sole voting and investment power with respect to all shares of the Company's common stock shown as beneficially owned by them. Percentage of beneficial ownership is based on 16,454,498 shares outstanding as of January 8, 2008.

The address for those individuals for whom an address is not otherwise indicated is: c/o CPI International, Inc., 811 Hansen Way, Palo Alto, California 94303.

Name and Address of Beneficial Owner	Number of Shares	Number of Shares Subject to Options(14)	Percent of Class
Cypress Associates II LLC(1)	8,868,738		53.9%
Cypress Merchant Banking Partners II L.P.(1)	8,429,065		51.2%
FMR LLC(2)			
82 Devonshire Street Boston, Massachusetts 02109	2,120,824		12.9%
Lazard Asset Management LLC(3)			
30 Rockefeller Plaza New York, New York 10112	882,893		5.4%
Cypress Merchant B II C.V.(1)	358,332		2.2%
55th Street Partners II L.P.(1)	81,341		*
Cypress Side-by-Side LLC(4)	17,773		*
Jeffrey P. Hughes(1)(5)	8,873,360		53.9%
Michael F. Finley(1)(6)	8,872,071		53.9%
Michael Targoff(7)	67,242	19,614	*
William P. Rutledge(8)	6,722	4,000	*
Stephen R. Larson(9)	3,511	2,000	*
O. Joe Caldarelli	50,000	854,938	5.2%
Robert A. Fickett(10)	8,000	522,685	3.1%
Joel A. Littman(11)	8,231	290,160	1.8%
Don C. Coleman(12)	4,000	170,459	1.0%
John R. Beighley(13)	2,000	105,807	*
Andrew E. Tafler	703	90,753	*
Executive officers and directors as a group (11 people)	9,027,102	2,060,416	59.9%

*

Represents less than one percent of total.

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- (1) Number of shares beneficially owned includes 8,868,738 shares beneficially owned by Cypress Associates II LLC ("Cypress Associates"), which consists of 8,429,065 shares owned by Cypress Merchant Banking Partners II L.P., 358,332 shares owned by Cypress Merchant B II C.V. and 81,341 shares owned by 55th Street Partners II L.P. (collectively, the "Cypress Funds"). Cypress Associates is the managing general partner of Cypress Merchant B II C.V. and the general partner of Cypress Merchant Banking Partners II L.P. and 55th Street Partners II L.P., and has voting and investment power over the shares held or controlled by each of these funds. Mr. Hughes and James A. Stern, each of whom is a managing member of Cypress Associates, may be deemed to share beneficial ownership of the shares shown as beneficially owned by Cypress Associates and by the Cypress Funds. In addition, Messrs. Finley and Hughes are members of the investment committee that exercises voting control over the shares owned by the Cypress Funds. Each of the foregoing individuals disclaims beneficial ownership of the shares shown as beneficially owned by Cypress Associates and the shares shown as beneficially owned by the Cypress Funds. The address of Cypress Associates and the Cypress Funds is c/o The Cypress Group L.L.C., 65 East 55th Street, 28th Floor, New York, New York 10022.
- (2) As of September 30, 2007, based on a Schedule 13F Holdings Report filed with the Securities and Exchange Commission on November 14, 2007 reporting defined investment discretion as to all of such shares and no voting authority as to all of such shares.
- (3) As of September 30, 2007, based on a Schedule 13F Holdings Report filed with the Securities and Exchange Commission on October 9, 2007 reporting sole investment discretion as to all of such shares, sole voting authority as to 870,494 of such shares and no voting authority as to 12,399 of such shares.
- (4) Cypress Side-by-Side LLC is a sole member limited liability company of which James A. Stern is the sole member. The address of Cypress Side-by-Side LLC is c/o The Cypress Group L.L.C., 65 East 55th Street, 28th Floor, New York, New York 10022.
- (5) Number of shares beneficially owned includes 3,511 unvested shares. The unvested shares will vest as follows: one-third of the shares will vest on the day before this Annual Meeting, one-third of the shares will vest on the day before the 2009 annual stockholders' meeting and one-third of the shares will vest on the day before the 2010 annual stockholders' meeting. Unvested shares are generally subject to forfeiture restrictions in the event of the termination of Mr. Hughes' status as a director.
- (6) Number of shares beneficially owned includes 2,222 unvested shares. The unvested shares will vest as follows: half of the shares will vest on the day before this Annual Meeting and half of the shares will vest on the day before the 2009 annual stockholders' meeting. Unvested shares are generally subject to forfeiture restrictions in the event of the termination of Mr. Finley's status as a director.
- (7) Number of shares beneficially owned includes 1,111 unvested shares. The unvested shares will vest on the day before this Annual Meeting. Unvested shares are generally subject to forfeiture restrictions in the event of the termination of Mr. Targoff's status as a director.
- (8) Number of shares beneficially owned includes 1,111 unvested shares. The unvested shares will vest on the day before this Annual Meeting. Unvested shares are generally subject to forfeiture restrictions in the event of the termination of Mr. Rutledge's status as a director.
- (9) Number of shares beneficially owned consists of 3,511 unvested shares. The unvested shares will vest as follows: one-third of the shares will vest on the day before this Annual Meeting, one-third of the shares will vest on the day before the 2009 annual stockholders' meeting and one-third of the shares will vest on the day before the 2010 annual stockholders' meeting. Unvested shares are generally subject to forfeiture restrictions in the event of the termination of Mr. Larson's status as a director.

- (10) Number of shares beneficially owned consists of 8,000 unvested shares. One-fourth of the shares will vest on November 30 of each of 2008, 2009, 2010 and 2011. Unvested shares are generally subject to forfeiture restrictions in the event of the termination of Mr. Fickett's employment by the Company (or the applicable subsidiary) for cause (as defined in his employment agreement) or if he terminates his employment with the Company (or the applicable subsidiary) without good reason (as defined in his employment agreement).
- (11) Number of shares beneficially owned includes 6,000 unvested shares. One-fourth of the shares will vest on November 30 of each of 2008, 2009, 2010 and 2011. Unvested shares are generally subject to forfeiture restrictions in the event of the termination of Mr. Littman's employment by the Company (or the applicable subsidiary) for cause (as defined in his employment agreement) or if he terminates his employment with the Company (or the applicable subsidiary) without good reason (as defined in his employment agreement).
- (12) Number of shares beneficially owned consists of 4,000 unvested shares. One-fourth of the shares will vest on November 30 of each of 2008, 2009, 2010 and 2011. Unvested shares are generally subject to forfeiture restrictions in the event of the termination of Mr. Coleman's employment.
- (13) Number of shares beneficially owned consists of 2,000 unvested shares. One-fourth of the shares will vest on November 30 of each of 2008, 2009, 2010 and 2011. Unvested shares are generally subject to forfeiture restrictions in the event of the termination of Mr. Beighley's employment.
- (14) Includes vested options and options that will vest within 60 days of January 8, 2008. An aggregate of 1,285,138 options, or 62.4% of the options exercisable by executive officers and directors, were issued prior to the Company's initial public offering. They were issued either through grants of options made prior to the January 2004 acquisition of the Company by affiliates of The Cypress Group that were not cashed out in connection with that acquisition and were "rolled over" as an investment into the acquired company or through grants made as an adjustment to compensate option holders for not participating in a 2005 \$75.8 million special distribution to stockholders.

DIRECTORS AND EXECUTIVE OFFICERS

The following table sets forth certain information about the Company's directors and executive officers as of January 1, 2008. All directors hold their positions until their terms expire and until their respective successors are elected and qualified. Executive officers are appointed by the Board of Directors and serve at the discretion of the Board of Directors, subject to applicable employment agreements.

