

ADVANCED POWER TECHNOLOGY INC  
Form DEF 14A  
April 28, 2003

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**SCHEDULE 14A INFORMATION**

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- 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-11c or §240.14a-12

**ADVANCED POWER TECHNOLOGY, INC.**

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(Name of Registrant as Specified In Its Charter)

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(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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(2) Aggregate number 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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(4) Proposed maximum aggregate value of transaction:

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(5) Total fee paid:

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- Fee paid previously with preliminary materials.
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(1) Amount Previously Paid:

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

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(3) Filing Party:

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(4) Date Filed:

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ADVANCED POWER TECHNOLOGY, INC.  
405 SW Columbia Street  
Bend, Oregon 97702

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

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To the Shareholders of Advanced Power Technology, Inc.:

Notice is hereby given that the 2003 Annual Meeting of Shareholders (Annual Meeting) of Advanced Power Technology, Inc., a Delaware corporation (APT or Company) will be held on May 22, 2003 at the Deschutes Brewery, 901 Simpson Avenue, Bend, Oregon 97702, at 10:00 a.m., local time. The purposes of the Annual Meeting will be:

1. **Election of Directors.** To elect five directors, to hold office until the 2004 Annual Meeting of Shareholders or until their successors are elected and qualified (Proposal No. 1);
2. **Other Business.** To transact such other business as may properly come before the Annual Meeting or any adjournment or postponement thereof.

The foregoing items of business are more fully described in the Proxy Statement accompanying this Notice. The Board of Directors has fixed the close of business on April 10, 2003 as the record date for determining the shareholders entitled to notice of and to vote at the Annual Meeting or any adjournment or postponement thereof.

**Whether or not you expect to attend the Annual Meeting in person, we urge you to mark, sign, date and return the enclosed proxy card as promptly as possible in the postage-prepaid envelope provided to ensure your representation and the presence of a quorum at the Annual Meeting. If you send in your proxy card and then decide to attend the Annual Meeting to vote your shares in person, you may still do so. Your proxy is revocable in accordance with the procedures set forth in the Proxy Statement.**

By Order of the Board of Directors,

Greg M. Haugen  
*Vice President, Finance and Administration,  
Chief Financial Officer and Secretary*

Bend, Oregon  
May 1, 2003

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ADVANCED POWER TECHNOLOGY, INC.  
PROXY STATEMENT FOR 2003 ANNUAL MEETING OF SHAREHOLDERS

## General Information

This Proxy Statement is being furnished to the shareholders of Advanced Power Technology, Inc. (Company), a Delaware corporation, on or about May 1, 2003, in connection with the solicitation by the Company's Board of Directors (Board of Directors) of proxies for use in voting at the Annual Meeting of Shareholders of the Company (Annual Meeting) to be held on May 22, 2003, at 10:00 a.m. local time, at the Deschutes Brewery, 901 Simpson Avenue, Bend, Oregon 97702, and any adjournment or postponement thereof. The shares represented by the proxies received, properly marked, dated, executed and not revoked will be voted at the Annual Meeting.

The close of business on April 10, 2003 has been fixed as the record date (Record Date) for determining the holders of shares of the Company's common stock (Common Stock) entitled to notice of and to vote at the Annual Meeting. As of the close of business on the Record Date, there were 10,402,737 shares of Common Stock outstanding and entitled to vote at the Annual Meeting.

Each outstanding share of Common Stock on the Record Date is entitled to one vote on all matters. The required quorum for the Annual Meeting is a majority of the shares outstanding on the Record Date. There must be a quorum for the Annual Meeting to be held. Our transfer agent will tabulate votes cast in person at the Annual Meeting.

## Revocability of Proxy

You may revoke your proxy and change your vote at any time prior to voting at the Annual Meeting by:

delivering to the Company (to the attention of Greg M. Haugen, the Company's Secretary) a written notice of revocation or a duly executed proxy bearing a later date, or

attending the Annual Meeting and voting in person.

## Solicitation

This solicitation of proxies is being made by and paid for by the Company. Besides this solicitation by mail, our directors, officers and other employees may solicit proxies. Such persons will not receive any additional compensation for assisting in the solicitation. We will also request brokerage firms, nominees, custodians and fiduciaries to forward proxy materials to the beneficial owners. We will reimburse such persons and our transfer agent for their reasonable out-of-pocket expenses in forwarding such material.

