GIGA TRONICS INC
Form DEF 14A
July 19, 2006

SCHEDULE 14A INFORMATION

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

Filed by the Registrant [X]

Filed by a Party other than the Registrant [ ]

Check the appropriate box:

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

GIGA-TRONICS INCORPORATED

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

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

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

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(1) Amount Previously Paid:

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(2) Form, Schedule or

Registration
Statement No.:

(3) Filing Party:

(4) Date Filed:

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

August 12, 2006

To Our Shareholders:

I cordially invite you to attend the annual meeting of Giga-tronics Incorporated shareholders to be held at 9:30 a.m. on Tuesday, September 12, 2006, at the Giga-tronics executive offices, 4650 Norris Canyon Road, San Ramon, California.

At the meeting, you will be asked to elect six directors and approve the ratification of Perry-Smith LLP as our independent accountants. Information about these matters is set forth in the attached Notice and Proxy Statement.

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

Sincerely,

George H. Bruns, Jr.
Chairman of the Board of Directors

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

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To the Shareholders:

The Annual Meeting of Shareholders of Giga-tronics Incorporated will be held at 9:30 AM, local time, on Tuesday, September 12, 2006, at the Giga-tronics executive offices, at 4650 Norris Canyon Road, San Ramon, California, for the following purposes:

1. Elect six directors for the ensuing year;

2. Ratify the appointment of Perry-Smith LLP as independent accountants; and

3. Transact such other business as may properly come before the meeting.

Only shareholders of record at the close of business on July 12, 2006 will be entitled to vote at this meeting, or any adjournment of this meeting.

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

By Order of the Board of Directors,

Mark H. Cosmez II
Secretary
San Ramon, California
August 12, 2006

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

August 12, 2006

PROXY STATEMENT
ANNUAL MEETING OF SHAREHOLDERS
to be held
September 12, 2006

This proxy statement is submitted by the Board of Directors of Giga-tronics Incorporated (Giga-tronics or the Company), a California corporation, in connection with the solicitation of proxies for use at the Annual Meeting of Shareholders (the Annual Meeting) to be held on September 12, 2006, in accordance with the notice to shareholders, and at any adjournment thereof.

Our Board of Directors has fixed July 12, 2006 as the record date for the Annual Meeting. Only shareholders of record at the close of business on the record date are entitled to notice of and to vote at this meeting. A majority of the shares of common stock will constitute a quorum for the transaction of business at the Annual Meeting. On the record date, there were 4,809,021 shares of Giga-tronics common stock issued and outstanding. Each share outstanding on the record date is entitled to one vote as to each matter to be acted on at this meeting. However, each shareholder will be entitled to cumulate his votes in the election of directors provided that notice of an intention to cumulate votes is given at this meeting by at least one shareholder before voting for the election of directors. Under cumulative voting, a shareholder is allowed one vote per share multiplied by the number of directors to be elected and may cast the total number of votes for one nominee or may distribute the total number of votes among as many nominees as the shareholder chooses. Six directors will be elected at this meeting.

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

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

The approximate date on which this Proxy Statement and the accompanying form of proxy will be sent to Giga-tronics shareholders is August 12, 2006.

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

tabulation of the votes cast on a proposal with the effect of a negative vote. Broker non-votes are shares which are represented at the Annual Meeting which a broker or nominee has indicated it does not have discretionary authority to vote with respect to a particular matter. A broker non-vote will not be counted for purposes of determining the election of directors or ratifying the selection of Giga-tronics independent accountants, but for other proposals generally have the effect of a negative vote. Approval of Proposal 2 requires approval of holders of a majority of the shares present or represented and voting at the Annual Meeting but implementation of the plan under the California Corporate Securities Law may require approval of holders of a majority of the outstanding shares, and withheld votes and broker non-votes will have the effect of a negative vote for this purpose.

The Annual Report of Giga-tronics for its fiscal year ended March 25, 2006 is being mailed with this mailing of the Notice of Annual Meeting and Proxy Statement to all shareholders entitled to notice of and to vote at the Annual Meeting.