Name	Age	Position(s)
Michael Targoff(1)(3)(4)	63	Director and Chairman of the Board of Directors
O. Joe Caldarelli(4)	57	Chief Executive Officer and Director
Michael F. Finley(2)(3)(4)	45	Director
Jeffrey P. Hughes	67	Director
Stephen R. Larson(1)	63	Director
William P. Rutledge(1)(2)	65	Director
Robert A. Fickett	47	President and Chief Operating Officer
Joel A. Littman	55	Chief Financial Officer, Treasurer and Secretary
John R. Beighley	55	Vice President and Assistant Secretary
Don C. Coleman	53	Vice President
Andrew E. Tafler	52	Vice President

- (1) Member of the Audit Committee; Mr. Rutledge is the chairperson.
- (2) Member of the Nominating and Governance Committee; Mr. Finley is the chairperson.
- (3) Member of the Compensation Committee; Mr. Finley is the chairperson.
- (4) Member of the Executive Committee; Mr. Caldarelli is the chairperson.

Set forth below is certain information regarding current directors (other than current directors that are nominees) and executive officers. On January 22, 2004, CPI International, Inc. acquired the business of Communications & Power Industries Holding Corporation and became the successor to Communications & Power Industries Holding Corporation. Unless the context requires otherwise, references in this proxy statement to the "Company," "we," "us," or "our" are references to CPI International, Inc. and its subsidiaries on or after January 23, 2004 and to Communications & Power Industries Holding Corporation and its subsidiaries before January 23, 2004.

O. Joe Caldarelli became chief executive officer and a director of the Company in March 2002. Prior to this, Mr. Caldarelli was a co-chief operating officer of the Company since October 2000 and vice president of the Company since August 1995. Mr. Caldarelli is also the division president of the Company's Communications & Medical Products Division. Mr. Caldarelli was vice president and general manager for the Communications & Medical Products Division under the Electron Device Business of Varian Associates, Inc. from 1985 until August 1995 and was president and a director of Varian Canada, Inc. from 1992 until August 1995. From 1982 until 1985, Mr. Caldarelli was marketing manager of the Communications & Medical Products Division of Varian Associates, Inc. and served as its equipment operations manager from 1979 until 1982. Prior to joining Varian Associates, Mr. Caldarelli served as manufacturing engineering manager for Medtronic Canada, Inc. Mr. Caldarelli holds a B.S. degree in mechanical engineering from the University of Toronto.

Michael F. Finley became a director of the Company in January 2004. Mr. Finley has been a managing director of The Cypress Group since 1998 and has been a member of The Cypress Group since its formation in April 1994. Prior to joining The Cypress Group, he was a vice president in the Merchant Banking Group at Lehman Brothers Inc. Mr. Finley received a B.A. degree from St. Thomas

University and an M.B.A. from the University of Chicago's Graduate School of Business. Mr. Finley also serves on the Board of Directors of Affinia Group Inc. and Cooper Standard Automotive Inc.

Jeffrey P. Hughes became a director of the Company in April 2005. Mr. Hughes is currently a vice chairman of The Cypress Group. Mr. Hughes helped found The Cypress Group in 1994, after 26 years at Lehman Brothers Inc. as a senior investment banker and merchant banker. Mr. Hughes started Lehman Brothers' private financing department and led early leveraged buyout financings; had senior investment banking coverage responsibilities for industrial, energy and consumer product companies; was co-head of the financial institutions group; and was a member of Lehman Brothers' investment committee. Mr. Hughes joined Lehman Brothers in 1968 and became a partner in 1976. Mr. Hughes received a B.A. degree from Wesleyan University and an L.L.B. degree from Duke University Law School. Mr. Hughes also serves on the Board of Directors of Financial Guaranty Insurance Company, Scottish Re Group Ltd., Cypress Sharpridge Investments, Inc. and Medicus Insurance Holdings, Inc.

Stephen R. Larson became a director of the Company in February 2007. Mr. Larson currently is, and has been since January 2000, the corporate vice president of strategy and technology of Esterline Technologies Corporation. From April 1992 to January 2000, Mr. Larson served as the corporate group vice president of Esterline Technologies Corporation. Mr. Larson served as President of Korry Electronics Corporation, a subsidiary of Esterline Technologies Corporation, from 1987 to 1992. From 1985 to 1987, he was executive vice president of marketing and sales, and from 1981 to 1985 served as executive vice president of operations, of Korry Electronics Corporation. Mr. Larson served as director of operations analysis of Criton Corporation (formerly known as Heath Tecna Corp.) from 1978 to 1981. Mr. Larson held various positions at Zenith Electronics Corporation from 1964 to 1978, including research and development group leader and marketing manager. Mr. Larson holds a B.S. degree in electrical engineering from Northwestern University and an M.B.A. from the University of Chicago.

Robert A. Fickett became president and chief operating officer of the Company in March 2002. Prior to this, Mr. Fickett was a co-chief operating officer of the Company since October 2000 and vice president of the Company since April 1998. Mr. Fickett has also been the division president of the Company's Microwave Power Products Division since April 1998. From January 1996 to April 1998, Mr. Fickett was vice president of operations for the Company's Microwave Power Products Division. From 1993 until January 1996, he was president and chief executive officer of Altair Technologies, Inc., a contract manufacturer. From 1982 until 1993, Mr. Fickett held a number of positions with Varian Associates, Inc., including engineering manager of the Microwave Power Products Division's Klystron Engineering Group, to which he was promoted in 1989. Mr. Fickett received a B.S. degree in mechanical engineering from the University of California, Berkeley.

Joel A. Littman became chief financial officer of the Company in September 2001. Mr. Littman was corporate controller for the Company from November 1996 to September 2001. From September 1989 to November 1996, Mr. Littman served as controller of the Microwave Power Products Division of Varian Associates, Inc. and the Company. Prior to that, Mr. Littman held various finance positions with Varian Associates, Inc. and TRW Inc. Mr. Littman received a B.A. degree in economics and an M.B.A., both from the University of California at Los Angeles.

John R. Beighley became a vice president of the Company in March 1997. Mr. Beighley currently heads the Company's worldwide field sales organization. From May 1992 to March 1997, Mr. Beighley was the Company's western hemisphere sales manager responsible for sales in the Americas, the Far East and Australia. From June 1989 to May 1992, Mr. Beighley was the Company's North American sales manager. From March 1981 to June 1989, Mr. Beighley held a number of product marketing and field sales positions with Varian Associates, Inc. Mr. Beighley received a B.S. degree in marketing from San Francisco State University and an M.B.A. from Santa Clara University.

Don C. Coleman became a vice president and division president of the Company's Beverly Microwave Division in February 1999. Mr. Coleman was vice president of manufacturing for the

Company's Beverly Microwave Division from February 1996 until accepting his current position. From 1990 until 1996, Mr. Coleman held the position of engineering manager for receiver protector products at the Company's Beverly Microwave Division. Prior to 1990, Mr. Coleman held a variety of manufacturing and development engineering positions at Varian Associates, Inc. Mr. Coleman received a B.S. degree in engineering from the University of Massachusetts.

Andrew E. Tafler became a vice president of the Company in December 2005. Mr. Tafler became division president of the Satcom Division in May 2004. Mr. Tafler was previously vice president of operations for the Satcom Division from 2000 to 2004. From 1989 to 2000, Mr. Tafler held the business development manager and then the operations manager positions at the Communications & Medical Products Division of the Electron Device Group of Varian Associates, Inc. Mr. Tafler held a number of manufacturing and marketing positions at Varian Associates from 1984 to 1989. Prior to joining Varian Associates, Mr. Tafler served in engineering and management positions with Bell Canada Inc. Mr. Tafler holds a B.A.Sc. degree in electrical engineering from the University of Toronto.

PROPOSAL NO. 1

ELECTION OF DIRECTORS

The Board of Directors has nominated each of William P. Rutledge and Michael Targoff for re-election, to serve for a three-year term expiring at the annual meeting of stockholders of the Company in 2011 and until their respective successors are elected and qualified.

The individuals named as proxyholders will vote your proxy for the election of the two nominees unless you direct them to withhold your votes. If any nominee becomes unable to serve as a director before the Annual Meeting (or decides not to serve), the individuals named as proxyholders may vote for a substitute. The Board of Directors has no reason to believe that any nominee named herein will be unable or unwilling to serve.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR THE ELECTION OF THE NOMINEES LISTED ABOVE.