## Voting Procedures

Directors are elected by a plurality of the votes cast.

Abstentions are shares that abstain from voting on a particular matter.

Broker non-votes are shares held in "street name" by brokers or nominees who indicate on their proxies that they do not have discretionary authority to vote such shares as to a particular matter.

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## ELECTION OF DIRECTORS (Proposal No. 1)

At the Annual Meeting, five directors are to be elected to serve for a term of one year and until his successor is elected, or until the death, resignation or removal of such director. Proxies will be voted for the election of the nominees named below as director unless the authority to vote for the nominee is withheld. If any nominees should become unavailable prior to the election, the Board of Directors may recommend another person and Mr. Sireta and Mr. Haugen, as your representatives, will vote for such person.

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Our Bylaws authorize the number of directors to be up to seven. The number of directors is currently fixed at five.

	<u>Age</u>	<u>Director Since</u>	<u>Expiration of Term</u>
<b>Nominee:</b>			
Patrick P.H. Sireta	58	1995	2003
Robert C. Pearson	68	2000	2003
James E. Petersen	63	1995	2003
Douglas S. Schatz	58	1995	2003
Alfred J. Stein	70	2000	2003

### Nominees for Director

**Patrick P.H. Sireta.** Mr. Sireta joined APT as its President and Chief Executive Officer in 1985, and was named Chairman of the Board in 1995. Before joining APT, Mr. Sireta held several positions with Texas Instruments, including Financial Director, Texas Instruments France; General Manager, Texas Instruments Portugal; General Manager, Texas Instruments France; and Vice President and General Manager, CMOS Division, Texas. He holds a Master's Degree in Engineering from Ecole Centrale de Paris and a Ph.D. in Statistics from Paris University.

**James E. Petersen.** Mr. Petersen was elected as a Director in 1995. He also serves as outside general counsel to APT. Mr. Petersen is a partner with the firm of Karnopp, Petersen, Noteboom, Hansen, Arnett & Sayeg, LLP, of Bend, Oregon. Mr. Petersen also serves as a Director of Cascade Bancorp, a public bank holding company. Mr. Petersen received his BA Degree and Juris Doctor from the University of Oregon.

**Douglas S. Schatz.** Mr. Schatz was elected as a Director in 1995. He is the Chief Executive Officer, a director and Chairman of the Board of Advanced Energy Industries, Inc., a public company, which Mr. Schatz founded in 1981.

**Robert C. Pearson.** Mr. Pearson was elected as a Director in August 2000. He has over 30 years of financial experience in the semiconductor and high technology industry. Mr. Pearson is currently a Senior Vice President with Renaissance Capital Group, Inc., an investment advisor. Mr. Pearson held several positions with Texas Instruments during his 25-year tenure, including Vice President-Finance from 1982 to 1985. In addition, Mr. Pearson currently serves as Director of one private company and the following public companies: Laserscope Inc., Poore Brothers, Inc., Simtek Corporation, and Caminosoft, Inc.

**Alfred J. Stein.** Mr. Stein was elected as a Director in December 2000. He has over 40 years of executive management experience in the semiconductor and high technology industry. Mr. Stein served as Chairman of the Board and Chief Executive Officer of VLSI Technology from 1982 until its acquisition by Philips Electronics in 1999. In addition, Mr. Stein has served on the Board of Directors of Applied Materials and several small private companies. He currently also serves as a Director of Radio Shack, a public company. He is also the past Chairman of the Board for the Semiconductor Industry Association.

**The Board of Directors Recommends a Vote FOR the Election of the Nominees Named Above.**

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### Meetings and Committees of the Board of Directors

During 2002, the Board of Directors met four times. Each director attended 100% of the aggregate of (a) the total number of Board of Directors meetings held during the period and (b) the total number of committee meetings of the Board of Directors on which the member served during the period.

Our Board of Directors has an audit committee and a compensation committee. The audit committee reviews our internal accounting procedures and consults with and reviews the services provided by our independent accountants. The audit committee currently consists of Mr. Petersen, Mr. Pearson and Mr. Stein. The compensation committee reviews the compensation and benefits of our employees and directors and makes recommendations to our Board of Directors. No member of our compensation committee has served as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving as a member of our Board of Directors or compensation committee. The compensation committee currently consists of Mr. Schatz and Mr. Stein. We do not currently have a nominating committee.