The costs of solicitation of proxies, including the printing, handling and mailing of the proxy material, will be paid by Giga-tronics. Copies of solicitation material will be furnished to brokerage houses, fiduciaries and custodians to be forwarded to beneficial owners of shares held in their names, and Giga-tronics will reimburse them for their expenses. The solicitation of proxies through this proxy statement may be supplemented by telephone, telegram or personal solicitation by directors, officers or other regular employees of Giga-tronics and by The Altman Group. Giga-tronics has retained The Altman Group to solicit proxies for a fee of approximately $2,500, plus a reasonable amount to cover expenses. No additional compensation will be paid to directors, officers or other employees for such services.

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

PROPOSAL 1
ELECTION OF DIRECTORS

At the Annual Meeting, six directors are to be elected to serve until the next annual meeting and until their successors are elected and qualified. The nominees of the Board of Directors for election as directors are listed below. There are no family relationships among the nominees or between any nominee and any executive officer of Giga-tronics. The Board of Directors has determined that Messrs. Cole, Garrettson, Harvey and Wilson are independent for purposes of Nasdaq requirements.

Name and Principal Occupation	Director Since	Age
George H. Bruns, Jr.	1980	87
Chairman of the Board and a Director of the Company. Chief Executive Officer from January 1995 until April 2006. He provided seed financing for the Company in 1980 and has been a Director since inception. Mr. Bruns is General Partner of The Bruns Company, a private venture investment and management consulting firm. Mr. Bruns is Director of Testronics, Inc. of McKinney, Texas.		
James A. Cole	1994	64
General Partner of Windward Ventures, General Partner of Spectra Enterprise Associates and a Partner of New Enterprise Associates. Founder and President of Amplica, Inc. and presently a director of Vitesse Semiconductor Corp., a public company, and eleven private companies including Troika Network and Astute Networks.		
Kenneth A. Harvey	2002	41
President of Peak Consulting Group. Former CEO of Advanced Wireless & Telecom, Vice President and General Manager of Credence Systems Corporation. Co-founded Modulation Instruments where he served as President and CEO.		
Garrett A. Garrettson	2006	63
Garrett Garrettson is currently President of G. Garrettson Consulting LLC, providing management consulting to public and private companies. Until September 2004, Dr. Garrettson was President and CEO of Clairvoyante, a private company that develops and licenses critical technology to the flat panel display industry. From 1996 until 2002, he held the position of Chairman, and before that President & CEO, of Spectrian Corporation, a public company that developed, manufactured and sold wireless telecommunications infrastructure equipment and semiconductors. Before Spectrian he spent ten years in the data storage industry as President and CEO of Censtor Corporation, a Vice President at Seagate Technology and a Vice President at Control Data. He began his career as a Director at HP Laboratories after being an Assistant Professor of Physics, Naval Postgraduate School. He was educated at Stanford in Engineering Physics, receiving his PhD. In addition to being a Director of Giga-tronics, he is a Director of Catalyst Semiconductor, Iridex, and GSI Group.		

Name and Principal Occupation	Director Since	Age
John R. Regazzi	2006	51

Chief Executive Officer and a Director of the Company since April 2006. Mr. Regazzi had been President and General Manager of Instrument Division since August 2005, and prior to that, was Vice President of Operations for Instrument Division from October 2004 through August 2005. Prior to that, he was Vice President of Engineering for Instrument Division from June 2001 through October 2004. Previous experience includes 22 years at Hewlett Packard and Agilent Technologies in various design and management positions associated with their microwave sweeper and synthesizer product lines. His final position at Agilent Technologies was as a senior engineering manager.

Robert C. Wilson	1991	86

Chairman of Wilson & Chambers, a private investment firm. Formerly Vice President of General Electric, Executive Vice President of Rockwell International, CEO of Collins Radio, and CEO of Memorex.