Set forth below is certain information concerning the nominees for election.

Michael Targoff, age 63, became a director of the Company in January 2004 and chairman of the Board of Directors of the Company in March 2004. Mr. Targoff currently serves as chief executive officer, vice chairman and director of Loral Space & Communications Inc. Mr. Targoff is the founder and chief executive officer of Michael B. Targoff & Co., a company that sought active or controlling investments in telecommunications and related industry early stage companies. From 1996 to 1998, Mr. Targoff was the president and chief operating officer of Loral Space & Communications Ltd. (now known as Loral Space & Communications Inc.). Prior to that, Mr. Targoff served as senior vice president and secretary of Loral Corporation. Mr. Targoff received a B.A. degree from Brown University and a J.D. from Columbia University School of Law. Mr. Targoff also serves on the Board of Directors of ViaSat, Inc. and Leap Wireless International, Inc.

William P. Rutledge, age 65, became a director of the Company on April 27, 2006. Mr. Rutledge was chairman of the Board of Directors of the Company from 1999 to 2004. From June 1999 to November 1999 he served as president and chief executive officer of the Company. Prior to 1998, he was president and chief executive officer of Allegheny Teledyne. Mr. Rutledge received a B.S. degree in metallurgical engineering from Lafayette College and an M.S. in financial management from George Washington University. Mr. Rutledge also serves on the Board of Directors of AECOM, Inc., First Federal Bank of California and Sempra Energy, Inc. and is a trustee of Lafayette College and St. John's Hospital and Health Center Foundation.

CORPORATE GOVERNANCE

Composition of the Board of Directors

The Company's amended and restated bylaws provide that the Board of Directors will consist of not less than three and not more than 15 persons, with the exact number of directors to be determined from time to time by resolution of the Board of Directors. The Board of Directors currently consists of six directors and is divided into three classes as described below, with each director serving a three-year term and one class being elected at each year's annual meeting of stockholders. Messrs. Hughes and Larson are serving as Class I directors (with a term expiring at the Company's annual stockholders' meeting to be held in 2010). Messrs. Rutledge and Targoff are serving as Class II directors (with a term expiring at the Annual Meeting). Messrs. Caldarelli and Finley are serving as Class III directors (with a term expiring at the Company's annual stockholders' meeting to be held in 2009).

Because funds affiliated with The Cypress Group (collectively, "Cypress") own collectively more than 50% of the Company's stockholder voting power, the Company currently qualifies for the controlled company exception of Nasdaq Stock Market rule 4350(c), which provides that so long as Cypress continues to own more than 50% of the Company's stockholder voting power, the Company will be exempt from the rules that would otherwise require that the Company's Board of Directors consist of a majority of independent directors, as defined under Nasdaq Stock Market rules, and that the Company's Compensation Committee and Nominating and Governance Committee consist only of independent directors. The Company intends to avail itself of the controlled company exception for so long as Cypress continues to own more than 50% of the Company's stockholder voting power. In the event that Cypress' stockholder voting power falls to 50% or less, the Company intends to comply with The Nasdaq Stock Market majority independent director and Compensation Committee and Nominating and Governance Committee requirements.

Independence of Directors

The Company's Board of Directors has determined that Messrs. Targoff, Rutledge and Larson, all current members of the Board of Directors, are independent members of the Board of Directors as defined under the rules of The Nasdaq Stock Market and the rules and regulations of the Securities and Exchange Commission.

Meetings of the Board of Directors and Committees; Attendance at Annual Meetings

The Board of Directors met 10 times during fiscal year 2007. Each incumbent director who served on the Board of Directors in fiscal year 2007 attended at least 75% of the meetings of the Board of Directors and the committees of which he was a member, in the aggregate, that he was eligible to attend in fiscal year 2007. The Company's policy, as set forth in the Company's Corporate Governance Guidelines, is that directors are invited and encouraged to attend the Company's annual meetings of stockholders. Three of the then-current directors, and one director nominee that was not a then-current director, attended the 2007 annual meeting of stockholders.

Committees of the Board of Directors

The Board of Directors currently has a standing Audit Committee, Compensation Committee, Nominating and Governance Committee and Executive Committee. The following is a brief description of the Company's committees.

Audit Committee

The functions of the Audit Committee include:

responsibility for the appointment, compensation, retention and oversight of the Company's independent auditors;

pre-approving audit and non-audit services to be rendered by the Company's independent auditors;

reviewing and discussing with management and the independent auditor the adequacy of the Company's internal controls;

reviewing the Company's financial statements and periodic reports and discussing with management and the independent auditor significant financial reporting issues and judgments made in connection with the preparation of the financial statements;

establishing procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls and auditing matters;

advising the Board of Directors regarding compliance with laws and regulations and the Company's Code of Legal and Ethical Conduct; and

reviewing and approving all related-party transactions required to be disclosed pursuant to Item 404 of Regulation S-K.

The Audit Committee is governed by a charter, a copy of which is available for review on the Company's website at www.cpii.com, under the heading "Investors," and the subheading "Corporate Governance." The Audit Committee held five meetings during fiscal year 2007.

Messrs. Larson, Rutledge and Targoff are the members, and Mr. Rutledge is the chairperson, of the Audit Committee. Each member of the Audit Committee meets the Nasdaq Stock Market requirements as to independence and financial knowledge and is independent as defined in applicable Securities and Exchange Commission rules and regulations. In addition, the Board of Directors has determined that Messrs. Rutledge and Targoff each qualify as an "audit committee financial expert" under Securities and Exchange Commission rules and regulations.

Compensation Committee

The functions of the Compensation Committee include:

reviewing and determining, or recommending to the Board of Directors for determination, the compensation structure for the chief executive officer and all other executive officers;

establishing, administering and exercising authority under certain of the Company's employee benefit plans; and

reviewing and making recommendations to the Board of Directors with respect to the compensation of non-management directors and directors' and officers' indemnity and insurance matters.

The Compensation Committee is governed by a charter, a copy of which is available for review on the Company's website at www.cpii.com, under the heading "Investors," and the subheading "Corporate Governance." The Compensation Committee held four meetings during fiscal year 2007.

Messrs. Finley and Targoff are the members, and Mr. Finley is the chairperson, of the Compensation Committee. Mr. Targoff is independent under the rules of The Nasdaq Stock Market. Mr. Finley is not independent under the rules of The Nasdaq Stock Market. Because the Company currently qualifies for the controlled company exception of Nasdaq Stock Market rule 4350(c), the Company is currently exempt from the rules that would otherwise require that the Company's Compensation Committee consist of only independent directors. In the event that the Company ceases to qualify for the controlled company exception, the Company intends to comply with The Nasdaq Stock Market's Compensation Committee independence requirements.

Nominating and Governance Committee

The functions of the Nominating and Governance Committee include:

identifying qualified candidates to become members of the Board of Directors;

recommending for selection by the Board of Directors candidates for election or reelection to the Board of Directors at any meeting of stockholders at which directors are to be elected and to fill vacancies that may occur at other times;

developing and recommending to the Board of Directors the corporate governance guidelines; and

overseeing the evaluation of the Board of Directors.

The Nominating and Governance Committee is governed by a charter, a copy of which is available for review on the Company's website at www.cpii.com, under the heading "Investors," and the subheading "Corporate Governance." The Nominating and Governance Committee held two meeting(s) during fiscal year 2007.

Messrs. Finley and Rutledge are the members, and Mr. Finley is the chairperson, of the Nominating and Governance Committee. Mr. Rutledge is independent under Nasdaq Stock Market rules. Mr. Finley is not independent under the rules of The Nasdaq Stock Market. Because the Company currently qualifies for the controlled company exception of Nasdaq Stock Market rule 4350(c), the Company is currently exempt from the rules that would otherwise require that the Company's Nominating and Governance Committee consist of only independent directors. In the event that the Company ceases to qualify for the controlled company exception, the Company intends to comply with The Nasdaq Stock Market's Nominating and Governance Committee independence requirements.