### Director Compensation

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Each of our non-employee directors receives \$1,000 for each meeting of the board he attends, \$500 for each committee meeting he attends and an annual retainer of \$10,000. Additionally, directors are reimbursed for expenses incurred in attending board and committee meetings. Our non-employee directors are eligible to participate in our 1995 Stock Option Plan. Each non-employee director is eligible to receive stock options for the purchase of 20,000 shares of Common Stock upon first nomination to the board, and annual options to purchase 5,000 shares of Common Stock for their service as a director and 2,000 shares of Common Stock for their committee membership. Stock options issued to directors are granted at fair market value and vest over two years from the date of grant.

### Relationships Among Directors or Executive Officers

There are no family relationships among any of the directors or executive officers of the Company.

### Compensation Committee Interlocks and Insider Participation

No member of our compensation committee was at any time during the year ended December 31, 2002 an officer or employee of the Company. No member of our compensation committee serves as a member of the Board of Directors or compensation committee of any entity that has any executive officer serving as a member of our Board of Directors or compensation committee.

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## REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

The Audit Committee of the Board of Directors currently consists of James E. Petersen, Robert C. Pearson and Alfred J. Stein. The Committee's responsibilities are described in a written charter adopted by the board, which is attached as Appendix A to this proxy statement.

The Audit Committee reviewed and discussed the Company's audited financial statements for the fiscal year ended December 31, 2002 with the Company's management and with the independent auditors, KPMG LLP. In addition, the Committee discussed with KPMG LLP the matters required to be discussed by Statement on Auditing Standards No. 61 relating to the conduct of the audit. The Committee also discussed with KPMG LLP the written disclosures and the letter from KPMG LLP required by Independence Standards Board Standard No. 1, *Independence Discussions with Audit Committees*, and considered the compatibility of the non-audit services provided by the auditors (which are described below) with the auditors' independence. The fees paid by the Company to KPMG LLP for the fiscal years ended December 31, 2002 and 2001 were as follows:

	Year ended December 31,	
	2002	2001
Audit Fees (1)	\$ 329,000	\$ 121,000
Audit Related Fees (2)	14,000	11,000
Tax Fees (3)	42,000	48,000
All Other Fees (4)		
Total	\$ 385,000	\$ 180,000

(1) Audit Fees: Audit fees consisted of professional services in connection with the audit of the Company's annual financial statements for the fiscal years ended December 31, 2002 and 2001, respectively and the reviews of the financial statements included in the Company's Form 10-Qs for the 2002 and 2001 fiscal quarters. The audit fees for 2002 include incrementally higher annual audit and review fees due to the additional companies acquired during the year, professional fees for audit services on the opening amounts of the companies that we acquired in 2002, a historical financial statement audit of one of the acquired companies in 2002, and services in connection with filings on Form 8-K for the acquisitions.

(2)

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Audit Related Fees: Audit related fees consisted of fees for the audit of the financial statements of our employee benefit plan.

(3)

Tax Fees: Tax fees consist of professional fees for tax compliance and consulting services.

(4)

All Other Fees: During the years presented, no other fees were paid by APT to KPMG LLP.

The Audit Committee will consider at least annually whether the provision of non-audit services by KPMG LLP is compatible with maintaining auditor independence.

Based on the Audit Committee's review of the Company's audited financial statements and the review and discussions described in the second paragraph of this report, the Committee recommended to the Board of Directors that the audited financial statements for the fiscal year ended December 31, 2002 be included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2002 for filing with the Securities and Exchange Commission.

Submitted by the Audit Committee of the Board of Directors,  
James E. Petersen  
Robert C. Pearson  
Alfred J. Stein

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### EXECUTIVE OFFICERS

#### Officers

The following table sets forth the names, ages and positions of our executive officers:

Name	Age	Position
Patrick P.H. Sireta	58	President, Chief Executive Officer and Chairman of the Board of Directors
Russell J. Crecraft	43	Vice President & Chief Operating Officer, Discrete Power Products
Greg M. Haugen	47	Vice President, Finance and Administration, Chief Financial Officer and Secretary
John I. Hess	54	Vice President, RF Products, Commercial and Module
Thomas A. Loder	49	Vice President, Sales
Dah Wen Tsang	56	Vice President, Engineering and Research and Development
Glenn M. Wright	42	Vice President, Discrete Power Products, Marketing and Business Development

#### Executive Officers

Information concerning Mr. Sireta is included under "Election of Directors."