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

INFORMATION ABOUT EXECUTIVE OFFICERS

Name	Age	Position
George H. Bruns, Jr.	87	See previous table.
Mark H. Cosmez II	55	Vice President, Finance/Chief Financial Officer, Giga-tronics since October 1997. Before joining Giga-tronics, Mr. Cosmez was the Chief Financial Officer for Pacific Bell Public Communications. Prior to 1997, he was the Vice President of Finance and Chief Financial Officer for International Microcomputer Software Inc., a NASDAQ-traded software company.
Jeffrey T. Lum	60	President, ASCOR, Inc. since November 1987. Mr. Lum founded ASCOR in 1987 and has been President since inception. Mr. Lum was a founder and Vice President of Autek Systems Corporation, a manufacturer of precision waveform analyzers. Mr. Lum is on the Board of Directors for the Santa Clara Aquamaids, a non-profit organization dedicated to advancing athletes in synchronized swimming to the Olympics games.
Daniel S. Markowitz	55	President of Microsource, Inc. since 2003. Prior to that, President of Dymatix, a subsidiary of Giga-tronics, Inc., and its Ultracision and Viking predecessors from 1996 through 2003. General Manager of Mar Engineering from 1993 to 1996. Prior to that, some 20 years of varied positions in the aerospace industry.
John R. Regazzi	51	See previous table.

INFORMATION ABOUT THE BOARD OF DIRECTORS AND COMMITTEES OF THE BOARD

Meetings

There were six meetings of the Board of Directors during the last fiscal year. Four of the directors attended all the regularly scheduled meetings of the Board of Directors and all the committees on which they sat. One director did not attend one of the regularly scheduled meetings and did not attend two meetings of the committee on which he sat. Directors are expected to attend the Annual Meeting except for good cause. Two of five directors attended the Annual Meeting in 2005.

Committees

Giga-tronics Board of Directors has an Audit Committee, a Compensation Committee and a Nominating Committee.

Audit Committee. During fiscal 2006, the Audit Committee consisted of independent (as determined under the rules of the Nasdaq and the Sarbanes Oxley Act) non-employee directors James A. Cole, Kenneth A. Harvey and Robert C. Wilson. The Audit Committee serves to monitor the effectiveness of the independent audit, as well as the Company s accounting, financial controls and financial reports. The charter of the Audit Committee was included as an exhibit to the Proxy Statement for the 2004 Annual Meeting. The Audit Committee must approve all non-audit services provided by the independent accountants. The Audit Committee has not adopted any standards for pre-approval of non-audit services and has not pre-approved any non-audit services. The Audit Committee held six meetings during the past fiscal year. The board has determined that Robert Wilson has:

(i) an understanding of generally accepted accounting principles and financial statements;

(ii) the ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves;

(iii) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the registrant s financial statements, or experience actively supervising one or more persons engaged in such activities;

(iv) an understanding of internal control over financial reporting; and

(v) an understanding of audit committee functions.

Therefore the Board of Directors determined that Robert Wilson is the Audit Committee s financial expert for purposes of Nasdaq rules and requirements of the Sarbanes Oxley Act.

Compensation Committee. During fiscal 2006, the Compensation Committee consisted of independent non-employee directors James A. Cole, Kenneth A. Harvey and Robert C. Wilson. The committee formulates recommendations to the Board of Directors regarding levels of compensation for management. In addition, in order to recognize the expected future contributions of key employees and provide an additional incentive for them to remain with Giga-tronics over the long-term, the Committee awards options to purchase shares of our common stock. The Compensation Committee reviews and approves all stock options and executive compensation as part of the Board of Directors meetings. The Compensation Committee met six times during the last fiscal year. The Compensation Committee does not have a formal charter.

Nominating Committee. The Board of Directors has a Nominating Committee, which is currently comprised of independent non-employee directors James A. Cole and Robert C. Wilson, both of whom are

independent under Nasdaq standards. The purposes of the Nominating Committee are to recommend persons for membership on the Board and to establish criteria and procedures for the selection of new directors. The Nominating Committee met two times during the last fiscal year.

The Nominating Committee has no formal process for identifying and evaluating candidates. Existing directors attempt to identify suitable candidates as the need arises. The Board s policy is to consider any director candidate nominated or recommended by a shareholder in the same manner that it would consider a candidate nominated by the Board or committee. In the past year the Company did not receive any recommendations for director candidates from any shareholders. Shareholder recommendations should be submitted in writing to the Company by mail at its main office at least 120 days in advance of the anniversary date of the mailing of notice of the previous year s annual meeting and should include sufficient biographical information (including all information that would be required to be disclosed in a proxy statement for a shareholder meeting at which directors are to be elected) for the committee to make an initial evaluation of the candidate s qualifications. The Company has never engaged or paid a fee to a third party search firm in connection with the nomination of a candidate for director.