Executive Committee

The Executive Committee, on behalf of the Board of Directors, exercises the full powers and prerogatives of the Board of Directors to the extent permitted by applicable law and the Company's amended and restated certificate of incorporation and the Company's amended and restated bylaws, between Board of Directors meetings.

Messrs. Caldarelli, Finley and Targoff are the members, and Mr. Caldarelli is the chairperson, of the Executive Committee.

Director Nomination Process

It is the policy of the Board of Directors, as set forth in the Company's Corporate Governance Guidelines, to select director nominees on the basis of, among other things, knowledge, experience, skills, expertise, integrity, diversity, ability to make independent analytical inquiries and understanding of the Company's business environment, all in the context of an assessment of the perceived needs of the Board of Directors at that time. In addition, nominees should also be willing and able to devote adequate time and effort to Board of Directors responsibilities. However, exceptional candidates who do not meet all of the foregoing criteria may still be considered.

The Nominating and Governance Committee is responsible for identifying, recruiting and recommending for the Board of Directors' selection qualified individuals to be nominated for election to the Board, consistent with the criteria set forth in the Company's Corporate Governance Guidelines. To the extent necessary, the Committee may retain search firms and recruitment consultants to help identify, screen and review director candidates.

Before recommending to the Board of Directors a new or incumbent director for election or reelection, the Nominating and Governance Committee reviews a candidate's qualifications, including

capability, availability to serve, conflicts of interest and other relevant factors. The Nominating and Governance Committee also periodically reviews the size and composition of the Board of Directors and recommends to the Board of Directors any appropriate changes.

The Board of Directors has not adopted any formal policies or procedures with regard to the consideration of director candidates recommended by stockholders. Stockholders should send their recommendations to the Secretary of the Company at 811 Hansen Way, Palo Alto, California 94303. In general, the Board of Directors would require the consent of any proposed director candidate to be considered and to be nominated, and such person's undertaking to serve if elected, as well as the type of information that must be disclosed by and about directors, nominees and executive officers of the Company under the federal securities laws and as may now or hereafter be required by the Company's certificate of incorporation or bylaws as to stockholder nominees. Further, the Nominating and Governance Committee could seek information about a candidate's specific attributes, including a candidate's business experiences, experience as a director, community involvement and public credibility. The Board of Directors believes that these informal standards are sufficient to serve the Company's needs.

Executive Sessions

It is the policy of the Board of Directors to hold executive sessions without the presence of management (including executive sessions at which only independent directors, as defined under Nasdaq Stock Market rules, are present) as necessary to comply with all applicable legal, regulatory and stock exchange requirements, but no less than two times a year. Executive sessions of independent directors may be held in connection with regularly scheduled meetings of the Board of Directors. Committees of the Board of Directors may also meet in executive session as provided in the individual committee charters.

Stockholder Communications with Directors

Stockholders and other interested parties may contact any member (or all members) of the Board of Directors, any Board committee or any chair of any such committee by U.S. mail or by e-mail. To communicate with the Board of Directors, any individual director or any group or committee of directors, correspondence should be addressed to the Board of Directors or any such individual director or group or committee of directors by either name or title. If by U.S. mail, such correspondence should be sent c/o Corporate Secretary, CPI International, Inc., 811 Hansen Way, Palo Alto, California 94303. E-mail messages should be sent to CorporateSecretary@cpii.com. The Corporate Secretary will forward copies of all correspondence that, in the opinion of the Corporate Secretary, deals with the functions of the Board or its committees or that he otherwise determines requires the attention of any member, group or committee of the Board. The Corporate Secretary will not forward junk mail, job inquiries, business solicitations, complaints by users or customers with respect to ordinary course of business customer service, offensive or otherwise inappropriate materials. The foregoing procedure is contained in the Company's Corporate Governance Guidelines.

Code of Legal and Ethical Conduct

The Company has adopted a code of legal and ethical conduct that applies to all employees, directors, consultants and agents of the Company and its subsidiaries, including the principal executive officer, principal financial officer, the controller and persons performing similar functions. This code is available on the Company's website www.cpii.com under the heading "Investors," and the subheading "Corporate Governance." The Company will promptly disclose on the Company's website any amendments to, and waivers from, the Company's code of legal and ethical conduct, if and when required.

DIRECTOR COMPENSATION**Director Compensation Table**

The table below summarizes the compensation paid to or earned by each person who was a director of the Company during the fiscal year ended September 28, 2007, other than any directors that were executive officers. Mr. Caldarelli is also a named executive officer, and information regarding compensation paid to or earned by him is presented below under "Executive Compensation Summary Compensation Table" and the related explanatory tables and narrative disclosures. Mr. Caldarelli did not receive any additional compensation for his service as a director.

	Fees Earned or Paid in Cash(1)	Stock Awards(2)(3)	Option Awards(4)(5)	All Other Compensation	Total Compensation
Michael Targoff	\$ 52,000	\$ 21,517	\$	\$	\$ 73,517
Michael F. Finley	48,500	21,517			70,017
Stephen R. Larson	33,500	12,709(6)	11,530(7)		57,726
Jeffrey P. Hughes	39,250	22,611(6)			61,855
William P. Rutledge	48,625	21,517	20,690	753(8)	91,585
Chris Toffales	18,750	9,902		23,307(9)	51,959

(1) For a description of the fees earned by the non-employee directors during the fiscal year ended September 28, 2007, see the disclosure below under " Narrative to Director Compensation Table."

(2) Represents the dollar amount recognized for financial statement reporting purposes with respect to fiscal year 2007 for restricted stock granted to each of the Company's non-employee directors in fiscal year 2007 and in prior fiscal years, in accordance with Statement of Financial Accounting Standards ("SFAS") No. 123R. Pursuant to rules of the Securities and Exchange Commission, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions. For additional information regarding the valuation assumptions with respect to the stock option grants, see Note 10 to the Audited Consolidated Financial Statements included in the Company's Form 10-K filed for the fiscal year ended September 28, 2007.

(3) The following table presents the aggregate number of outstanding stock awards held as of September 28, 2007 by each of the persons listed in the Director Compensation Table.

Name	Number of Shares of Common Stock
Michael Targoff	2,222
Michael F. Finley	3,333
Jeffrey P. Hughes	4,622
Stephen R. Larson	3,511
William P. Rutledge	2,222
Chris Toffales	1,111

(4) Represents the dollar amount recognized for financial statement reporting purposes with respect to fiscal year 2007 for stock options granted to each of the non-employee directors in fiscal year 2007 and in prior fiscal years, in accordance with SFAS No. 123R. Pursuant to rules of the Securities and Exchange Commission, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions. For additional information regarding the valuation assumptions with respect to the stock option grants, see Note 10 to the Audited Consolidated Financial Statements included in the Company's Form 10-K filed for the fiscal year ended September 28, 2007. No stock options were forfeited by any of the directors during fiscal year 2007.

- (5) The following table presents the aggregate number of outstanding stock options held as of September 28, 2007 by each of the persons listed in the Director Compensation Table.

Name	Number of Shares Underlying Options
Michael Targoff	24,517
Michael F. Finley	
Jeffrey P. Hughes	
Stephen R. Larson	6,000
William P. Rutledge	6,000
Chris Toffales	

- (6) Each of Mr. Hughes and Mr. Larson received an award of 3,511 shares of restricted common stock on February 8, 2007, the date of the Company's 2007 annual stockholders' meeting in accordance with the Company's standard non-employee director compensation, described below under " Narrative to Director Compensation Table." The shares will vest as follows: one-third of the shares will vest on the day before this Annual Meeting, one-third of the shares will vest on the day before the 2009 annual stockholders' meeting and one-third of the shares will vest on the day before the 2010 annual stockholders' meeting. Unvested shares are generally subject to forfeiture restrictions in the event of the termination of a person's status as a director. The grant date fair value of these awards was \$60,000. See footnote 2 above for assumptions used to value these awards.
- (7) Mr. Larson received a grant of options to purchase 6,000 shares of common stock on February 8, 2007 in connection with his initial election to the Board of Directors in accordance with the Company's standard non-employee director compensation, described below under " Narrative to Director Compensation Table." The grant of options was approved by the Compensation Committee on February 8, 2007. The options have a per-share exercise price of \$17.09, which is equal to the closing market price of a share of the Company's common stock on the grant date. The shares subject to the options will vest as follows: one-third of the shares will vest on the day before this Annual Meeting, one-third of the shares will vest on the day before the 2009 annual stockholders' meeting and one-third of the shares will vest on the day before the 2010 annual stockholders' meeting. The grant date fair value of this option award was \$102,540. See footnote 4 above for assumptions used to value this award.
- (8) Consists of Company-paid premiums for dental and vision insurance.
- (9) Mr. Toffales ceased to be a director on February 8, 2007, the date of the Company's 2007 annual stockholders' meeting. Amounts reported as all other compensation include \$8,307 of Company-paid premiums for medical, dental and vision insurance and \$15,000 for consulting services.