**Russell J. Crecraft.** Mr. Crecraft was appointed Vice President & Chief Operating Officer, Discrete Power Products in February 2003. Prior to that he served as Vice President & Chief Operating Officer, Power Products since 2002 and Vice President of Manufacturing Operations since 1995. He joined APT in 1986, and held several supervisory positions in product management and assembly/test operations. Prior to joining APT, he worked with Texas Instruments where he held product engineering and management positions. Mr. Crecraft has a BSEE in Electrical Engineering from Texas A&M University.

**Greg M. Haugen.** Mr. Haugen was appointed Vice President, Finance and Administration, Chief Financial Officer and Secretary in 1995. Mr. Haugen joined APT in 1985. Prior to joining APT, he worked for the accounting firm of KPMG LLP and was on the corporate accounting staff of Evans Products Company. Mr. Haugen graduated with a BS Degree from Lewis and Clark College and has passed the CPA examination.

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**John I. Hess.** Mr. Hess was appointed Vice President, RF Products, Commercial and Module in February 2003. Prior to that, he served as Vice President, Marketing and Business Development since 2000. Mr. Hess, who joined APT in 1985, held several prior positions in APT, including Vice President, Marketing and Discrete Product Operations, Vice President, Sales and Marketing; Vice President, Discrete Power Products; and Vice President, Manufacturing Operations. Prior to joining APT, Mr. Hess was Director of Wafer Fabrication and Test Operations at Seeq Technology. He also held engineering, project management, and manufacturing assignments with Siliconix and Signetics. Mr. Hess has a BSE in Chemical Engineering from Arizona State University.

**Thomas A. Loder.** Mr. Loder was appointed Vice President, Sales in 1999. Mr. Loder joined APT in 1988 as Regional Sales Manager for the southern U.S., and subsequently served as Worldwide Sales Manager, Vice President of Marketing and Sales and Vice President, Discrete Power Products. Prior to joining APT, Mr. Loder was Area Sales Manager for Unitrode Corporation, Regional Sales Manager

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for Silicon General and ION Associates, Product Sales Manager for Elmwood Sensors, and Branch Manager for Newark Electronics. Mr. Loder has a BA in Biology from Brown University.

**Dah Wen Tsang.** Dr. Tsang was appointed Vice President, Engineering and Research and Development in 1987. Previously, he was Director of Research at Theta-J, and worked in Hewlett-Packard's power MOSFET program. Dr. Tsang's papers have been published by technical journals, including the Journal of Applied Physics and IEEE Transactions. Dr. Tsang has BES and MS Degrees from Brigham Young University, and a Ph.D. from the University of California at Berkeley.

**Glenn M. Wright.** Mr. Wright was appointed Vice President, Discrete Power Products, Marketing and Business Development in February 2003. Prior to that, he served as Vice President, Discrete Power Products since 2002 and Manager, Power and RF Components since 2001, as well as various engineering, marketing and quality control functions. Mr. Wright joined APT in 1994. Prior to joining APT, he worked for Foxboro/ICT as Regional Sales Manager and Senior Device Engineer for five years and two years at General Instruments in the engineering department. Mr. Wright has BSEE in Electrical Engineering from University of California at San Luis Obispo.

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### EXECUTIVE COMPENSATION

#### Summary Compensation Table

The following table contains information in summary form concerning the compensation paid to our chief executive officer and the four other most highly compensated executive officers whose total salary and bonus exceeded \$100,000 during the year ended December 31, 2002 (Named Executive Officers).

Name and Principal Position	Annual Compensation			Long-Term Compensation	(2) All Other Compensation (\$)
	Year	Salary (\$)	(1) Bonus (\$)	Long-Term Compensation Securities Underlying Options (#)	
Patrick P.H. Sireta,* Chairman, President and CEO	2002	202,385			308
	2001	204,032	34,785		308
	2000	240,038	155,895		314
Russell J. Crecraft,* VP & COO, Discrete Power Products	2002	118,769			262
	2001	121,645	11,287		249
	2000	130,839	50,457		248
John I. Hess,* VP, RF Products, Commercial & Module	2002	113,231			277
	2001	129,229	12,590		277

			<u>Long-Term Compensation</u>	
	2000	146,738	56,459	280
Thomas A. Loder,*	2002	108,476		247
VP, Sales	2001	119,024	11,185	247
	2000	130,239	50,189	247
Dah Wen Tsang,*	2002	125,428		281
VP, Engineering, Research & Development	2001	135,483	12,717	281
	2000	148,238	57,117	281
Frank W. Schneider,(3)	2002	180,683		297,000
VP & COO, Radio Frequency Products	2001			65
	2000			

\* Denotes Named Executive Officer who was part of the 1995 and 1998 management buyout.