The Nominating Committee considers the following criteria in proposing nominations for director to the full Board: independence; high personal and professional ethics and integrity; ability to devote sufficient time to fulfilling duties as a director; impact on diversity of the Board, including skills and other factors relevant to the Company s business; overall experience in business, education, and other factors relevant to the Company s business. At a minimum, the Nominating Committee must be satisfied that each nominee, both those recommended by the Nominating Committee and any recommended by shareholders, meets the following minimum qualifications:

The nominee should have a reputation for integrity and honesty.

The nominee should have demonstrated business experience and the ability to exercise sound judgment.

The nominee should have an understanding of the Company and its industry.

The nominee should have the ability and willingness to act in the interests of the Company and its shareholders.

The nominee should not have a conflict of interest that would impair the nominee s ability to fulfill the responsibilities of a director.

The Nominating Committee also serves as the Corporate Governance Committee. The Corporate Governance Committee has adopted a Code of Ethics applicable to all directors, officers and employees. The Company will provide to any person without charge, upon request, a copy of such Code of Ethics upon written request mailed to the Company at its main office, to the attention of the Corporate Secretary.

The charter of the Nominating Committee was included as an exhibit to the Proxy Statement for the 2004 Annual Meeting.

Compensation of Directors

Each of the directors who is not employed by Giga-tronics receives an annual director s fee of $10,000 and $1,000 for attendance at each Board of Directors meeting. Outside directors serving on committees of the Board of Directors receive $500 for attendance at each committee meeting held on a day other than a Board meeting date. From time to time, Giga-tronics makes discretionary grants of options to purchase shares of its common stock to directors in consideration for services they provide to Giga-tronics as members of the Board.

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

Communications with Directors

The Company does not have a formal process for shareholders to send communications to the Board of Directors or to specified individual directors. Shareholders may send communications to the full board or to individual directors at the Company s main office. Communications will be forwarded unopened to the director to whom it is addressed or to the lead independent director if addressed to the Board of Directors. The Board of Directors believes that this informal process is adequate to ensure that shareholder communications are received by the intended recipients.

Section 16(a) Beneficial Ownership Reporting Compliance

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

Based solely on a review of the copies of such forms received by Giga-tronics, or written representations from certain reporting persons, we believe that during the fiscal year ended March 25, 2006 its officers, directors and greater than 10% shareholders complied with all applicable filing requirements.

STOCK OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The table below includes information as of July 12, 2006, concerning the beneficial ownership of Giga-tronics common stock for: each person known by Giga-tronics to own beneficially more than 5% of Giga-tronics outstanding common stock; each director and nominee; each executive officer named in the Summary Compensation Table below; and all directors and executive officers of Giga-tronics as a group:

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percentage of Total Outstanding Common Stock
George H. Bruns, Jr. 4650 Norris Canyon Road San Ramon, California 94583	512,773(1)	10.6%
James A. Cole 2291 Melford Court Thousand Oaks, California 91361	36,094(2)	0.8
Mark H. Cosmez II 4650 Norris Canyon Road San Ramon, California 94583	75,787(3)	1.6
Garrett A. Garrettson P.O. Box 157 Pebble Beach, California 93953		*
Kenneth A. Harvey 4650 Norris Canyon Road San Ramon, California 94583	16,000(4)	0.3
Jeffrey T. Lum 4384 Enterprise Place Fremont, California 94538	38,364(5)	0.8
Daniel S. Markowitz 1269 Corporate Center Parkway Santa Rosa, California 95407	24,839(6)	0.5
John R. Regazzi 4650 Norris Canyon Road San Ramon, California 94583	58,000(7)	1.2
Robert C. Wilson 620 Sand Hill Road #413-G Palo Alto, California 94304	2,500(8)	0.1
All executive officers and directors as a group (9 persons, including those above)	764,357(9)	15.5%

* Less than 0.1%

(1) Includes 260,870 shares owned by the Bruns Trust; 170,000 registered in the names of Mr.