Narrative to Director Compensation Table

Non-employee director compensation decisions are generally made by the full Board of Directors, upon recommendation by the Compensation Committee. The Compensation Committee considers publicly available information regarding director compensation of other companies in connection with its analysis of director compensation issues. In addition, the Compensation Committee has received input from an independent compensation consultant, Frederic W. Cook & Co., Inc., in designing the Company's 2006 Equity and Performance Incentive Plan in connection with director compensation issues.

Directors who are not employees of the Company receive an annual cash retainer of \$35,000, payable in four quarterly installments to directors in office at the end of each quarter. The Chairman of the Board of Directors receives additional annual compensation of \$7,500. The chairpersons of the Audit Committee, Compensation Committee and Nominating and Governance Committee receive

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additional annual compensation of \$7,500, \$2,500 and \$2,500, respectively. Members of the Audit Committee, other than the chairperson, receive additional annual compensation of \$4,000.

The Company also provides its non-employee directors with \$20,000 worth of restricted common stock for each year of service. The stock will vest on the day before the first annual stockholders' meeting occurring after the date of grant. Directors may instead elect to receive a grant of \$60,000 worth of restricted common stock once every three years, in which case the stock will vest as follows: one-third of the shares will vest on the day before the first annual stockholders' meeting occurring after the date of grant; one-third of the shares will vest on the day before the second annual stockholders' meeting occurring after the date of grant; and the remaining one-third of the shares will vest on the day before the third annual stockholders' meeting occurring after the date of grant. In the event of a director's termination due to death or disability, if the termination date does not fall on a vesting date, then the date of termination will be deemed to occur on the next vesting date occurring after the termination date. On February 8, 2007, the Company issued an aggregate of 7,022 shares of restricted stock to directors pursuant to this restricted common stock program.

In addition, upon joining the Board of Directors for the first time, a non-employee director will receive a one-time grant of options to purchase 6,000 shares of common stock. One-third of the shares subject to the option will vest on the day before the first annual stockholders' meeting occurring after the date of grant, one-third of the shares subject to the option will vest on the day before the second annual stockholders' meeting occurring after the date of grant, and the remaining one-third of the shares subject to the option will vest on the day before the third annual stockholders' meeting occurring after the date of grant. In the event of a director's termination due to death or disability, if the termination date does not fall on a vesting date, then the date of termination will be deemed to occur on the next vesting date occurring after the termination date.

Non-employee directors receive a fee of \$1,250 for each regularly scheduled Board meeting they attend (\$500 if they attend telephonically) and \$1,250 for each special Board meeting they attend (no fee if they attend telephonically). Non-employee members of Board committees receive a fee of \$1,000 for each regularly scheduled committee meeting they attend (\$500 if they attend telephonically) and \$1,250 for each special committee meeting they attend (no fee if they attend telephonically). Committee members do not receive separate compensation for any committee meetings that occur on the same date as a Board meeting. Directors are reimbursed for travel and lodging expenses incurred in connection with attending meetings of the Board of Directors and its committees.

Non-employee directors who so elect are eligible to participate in the Company's health insurance plans on the same terms as the Company's employees. Cash compensation for any director who elects this coverage will be reduced by the cost to a Company employee for receiving such coverage.

In December 2007, the Board approved changes to its compensation for non-employee directors. Effective for directors to be elected at the Annual Meeting (and thereafter) and for incumbent directors in office immediately after the Annual Meeting, non-employee directors will be entitled to receive \$40,000 (rather than \$20,000) worth of restricted common stock for each year of service (in the case of incumbent directors, for each year must eliminate the conflict or resign as trustee).

No Individual Liability of Incorporators, Stockholders, Officers or Directors

The indenture provides that no past, present or future director, officer, stockholder or employee of ours, any of our affiliates, or any successor corporation, in their capacity as such, shall have any individual liability for any of our obligations, covenants or agreements under the debt securities or the indenture.

Governing Law

The indenture and the debt securities will be governed by, and construed in accordance with, the laws of the State of New York.

DESCRIPTION OF PREFERRED STOCK

We are authorized to issue up to 5,000,000 shares of preferred stock, par value \$0.01 per share. As of December 15, 2009, no shares of preferred stock were issued and outstanding. We may issue preferred stock, in series, with such designations, powers, preferences and other rights and qualifications, limitations or restrictions as our board of directors may authorize, without further action by our stockholders, including:

the distinctive designation of each series and the number of shares that will constitute the series;

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the voting rights, if any, of shares of the series and the terms and conditions of the voting rights;

the dividend rate on the shares of the series, the dates on which dividends are payable, any restriction, limitation or condition upon the payment of dividends, whether dividends will be cumulative, and the dates from and after which dividends shall accumulate;

the prices at which, and the terms and conditions on which, the shares of the series may be redeemed, if the shares are redeemable;

the terms and conditions of a sinking or purchase fund for the purchase or redemption of shares of the series, if such a fund is provided;

any preferential amount payable upon shares of the series in the event of the liquidation, dissolution or winding up of, or upon the distribution of any of our assets; and

the prices or rates of conversion or exchange at which, and the terms and conditions on which, the shares of the series may be converted or exchanged into other securities, if the shares are convertible or exchangeable.

The particular terms of any series of preferred stock, and the transfer agent and registrar for that series, will be described in a prospectus supplement. All preferred stock offered, when issued, will be fully paid and nonassessable. Any material United States federal income tax consequences and other special considerations with respect to any preferred stock offered under this prospectus will also be described in the applicable prospectus supplement.

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DESCRIPTION OF DEPOSITARY SHARES

The following description of the depositary shares does not purport to be complete and is subject to and qualified in its entirety by the relevant deposit agreement and the depositary receipts with respect to the depositary shares relating to any particular series of preferred stock. You should read these documents as they, and not this description, will define your rights as a holder of depositary shares. Forms of these documents will be filed with the SEC in connection with the offering of depositary shares.

General

If we elect to offer fractional interests in shares of preferred stock, we will provide for the issuance by a depositary to the public of receipts for depositary shares. Each depositary share will represent fractional interests of preferred stock. We will deposit the shares of preferred stock underlying the depositary shares under a deposit agreement between us and a bank or trust company selected by us. The bank or trust company must have its principal office in the United States and a combined capital and surplus of at least \$50 million. The depositary receipts will evidence the depositary shares issued under the deposit agreement.

The deposit agreement will contain terms applicable to the holders of depositary shares in addition to the terms stated in the depositary receipts. Each owner of depositary shares will be entitled to all the rights and preferences of the preferred stock underlying the depositary shares in proportion to the applicable fractional interest in the underlying shares of preferred stock. The depositary will issue the depositary receipts to individuals purchasing the fractional interests in shares of the related preferred stock according to the terms of the offering described in a prospectus supplement.

Dividends and Other Distributions

The depositary will distribute all cash dividends or other cash distributions received for the preferred stock to the entitled record holders of depositary shares in proportion to the number of depositary shares that the holder owns on the relevant record date. The depositary will distribute only an amount that can be distributed without attributing to any holder of depositary shares a fraction of one cent. The depositary will add the undistributed balance to and treat it as part of the next sum received by the depositary for distribution to holders of depositary shares.