(1) A portion of the bonuses for fiscal year 2000 were paid in January 2001.

(2) Consists of term life insurance premiums paid by APT for the executive's benefit.

(3) Frank W. Schneider's last date of employment with APT was February 18, 2003. Mr. Schneider was appointed Vice President & Chief Operating Officer, Radio Frequency Products in February 2002. Previously, he was the President and CEO of GHz Technology, Inc., which we acquired in January 2002. Consistent with the terms of his employment agreement with GHz and assumed by APT, he will receive salary and benefits until gainfully employed but not to exceed a period of twelve months from separation. In addition, his outstanding stock options vest immediately. Mr. Schneider's base salary rate at the time of separation was \$215,000 per annum.

### Employment Agreements and Other Arrangements

We have entered into employment agreements with each of our executive officers, under which each officer can be dismissed without cause, with severance pay equal to one month's salary. These agreements obligate each officer other than Thomas Loder to not compete with us for a period of 18 months after termination. We assumed an employment agreement with Frank W. Schneider in

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connection with our acquisition of GHz Technology, Inc. The terms of which are described in note (3) above.

### Stock Options

#### Option Grants In Last Fiscal Year

During 2002, APT acquired GHz Technology Inc. In connection with this acquisition all outstanding stock options of GHz Technology Inc. were converted into equivalently valued APT stock options. This exchange of options included Frank W. Schneider, as one of the Named Executive Officers. In addition, Mr. Schneider received 90,000 new options in APT shares. Other than these two stock option issuances, no other stock options were granted during 2002 to any of the Named Executive Officers.

Due to the fact that the Named Executive Officers who participated in the 1995 and 1998 management buyout (denoted by \* above) collectively own a significant percentage of the Company's outstanding shares of Common Stock, (see "Security Ownership of Certain Beneficial Owners and Management") they do not participate in the Company's long-term stock-based incentive compensation programs.

#### Options Granted



## Options Granted

Name	Number of Securities Underlying Options Granted (Shares)	Percentage of Total Options Granted to Employees in Fiscal 2002	Exercise Price (Per Share)	Market Price on Date of Grant (Per Share)	Expiration Date	Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term	
						5%	10%
Frank W. Schneider	207,000	22.41%	\$ 1.74	\$ 11.00	Range from 7/21/07 to 5/3/11	\$ 2,724,095	\$ 3,779,431
Frank W. Schneider	90,000	9.74%	\$ 11.00	\$ 11.00	1/25/12	\$ 622,606	\$ 1,577,805

## Option Exercises In Last Fiscal Year

The following table provides summary information, as to the Named Executive Officers, concerning stock options exercised during 2002 and the number of shares subject to both exercisable and unexercisable stock options as of December 31, 2002.

## Aggregate Option Exercises in Last Fiscal Year and Fiscal Year-End Values

Name	Shares Acquired on Exercise (#)	Value Realized (\$)	Number of Securities Underlying Options at Fiscal Year-End (#)		Value of Unexercised In-the-Money Options at Fiscal Year-End (\$)(1)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Patrick P.H. Sireta						
Russell J. Crecraft	22,445	215,472				
John I. Hess			40,500		74,885	
Thomas A. Loder			32,535		60,157	
Dah Wen Tsang			76,405		141,273	
Frank W. Schneider			207,000	90,000	312,363	

- (1) The value of unexercised in-the-money options is calculated based on the closing price of our Common Stock on December 31, 2002, \$3.25 per share. Amounts reflected are based on the assumed value minus the exercise price and do not necessarily indicate that the optionee sold such stock.