Bruns son and daughter; 22,163 shares owned by The Bruns Company; 19,740 shares owned directly and 40,000 shares issuable under options exercisable within 60 days of July 12, 2006.

(2) Includes 2,500 shares issuable under options exercisable within 60 days of July 12, 2006.

(3) Includes 23,000 shares issuable under options exercisable within 60 days of July 12, 2006.

(4) Includes 2,500 shares issuable under options exercisable within 60 days of July 12, 2006.

(5) Includes 5,000 shares issuable under options exercisable within 60 days of July 12, 2006.

(6) Includes 5,000 shares issuable under options

exercisable within 60 days of July 12, 2006.

(7) Includes 30,000 shares issuable under options exercisable within 60 days of July 12, 2006.

(8) Includes 2,500 shares issuable under options exercisable within 60 days of July 12, 2006.

(9) Includes 110,500 shares issuable under options exercisable within 60 days of July 12, 2006.

EXECUTIVE COMPENSATION

Summary of Compensation

The following table provides information concerning compensation paid or accrued by the Company, to or on behalf of Giga-tronics chief executive officer and the other executive officers during the last fiscal year ended March 25, 2006, and for the fiscal years ended March 26, 2005 and March 27, 2004:

Summary Compensation Table

		Annual Compensation			Long-Term Compensation	
Name and Principal Position	**Fiscal Year**	**Salary($)**	**Bonus**	**Other Annual Compensation**	**Number of Securities Underlying Options/ SARs(#)(1)**	**All Other Compensation ($)(2)**
George H. Bruns, Jr.	2006	$140,000				$ 484
Chairman [3]	2005	$140,000			10,000	$ 458
	2004	$140,000			75,000	$ 1,373
Mark H. Cosmez II	2006	$104,326				$ 507
Vice President, Finance	2005	$100,000				$ 500
CFO & Secretary	2004	$100,000			30,000	$ 1,500
Jeffrey T. Lum	2006	$119,223		$ 7,200[4]		$ 2,036
President,	2005	$115,137		$ 7,200[4]		$ 1,833
ASCOR, Inc.	2004	$114,689		$ 7,200[4]	27,500	$ 1,833
Daniel S. Markowitz	2006	$110,000				$ 550
President,	2005	$110,000				$ 550
Microsource, Inc.	2004	$ 97,384			20,000	$ 1,926
John R. Regazzi	2006	$115,569				$ 486
Chief Executive Officer	2005	$110,400				$ 552
	2004	$110,400			10,000	$ 2,165

(1) Stock options granted under Giga-tronics 2000 Stock Option Plan.

(2) Represents contributions made by Giga-tronics to its 401(k) Plan which match in part the pre-tax elective deferral contributions included under

Salary made to the 401(k) plan by the executive officers.

(3) As of April 2006 Mr. Bruns is no longer the Chief Executive Officer of the Company.

(4) Other compensation for Mr. Jeffrey T. Lum represents the use of a company automobile.

Stock Options

The following table sets forth stock options granted in fiscal 2006 to each of Giga-tronics executive officers named in the Summary Compensation Table. No stock appreciation rights were granted during the 2006 fiscal year. All option exercise prices were based on market price on the date of grant. The table also sets forth the hypothetical gains that would exist for the options at the end of their five-year terms, assuming compound annual rates of stock appreciation of 5% and 10%. These numbers are calculations based on the requirements promulgated by the SEC and do not reflect Giga-tronics estimate of future stock price growth. The actual future value of all options will depend on the market value of Giga-tronics common stock.

Option Grants in Fiscal 2006

Name	Date of Grant	No. of Securities Underlying Options Granted (#)	Percentage of Total Options Granted to Employees in Fiscal 2006	Exercise Price ($/sh)	Exp. Date	Potential Realization Value at Assumed Annual Rates of Stock Price Appreciation for Option Term 5%($)	10%($)
No Options Granted							

Options Exercises and Fiscal Year End Option Value Table

The table below provides information for the executive officers named in the Summary Compensation Table, concerning the exercise of options during fiscal 2006 and unexercised options held as of the end of the fiscal year.