If there is a non-cash distribution, the depositary will distribute property received by it to the entitled record holders of depositary shares, in proportion, insofar as possible, to the number of depositary shares owned by the holders, unless the depositary determines, after consultation with us, that it is not feasible to make such distribution. If this occurs, the depositary may, with our approval, sell such property and distribute the net proceeds from the sale to the holders. The deposit agreement also will contain provisions relating to how any subscription or similar rights that we may offer to holders of the preferred stock will be available to the holders of the depositary shares.

Conversion, Exchange, Redemption and Liquidation

If any series of preferred stock underlying the depositary shares may be converted or exchanged, each record holder of depositary receipts will have the right or obligation to convert or exchange the depositary shares represented by the depositary receipts.

The terms on which the depositary shares relating to the preferred stock of any series may be redeemed, and any amounts distributable upon our liquidation, dissolution or winding up, will be described in the relevant prospectus supplement.

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Voting

When the depositary receives notice of a meeting at which the holders of the preferred stock are entitled to vote, the depositary will mail the particulars of the meeting to the record holders of the depositary shares. Each record holder of depositary shares on the record date may instruct the depositary on how to vote the shares of preferred stock underlying the holder's depositary shares. The depositary will try, if practical, to vote the number of shares of preferred stock underlying the depositary shares according to the instructions. We will agree to take all reasonable action requested by the depositary to enable it to vote as instructed.

Amendments

We and the depositary may agree to amend the deposit agreement and the depositary receipt evidencing the depositary shares. Any amendment that (a) imposes or increases certain fees, taxes or other charges payable by the holders of the depositary shares as described in the deposit agreement or that (b) otherwise prejudices any substantial existing right of holders of depositary shares, will not take effect until 30 days after the depositary has mailed notice of the amendment to the record holders of depositary shares. Any holder of depositary shares that continues to hold its shares at the end of the 30-day period will be deemed to have agreed to the amendment.

Termination

We may direct the depositary to terminate the deposit agreement by mailing a notice of termination to holders of depositary shares at least 30 days prior to termination. In addition, a deposit agreement will automatically terminate if:

the depositary has redeemed all related outstanding depositary shares, or

we have liquidated, terminated or wound up our business and the depositary has distributed the preferred stock of the relevant series to the holders of the related depositary shares.

Payment of Fees and Expenses

We will pay all fees, charges and expenses of the depositary, including the initial deposit of the preferred stock and any redemption of the preferred stock. Holders of depositary shares will pay transfer and other taxes and governmental charges and any other charges as are stated in the deposit agreement for their accounts.

Resignation and Removal of Depositary

At any time, the depositary may resign by delivering notice to us, and we may remove the depositary. Resignations or removals will take effect upon the appointment of a successor depositary and its acceptance of the appointment. The successor depositary must be appointed within 60 days after delivery of the notice of resignation or removal and must be a bank or trust company having its principal office in the United States and having a combined capital and surplus of at least \$50 million.

Reports

The depositary will forward to the holders of depositary shares all reports and communications from us that are delivered to the depositary and that we are required by law, the rules of an applicable securities exchange or our restated certificate of incorporation to furnish to the holders of the preferred stock. Neither we nor the depositary will be liable if the depositary is prevented or delayed by law or any circumstances beyond its control in performing its obligations under the deposit agreement. The deposit agreement limits our obligations and the depositary's obligations to performance in good faith of the duties stated in the deposit agreement. Neither we nor the depositary will be obligated to prosecute or defend any legal proceeding connected with any depositary shares or preferred stock unless the holders of depositary shares requesting us to do so furnish us with satisfactory indemnity. In performing our obligations, we and the depositary may rely upon the written advice of our counsel or accountants, on any information that competent people provide to us and on documents that we believe are genuine.

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DESCRIPTION OF COMMON STOCK

This section describes the general terms and provisions of the shares of our common stock, par value \$0.01 per share. This description is only a summary. Our restated certificate of incorporation, as amended, and our bylaws have been filed as exhibits to our periodic reports filed with the SEC, which are incorporated by reference in this prospectus. You should read our restated certificate of incorporation and our bylaws for additional information before you buy any of our common stock or other securities. See [Where You Can Find More Information](#).

General. We are authorized to issue up to 50,000,000 shares of common stock. As of December 15, 2009, there were 23,353,487 shares of common stock issued and outstanding.

Voting Rights. The holders of our common stock are entitled to one vote for each share held of record on all matters submitted to a vote of the stockholders, including the election of directors, and do not have cumulative voting rights. Accordingly, the holders of a majority of the shares of common stock entitled to vote in the election of directors can elect all of the directors standing for election, if they so choose.

Dividends. Subject to preferences that may apply to any shares of preferred stock outstanding at the time, holders of common stock are entitled to receive ratably dividends, if any, as may be declared by our board of directors out of funds legally available therefor.

Other Rights. Upon our liquidation, dissolution or winding-up, the holders of common stock are entitled to share ratably in all assets remaining after payment of all liabilities and the liquidation preferences of any outstanding preferred stock. Holders of common stock have no preemptive or conversion rights or other subscription rights. There are no redemption or sinking fund provisions applicable to the common stock. All outstanding shares of common stock are fully paid and nonassessable, and the shares of common stock offered, when issued, will be fully paid and nonassessable.

Certain Provisions of Delaware Law and our Charter and Bylaws

The provisions of our restated certificate of incorporation and our bylaws described below may have the effect of delaying, deferring or discouraging another party from acquiring control of us.

Delaware Law. While we are not subject to the provisions of Section 203 of the Delaware General Corporation Law regulating corporate takeovers because we opted out of those provisions with an express statement in our restated certificate of incorporation which was filed in 1999 at the time of our initial public offering, we do have a provision in our restated certificate of incorporation that operates similar to Section 203, as described below.

Charter. Our restated certificate of incorporation precludes an interested stockholder (generally a holder of 15% or more of our common stock), from engaging in a merger, asset sale or other business combination with us for a period of three years after the date of the transaction in which the person became an interested stockholder, unless one of the following occurs:

prior to the time the stockholder became an interested stockholder, the board of directors approved either the business combination or the transaction which resulted in the person becoming an interested stockholder;

the stockholder owned at least 85% of our outstanding voting stock, excluding shares held by directors who were also officers or held in certain employee stock plans, upon consummation of the transaction which resulted in a stockholder becoming an interested stockholder; or

the business combination was approved by the board of directors and by two-thirds of our outstanding voting stock, excluding shares held by the interested stockholder.

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Our charter defines "business combination" to include the following:

any merger or consolidation involving the corporation and the interested stockholder;

any sale, transfer, pledge or other disposition of 10% or more of the assets of the corporation involving the interested stockholder;

subject to certain exceptions, any transaction that results in the issuance or transfer by the corporation of any stock of the corporation to the interested stockholder;

any transaction involving the corporation that has the effect of increasing the proportionate share of the stock of any class or series of the corporation beneficially owned by the interested stockholder; or

the receipt by the interested stockholder of the benefit of any loans, advances, guarantees, pledges or other financial benefits provided by or through the corporation.

In general, our charter defines an interested stockholder as any entity or person beneficially owning 15% or more of the outstanding voting stock of the corporation and any entity or person affiliated with or controlling or controlled by any of these entities or persons, and certain permitted transferees. JCF FPK I LP, one of our major stockholders, is exempt from this provision because it is a permitted transferee of stockholders who were exempt from this provision when it was initially added to our charter in 1999.

This provision in our charter could prohibit or delay mergers or other takeover or change in control attempts and, accordingly, may discourage attempts to acquire us.

In addition, our charter provides that the vote of the holders of at least two-thirds of the shares entitled to vote in the election of directors is required to remove a director, with or without cause. Additionally, our charter provides that our board of directors is authorized to issue preferred stock without stockholder approval, and that we will indemnify officers and directors against losses that they may incur in investigations and legal proceedings resulting from their services to us, which may include services in connection with takeover defense measures.