## Equity Compensation Plan

APT has only one equity compensation plan, The 1995 Stock Option Plan. The plan was adopted by the Board of Directors on December 4, 1995 and approved by shareholders on December 31, 1995, with any subsequent increases in number of authorized shares in the plan approved by shareholders. APT does not have any equity compensation plans not approved by shareholders.

## Table of Equity Compensation Plan Information

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans
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	(a)	(b)	(excluding securities reflected in column (a)) (c)
Equity compensation plans approved by shareholders	1,574,172 \$	6.61	193,228
Equity compensation plans not approved by shareholders			
<b>Total</b>	<b>1,574,172 \$</b>	<b>6.61</b>	<b>193,228</b>
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### COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION

*Notwithstanding anything to the contrary set forth in any of the Company's previous filings under the Securities Act of 1933, as amended, or the Exchange Act, that might incorporate future filings, including this Proxy Statement, in whole or in part, the following report and the performance graph which follows shall not be deemed to be incorporated by reference into any such filings.*

We have a compensation committee of the Board of Directors (Compensation Committee) which has the authority and responsibility to approve the overall compensation strategy, administer our incentive bonus compensation plan, and review and make recommendations to the Board of Directors with respect to executive compensation. The Compensation Committee is currently comprised of independent, non-employee board of director members.

#### General Compensation Policy

The overall policy is to offer our executive officers competitive compensation opportunities. The Compensation Committee utilizes competitive data and summaries from various industry, peer group and national surveys as well as reports of independent compensation consultants to develop compensation recommendations competitive with other companies in the semiconductor industry. The Compensation Committee's objectives are to:

create a performance oriented environment with variable compensation based upon the achievement of annual and longer-term business results;

focus management on maximizing shareholder value; and

provide compensation opportunities dependent upon the Company's performance relative to its competitors and changes in its own performance over time.

The Compensation Committee is authorized to establish and maintain compensation guidelines for salaries and merit pay increases throughout the Company. The Compensation Committee also makes specific recommendations to the Board of Directors concerning the compensation of our executive officers, including the Chief Executive Officer. The Compensation Committee also administers our 1995 Stock Option Plan.

#### Setting Executive Compensation

The primary factors considered in establishing the components of each executive officer's compensation package for the year ended December 31, 2002 are summarized below. The Compensation Committee may in its discretion apply entirely different factors, such as different measures of financial performance, for future fiscal years.

As part of the Company's effort to control expenses during periods of challenging market conditions, all executive officer's salaries were temporarily reduced consistent with the salary reduction formula established for the entire Company. Due to the fact that bonus's paid the executive officers are subject to the Company meeting certain profitability criteria and the fact that these criteria were not met in 2002, there

were no bonus's earned by the executive officers in 2002.

**Base Salary.** The base salary for each executive officer is set on the basis of individual performance, the salary levels in effect for comparable positions with other companies in our industry, and internal comparability considerations. Generally, company performance and profitability are not taken into account in establishing base salary. Salaries paid to our executive officers for the year ended December 31, 2002 were comparable to the average salaries from the compensation data surveyed for our industry. A number of adjustments were made to the surveyed compensation data for our industry to reflect differences in management style, organizational structure and corporate culture, geographic location, product development status, and market capitalization between us and the surveyed entities.

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As a result of these adjustments, there is not a meaningful correlation between the companies in our industry which were taken into account for comparative compensation purposes and the companies included in the industry group index which appears later in this Proxy Statement for purposes of evaluating the price performance of our Common Stock. See "Stock Performance Graph."

**Bonus.** For the year ended December 31, 2002, no payments were made to the executive officers pursuant to the Company's performance based bonus plan.

#### **Long-Term Stock-Based Incentive Compensation**

Due to the fact that the executive officers who participated in the 1995 and 1998 management buyout collectively own a significant percentage of the Company's outstanding shares of Common Stock, (see "Security Ownership of Certain Beneficial Owners and Management") they have not participated in the Company's long-term stock-based incentive compensation programs since January 1997. During 2002, only two other executive officers participated in the 1995 stock option plan.

#### **CEO Compensation**

The Compensation Committee established Mr. Sireta's base salary with the objective of maintaining the competitiveness of Mr. Sireta's base salary with salaries paid to similarly situated chief executive officers. With respect to Mr. Sireta's base salary, it was the Compensation Committee's intent to provide him with a level of stability and certainty each year and not have this particular component of compensation affected to any significant degree by Company performance factors. As part of the Company's effort to control expenses during periods of challenging market conditions, Mr. Sireta's salary was temporarily reduced consistent with the salary reduction formula established for the entire Company. Due to the fact that bonus's paid to Mr. Sireta are subject to the Company meeting certain profitability criteria and the fact that these criteria were not met in 2002, there was no bonus earned by Mr. Sireta in 2002.