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

Name	Shares Acquired on Exercise	Value Realized	Number of Securities Underlying Unexercised Options at March 25, 2006 (#)		Value of Unexercised In the Money Options at March 25, 2006(1)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
George H. Bruns, Jr. Chairman			40,000	45,000	$12,375	$12,375
Mark H. Cosmez II Vice President, Finance/CFO & Secretary			23,000	15,000	$ 4,950	$ 4,950
Jeffrey T. Lum President, ASCOR, Inc.	18,750	$51,363	5,000	13,750	$ 1,650	$ 5,775
Daniel S. Markowitz President, Microsource, Inc.	15,000	$38,350	5,000	10,000	$ 1,650	$ 3,300
John R. Regazzi Chief Executive Officer			46,250	8,750	$13,800	$ 6,800

1) Equal to the fair market value of the option shares on March 25, 2006 which was $2.62 per share, less the aggregate option price payable for the shares. Options are in-the-money if the market value of the shares is greater than the option exercise price.

Equity Compensation Plan Information

The following table provides information on options and other equity rights outstanding and available at March 25, 2006.

Equity Compensation Plan Information

Plan category	No. of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted average exercise price of outstanding options, warrants and rights (b)	No. of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by securities holders	438,975	$ 2.5652	876,900
Equity compensation plans not approved by security holders	NA	NA	NA
Total	438,975	$ 2.5652	876,900

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

Change-In-Control Arrangements

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

Compensation Committee Interlocks and Insider Participation

For the 2006 fiscal year, the Compensation Committee was comprised of Messrs. James A. Cole, Kenneth A. Harvey and Robert C. Wilson.

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

Audit Committee

Report of the Audit Committee

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

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

In connection with these responsibilities, the Audit Committee met with management to review and discuss the March 25, 2006 financial statements. The Audit Committee also discussed, with the independent accountants, the matters required by Statement on Auditing Standards No. 61, *Communication with Audit Committees*. The Audit Committee also received written disclosures from the independent accountants required by Independence Standards Board Standard No. 1, *Independence Discussions with Audit Committees*, and the Audit Committee discussed with the independent accountants that firm s independence.

In reliance on the reviews and discussions referred to above, the Committee recommended to the Board of Directors (and the Board has approved) that the audited consolidated financial statements be included in the Company s Annual Report (Form 10-KSB) for the year ended March 25, 2006 for filing with the Securities and Exchange Commission. The Committee has approved the engagement of Perry-Smith LLP to continue as the Company s auditors for the current year.

Respectfully submitted,
AUDIT COMMITTEE
Kenneth A. Harvey, Chair
Robert C. Wilson
James A. Cole

Report on Executive Compensation

General Compensation Policy

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

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

Factors

The process involved and the factors considered in the executive compensation determination for fiscal year 2006 are summarized below. It is expected that this process will remain the same in fiscal year 2007. However, the Committee may, at its discretion, apply a different set of factors in setting executive compensation in the future in order to further enhance the basic concept of pay-for-performance .

Base Salary

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

On the basis of its knowledge of the industry, this Committee believes that the base salary levels in effect for Giga-tronics executive officers are competitive with the companies within and outside our industry with which Giga-tronics competes for executive talent. However, the Committee did not, through one or more external salary surveys for the industry, independently confirm the specific percentiles at which the base salary levels in effect for Giga-tronics executive officers stood in relation to other companies in our industry.

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

Annual Performance (Non-Stock) Based Incentive Compensation

Giga-tronics annual incentive bonus plan is intended to:

reward key employees based upon company and individual performance,

motivate, and

provide competitive cash compensation opportunities.

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

There were no bonus payments earned in fiscal 2006.

Long-Term (Stock Based) Incentive Compensation

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

CEO Compensation

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

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

Upon the election of Mr. Regazzi as the Chief Executive Officer effective April 2006 the Compensation committee established his annual compensation as $140,000.

Deduction Limit for Executive Compensation

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

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

BY THE COMPENSATION COMMITTEE:
James A. Cole
Kenneth A. Harvey
Robert C. Wilson

PERFORMANCE GRAPH

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

* $100 INVESTED ON 3/30/01, INCLUDING REINVESTMENT OF DIVIDENDS, AS OF FISCAL YEAR ENDING 3/25/06.