Bylaws. Our bylaws provide that, subject to certain exceptions, any stockholder desiring to propose business or nominate a person to the board of directors at a stockholders meeting must give notice of any proposals or nominations within a specified time frame. In addition, our bylaws provide that we will hold a special meeting of stockholders only if three of our directors or the Chief Executive Officer or the Chairman of the board of directors calls the meeting or if the holders of a majority of the issued and outstanding shares of capital stock entitled to vote at a meeting make a written demand for the meeting.

These provisions may have the effect of precluding a nomination for the election of directors or the conduct of business at a particular annual meeting if the proper procedures are not followed or may discourage or deter a third party from conducting a solicitation of proxies to elect its own slate of directors or otherwise attempting to obtain control of Encore, even if the conduct of such solicitation or such attempt might be beneficial to us and our stockholders. In order to have us include a proposal in our annual proxy statement, the proponent and the proposal must also comply with the proxy proposal submission rules of the SEC.

In addition, stockholders can amend or repeal our bylaws only with the vote of the holders of at least two-thirds of our outstanding common stock.

Transfer Agent

The transfer agent and registrar for our common stock is American Stock Transfer & Trust Company.

DESCRIPTION OF WARRANTS

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We may issue warrants for the purchase of debt securities, preferred stock, common stock, depositary shares, or any combination thereof. We may issue warrants independently or together with any other securities offered by any prospectus supplement and may be attached to or separate from the other offered securities. Each series of warrants will be issued under a

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separate warrant agreement to be entered into by us with a warrant agent. The warrant agent will act solely as our agent in connection with the warrants and will not assume any obligation or relationship of agency or trust for or with any holders or beneficial owners of warrants. Further terms of the warrants and the applicable warrant agreements will be set forth in the applicable prospectus supplement.

The applicable prospectus supplement relating to any particular issue of warrants will describe the terms of the warrants, including, as applicable, the following:

the title of the warrants;

the aggregate number of the warrants;

the price or prices at which the warrants will be issued;

the designation, terms and number of shares of debt securities, preferred stock or common stock purchasable upon exercise of the warrants;

the designation and terms of the offered securities, if any, with which the warrants are issued and the number of the warrants issued with each offered security;

the date, if any, on and after which the warrants and the related debt securities, preferred stock or common stock will be separately transferable;

the price at which each share of debt securities, preferred stock or common stock purchasable upon exercise of the warrants may be purchased;

the date on which the right to exercise the warrants shall commence and the date on which that right shall expire;

the minimum or maximum amount of the warrants which may be exercised at any one time;

information with respect to book-entry procedures, if any;

a discussion of certain federal income tax considerations; and

any other terms of the warrants, including terms, procedures and limitations relating to the exchange and exercise of the warrants. We and the warrant agent may amend or supplement the warrant agreement for a series of warrants without the consent of the holders of the warrants issued thereunder to effect changes that are not inconsistent with the provisions of the warrants and that do not materially and adversely affect the interests of the holders of the warrants.

PLAN OF DISTRIBUTION

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We may sell the securities offered by this prospectus to one or more underwriters or dealers for public offering and sale by them or to investors directly or through agents. The accompanying prospectus supplement will set forth the terms of the offering and the method of distribution and will identify any firms acting as underwriters, dealers or agents in connection with the offering, including:

the name or names of any underwriters, dealers or agents;

the purchase price of the securities and the proceeds to us from the sale;

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any underwriting discounts and other items constituting compensation to underwriters, dealers or agents;

any public offering price;

any discounts or concessions allowed or reallocated or paid to dealers; and

any securities exchange or market on which the securities offered in the prospectus supplement may be listed.

Only those underwriters identified in such prospectus supplement are deemed to be underwriters in connection with the securities offered in the prospectus supplement.

The distribution of the securities may be effected from time to time in one or more transactions at a fixed price or prices, which may be changed, or at prices determined as the applicable prospectus supplement specifies. The securities may be sold through a rights offering, forward contracts or similar arrangements. In connection with the sale of the securities, underwriters, dealers or agents may be deemed to have received compensation from us in the form of underwriting discounts or commissions and also may receive commissions from securities purchasers for whom they may act as agent. Underwriters may sell the securities to or through dealers, and the dealers may receive compensation in the form of discounts, concessions or commissions from the underwriters or commissions from the purchasers for whom they may act as agent. Some of the underwriters, dealers or agents who participate in the securities distribution may engage in other transactions with, and perform other services for, us or our subsidiaries in the ordinary course of business.

We will provide in the applicable prospectus supplement information regarding any underwriting discounts or other compensation that we pay to underwriters or agents in connection with the securities offering, and any discounts, concessions or commissions which underwriters allow to dealers. Underwriters, dealers and agents participating in the securities distribution may be deemed to be underwriters, and any discounts and commissions they receive and any profit they realize on the resale of the securities may be deemed to be underwriting discounts and commissions under the Securities Act of 1933. Underwriters and their controlling persons, dealers and agents may be entitled, under agreements entered into with us, to indemnification against and contribution toward specific civil liabilities, including liabilities under the Securities Act.

The securities may or may not be listed on a national securities exchange. In connection with an offering, the underwriters may purchase and sell securities in the open market. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Short sales involve the sale by the underwriters of a greater number of securities than they are required to purchase in an offering. Stabilizing transactions consist of bids or purchases made for the purpose of preventing or retarding a decline in the market price of the securities while an offering is in progress. The underwriters also may impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the underwriters have repurchased securities sold by or for the account of that underwriter in stabilizing or short-covering transactions. These activities by the underwriters may stabilize, maintain or otherwise affect the market price of the securities. As a result, the price of the securities may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued by the underwriters at any time.

LEGAL MATTERS

The validity of any securities offered by this prospectus will be passed upon for us by Pillsbury Winthrop Shaw Pittman LLP.

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EXPERTS

The financial statements as of December 31, 2008 and 2007 and for each of the three years in the period ended December 31, 2008 and management's assessment of the effectiveness of internal control over financial reporting as of December 31, 2008 incorporated by reference in this Prospectus have been so incorporated in reliance on the reports of BDO Seidman, LLP, an independent registered public accounting firm, incorporated herein by reference, given on the authority of said firm as experts in auditing and accounting.

WHERE YOU CAN FIND MORE INFORMATION

We have filed a registration statement on Form S-3 with the SEC under the Securities Act of 1933. This prospectus is part of the registration statement but the registration statement includes and incorporates by reference additional information and exhibits. We file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy the registration statement and any document we file with the SEC at the public reference room maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the public reference room by calling the SEC at 1-800-SEC-0330. The SEC also maintains a web site that contains reports, proxy and information statements and other information regarding companies, such as ours, that file documents electronically with the SEC. The address of that site on the world wide web is <http://www.sec.gov>. The information on the SEC's web site is not part of this prospectus, and any references to this web site or any other web site are inactive textual references only.

The SEC permits us to incorporate by reference the information contained in documents we file with the SEC, which means that we can disclose important information to you by referring you to those documents rather than by including them in this prospectus. Information that is incorporated by reference is considered to be part of this prospectus and you should read it with the same care that you read this prospectus. Later information that we file with the SEC will automatically update and supersede the information that is either contained, or incorporated by reference, in this prospectus, and will be considered to be a part of this prospectus from the date those documents are filed. We have filed with the SEC, and incorporate by reference in this prospectus:

our Annual Report on Form 10-K for the year ended December 31, 2008;

our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2009, June 30, 2009 and September 30, 2009;

our Current Reports on Form 8-K filed March 13, 2009, June 15, 2009 and July 14, 2009; and certain portions of our Current Reports on Form 8-K filed April 29, 2009 and July 30, 2009 not otherwise identified therein as being furnished and excepted from any incorporation by reference;

our Definitive Proxy Statement for Schedule 14A filed April 29, 2009; and

the description of our common stock contained in our Registration Statement on Form 8-A filed on June 24, 1999, including any amendment or report filed for the purpose of updating such description.

We also incorporate by reference all additional documents that we file with the SEC under the terms of Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act that are made after the initial filing date of the registration statement of which this prospectus is a part and the effectiveness of the registration statement, as well as between the date of this prospectus and the termination of any offering of securities offered by this prospectus. We are not, however, incorporating, in each case, any documents or information that we are deemed to furnish and not file in accordance with SEC rules.

You may request a copy of any or all of the documents incorporated by reference but not delivered with this prospectus, at no cost, by writing or telephoning us at the following address and number: Investor Relations, Encore Capital Group, Inc., 8875 Aero Drive, Suite 200, San Diego, California 92123, telephone (877) 445-4581. We will not, however, send exhibits to those documents, unless the exhibits are specifically incorporated by reference in those documents. We also maintain a website at www.encorecapitalgroup.com. However, the information included in our website is not part of this prospectus.

Table of Contents**PART II****Information Not Required In Prospectus****Item 14. Other Expenses of Issuance and Distribution.**

The following is a statement of estimated expenses in connection with the issuance and distribution of the securities being registered, other than underwriting discounts and commission.

SEC Registration Fee	\$ 10,695
The NASDAQ Stock Market Listing Fees*	*
Transfer Agent and Registrar, Trustee and Depository Fees*	*
Printing Expenses*	*
Legal Fees and Expenses*	*
Accounting Fees and Expenses*	*
Miscellaneous*	*
	\$ 10,695

* Estimated expenses not presently known

Item 15. Indemnification of Directors and Officers.

Section 145 of the Delaware General Corporation Law provides for the indemnification of officers, directors, and other corporate agents in terms sufficiently broad to indemnify such persons under certain circumstances for liabilities (including reimbursement for expenses incurred) arising under the Securities Act. Article Nine of the Registrant's Restated Certificate of Incorporation, as amended, filed as (a) Exhibit 3.1 to the Registrant's Registration Statement on Form S-1/A filed on June 14, 1999 (File No. 333-77483) and (b) Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed on April 4, 2002 (File No. 000-26489), provides for indemnification of the Registrant's directors, officers, employees and other agents to the extent and under the circumstances permitted by the Delaware General Corporation Law. The Registrant has also entered into agreements with its directors and officers that will require the Registrant, among other things, to indemnify them against certain liabilities that may arise by reason of their status or service as directors or officers to the fullest extent not prohibited by law.

Item 16. Exhibits.

Exhibit No.	Description
1.1*	Form of Underwriting Agreement.
4.1	Form of Indenture relating to debt securities.
4.2*	Form of supplemental indenture or other instrument establishing the issuance of one or more series of debt securities (including the form of such debt security).
4.3*	Form of Warrant Agreement and Warrant Certificate.
4.4*	Form of Deposit Agreement.
4.5*	Form of Depositary Receipt (included in Exhibit 4.4).
4.6*	Form of Specimen Preferred Stock Certificate.

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4.7	Specimen Common Stock Certificate.
5.1	Opinion of Pillsbury Winthrop Shaw Pittman LLP.
12.1	Computation of Ratios of Earnings to Fixed Charges.
23.1	Consent of Pillsbury Winthrop Shaw Pittman LLP (included in Exhibit 5.1).
23.2	Consent of BDO Seidman, LLP.
24.1	Power of Attorney.
25.1+	Form T-1 Statement of Eligibility of the trustee for the debt securities.

* To be filed by amendment or pursuant to a report to be filed pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934, if applicable, and incorporated herein by reference.

+ To be filed by amendment or pursuant to Trust Indenture Act Section 305(b)(2), if applicable.

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Item 17. Undertakings.

The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Securities and Exchange Commission, or SEC, pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the Calculation of Registration Fee table in the effective registration statement; and

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement.

Provided, however, that paragraphs (i), (ii) and (iii) do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in reports filed with or furnished to the SEC by the registrant pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the registration statement, or is contained in a form of prospectus filed pursuant to Rule 424(b).

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(4) That, for the purpose of determining liability under the Securities Act of 1933 to any purchaser:

(A) Each prospectus filed by the registrant pursuant to Rule 424(b)(3) shall be deemed to be part of the registration statement as of the date the filed prospectus was deemed part of and included in the registration statement; and

(B) Each prospectus required to be filed pursuant to Rule 424(b)(2), (b)(5), or (b)(7) as part of a registration statement in reliance on Rule 430B relating to an offering made pursuant to Rule 415(a)(1)(i), (vii), or (x) for the purpose of providing the information required by Section 10(a) of the Securities Act of 1933 shall be deemed to be part of and included in the registration statement as of the earlier of the date such form of prospectus is first used after effectiveness or the date of the first contract of sale of securities in the offering described in the prospectus. As provided in Rule 430B, for liability purposes of the issuer and any person that is at that date an underwriter, such date shall be deemed to be a new effective date of the registration statement relating to the securities in the registration statement to which that prospectus relates, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof. Provided, however, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such effective date, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such effective date.

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(5) That, for the purpose of determining liability of the registrant under the Securities Act of 1933 to any purchaser in the initial distribution of the securities:

The undersigned registrant undertakes that in a primary offering of securities of the undersigned registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:

(i) Any preliminary prospectus or prospectus of the undersigned registrant relating to the offering required to be filed pursuant to Rule 424;

(ii) Any free writing prospectus relating to the offering prepared by or on behalf of the undersigned registrant or used or referred to by the undersigned registrant;

(iii) The portion of any other free writing prospectus relating to the offering containing material information about the undersigned registrant or its securities provided by or on behalf of the undersigned registrant; and

(iv) Any other communication that is an offer in the offering made by the undersigned registrant to the purchaser.

(6) To file an application for the purpose of determining the eligibility of the trustee to act under subsection (a) of Section 310 of the Trust Indenture Act (the "Act") in accordance with the rules and regulations prescribed by the Commission under Section 305(b)(2) of the Act.

(7) That, for the purposes of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

(8) With respect to any offering in which securities are to be offered to existing security holders pursuant to warrants or rights and any securities not taken by security holders are to be reoffered to the public, the Registrant hereby undertakes to supplement the prospectus, after the expiration of the subscription period, to set forth the results of the subscription offer, the transactions by the underwriters during the subscription period, the amount of unsubscribed securities to be purchased by the underwriters, and the terms of any subsequent reoffering thereof. If any public offering by the underwriters is to be made on terms differing from those set forth on the cover page of the prospectus, a post-effective amendment will be filed to set forth the terms of such offering.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to any charter provision, by law or otherwise, the registrant has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

Table of Contents**SIGNATURES**

Pursuant to the requirements of the Securities Act of 1933, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized in the City of San Diego, State of California, on December 21, 2009.

ENCORE CAPITAL GROUP, INC.

By: */s/* J. BRANDON BLACK
J. Brandon Black
President and Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

Name	Title	Date
<i>/s/</i> J. BRANDON BLACK J. Brandon Black	President and Chief Executive Officer and Director (Principal Executive Officer)	December 21, 2009
<i>/s/</i> PAUL GRINBERG Paul Grinberg	Executive Vice President, Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer)	December 21, 2009
<i>/s/</i> GEORGE LUND* George Lund	Executive Chairman of the Board	December 21, 2009
<i>/s/</i> TIMOTHY J. HANFORD* Timothy J. Hanford	Director	December 21, 2009
<i>/s/</i> RICHARD A. MANDELL* Richard A. Mandell	Director	December 21, 2009
<i>/s/</i> WILLEM MESDAG* Willem Mesdag	Director	December 21, 2009
<i>/s/</i> JOHN J. OROS * John J. Oros	Director	December 21, 2009
<i>/s/</i> J. CHRISTOPHER TEETS* J. Christopher Teets	Director	December 21, 2009

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/s/ WARREN WILCOX* Director December 21, 2009

Warren Wilcox

/s/ H RONALD WEISSMAN* Director December 21, 2009

H Ronald Weissman

*By: /s/ PAUL GRINBERG
Paul Grinberg
As attorney-in-fact pursuant to powers of attorney
dated October and November 2009.

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EXHIBIT INDEX

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* To be filed by amendment or pursuant to a report to be filed pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934, if applicable, and incorporated herein by reference.

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