PROPOSAL 2
APPOINTMENT OF INDEPENDENT PUBLIC ACCOUNTANTS

The Audit Committee has re-appointed the firm of Perry-Smith LLP as Giga-tronics independent accountants for the fiscal year ending March 31, 2007 and to perform other appropriate services. We are seeking ratification by the shareholders for this appointment. In case of a negative vote, the appointment will be reconsidered.

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

The following table presents aggregate fees billed for professional services rendered by Perry-Smith LLP in fiscal year 2006 and in fiscal year 2005 in the following categories:

	2006	**2005**
Audit fees	$151,000	$144,000
Audit-related fees		
Tax fees		
All other fees		

Independence of Perry-Smith LLP

Since Perry-Smith LLP did not perform any financial information systems design and implementation or any other professional services, the Audit Committee did not need to consider the independence issue which might arise from such services.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR RATIFICATION OF THE APPOINTMENT OF PERRY-SMITH LLP.

SHAREHOLDERS PROPOSALS

To be considered for presentation to the Annual Meeting of Shareholders to be held in 2007, a shareholder proposal must be received by Giga-tronics no later than June 5, 2007. To be considered for inclusion in the Giga-tronics proxy statement for its Annual Meeting of Shareholders to be held in 2007, a shareholder proposal must be received by Giga-tronics no later than April 14, 2007. Proposals should be addressed to the Corporate Secretary, Giga-tronics Incorporated, 4650 Norris Canyon Road, San Ramon, CA 94583.

The Annual Report of Giga-tronics for the fiscal year ended March 25, 2006 is being mailed with this mailing of the Notice of Annual Meeting and Proxy Statement to all shareholders entitled to notice of and to vote at the Annual Meeting. Giga-tronics will mail the Annual Report on Form 10-KSB for the most recent fiscal year to any shareholder who requests a copy. Requests should be sent to the Corporate Secretary as noted above for proposals.

OTHER MATTERS

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

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

By order of the Board of Directors,

George H. Bruns, Jr.
Chairman of the Board of Directors

San Ramon, California
August 12, 2006

TO VOTE BY MAIL, PLEASE DETACH PROXY CARD HERE

GIGA-TRONICS INCORPORATED
ANNUAL MEETING OF SHAREHOLDERS

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

George H. Bruns, Jr. and Mark H. Cosmez II, or either of them are hereby constituted and appointed the lawful attorneys and proxies of the undersigned, each with full power of substitution, to vote and act as proxy with respect to all shares of common stock of Giga-tronics Incorporated standing in the name of the undersigned on the books of Giga-tronics at the close of business on July 12, 2006 at the Annual Meeting of Shareholders to be held at 9:30 A.M., on September 12, 2006, at Giga-tronics principal executive offices at 4650 Norris Canyon Road, San Ramon, CA 94583, or at any adjournment or postponement thereof.

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

(Continued, and to be signed, on the other side.)

TO VOTE YOUR PROXY

Simply sign and date your proxy card and return it in the postage-paid envelope to:
Giga-tronics Inc., c/o The Altman Group, Inc., PO Box 238, Lyndhurst NJ 07071-9902.

TO VOTE BY MAIL, PLEASE DETACH PROXY CARD HERE

X Please mark votes as in this example

1. Elect six Directors for the ensuing year.

Nominees: (1) George H. Bruns, Jr., (2) James A. Cole, (3) Kenneth A. Harvey, (4) Robert C. Wilson, (5) Garrett A. Garrettson, (6) John R. Regazzi

FOR ALL NOMINEES LISTED (EXCEPT AS INDICATED BELOW)	**WITHHOLD AUTHORITY** TO VOTE FOR ALL NOMINEES LISTED
o	o

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

2. Ratify the appointment of Perry-Smith LLP as independent certified public accountants.

FOR	AGAINST	ABSTAIN
o	o	o

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

Dated: _____, 2006

Signature(s)

Signature(s)

Title

Please sign exactly as the name appears printed hereon. When shares are held by joint tenants, both should sign. When signing as attorney, executor, administrator, trustee or guardian, please give full title as such. If a corporation, please sign in full corporate name by annual authorized President or other officer. If a partnership, please sign in full partnership name by authorized person. Receipt of the Proxy statement for the meeting is hereby acknowledged.