#### **Compliance with Internal Revenue Code Section 162(m)**

Section 162(m) of the Internal Revenue Code, enacted in 1993, generally disallows a tax deduction to publicly held companies for compensation exceeding \$1 million paid to certain executive officers. The limitation applies only to compensation that is not considered to be performance-based. The non-performance-based compensation paid to our executive officers in 2002 did not exceed the \$1 million limit per officer. The Compensation Committee is aware of the limitations imposed by Section 162(m), and its exemptions, and will address the issue of deductibility when and if circumstances warrant.

Submitted by the Compensation Committee,  
Douglas S. Schatz  
Alfred J. Stein

#### **CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

In 2002, 2001, and 2000, sales to Advanced Energy Industries, Inc. were approximately \$4.1 million, \$4.1 million, and \$7.6 million, respectively and accounted for 9.5%, 10.8%, 17.2%, respectively of our net sales. Advanced Energy Industries, Inc. guaranteed a \$1.0 million bank loan to us in 1995, and increased that guaranty to \$2.5 million in 1998. That guaranty was terminated in connection with our initial public offering in August 2000. We issued warrants to purchase 560,000 shares of Common Stock at a weighted average exercise price of \$2.73 per share to Advanced Energy Industries, Inc. These warrants were fully exercised in August 2000. Douglas Schatz, who is the Chief Executive Officer, Chairman of the Board and a substantial shareholder of Advanced Energy Industries Inc., serves as a director of APT, and beneficially

owns approximately 1.6% of our outstanding Common Stock.

**STOCK PERFORMANCE GRAPH**

The following graph compares the performance of our Common Stock with the performance of the Nasdaq US Index and the S&P 400 Semiconductors Index for the period from August 8, 2000 to December 31, 2002. We registered our Common Stock under the Securities Act of 1933, as amended, effective August 7, 2000, and accordingly, the following graph includes the required information from August 8, 2000 (first day of trading) through December 31, 2002. The comparison assumes \$100 was invested on August 8, 2000 in our Common Stock and in each of the other two indices and assumes reinvestment of any dividends.

	<b>Indexed Data</b>	
	<b>Aug. 8, 2000</b>	<b>Dec. 31, 2002</b>
Advanced Power Technology, Inc.	\$ 100	\$ 21.66
Nasdaq US Index	\$ 100	\$ 34.96
S&P 400 Semiconductors	\$ 100	\$ 29.08

**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND  
MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

The following table sets forth the beneficial ownership of our Common Stock as of March 1, 2003 by:

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each person or group of affiliated persons known by us to own beneficially more than 5% of the outstanding shares of our Common Stock;

each of our directors;

each of our executive officers; and

all directors and executive officers as a group.

The beneficial ownership is calculated based on 10,401,010 shares of our Common Stock outstanding as of March 1, 2003. Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and generally includes voting or investment power with respect to securities. Unless otherwise indicated, each person or entity named in the table has sole voting power and investment power, or shares voting and investment power with his or her spouse, with respect to all shares of capital stock listed as owned by that person. The address of each of the executive officers and directors is c/o Advanced Power Technology, Inc., 405 SW Columbia Street, Bend, Oregon 97702.

Name and Address	Number of Shares Beneficially Owned(1)	Percentage of Shares Beneficially Owned
Patrick P.H. Sireta (2)	2,358,531	22.7%
Russell J. Crecraft	392,245	3.8
Greg M. Haugen	387,500	3.7
John I. Hess	375,500	3.6
Thomas A. Loder	402,535	3.9
Dah Wen Tsang	431,005	4.1
Glenn M. Wright	15,424	*
Robert C. Pearson	41,500	*
James E. Petersen	40,250	*
Douglas S. Schatz(3)	168,500	1.6
Alfred J. Stein	40,250	*
Fidelity Management & Research (FMR Corp.)(4) 82 Devonshire Street Boston, Massachusetts 02109	654,348	6.3
Third Avenue Management LLC(5) 767 Third Avenue New York, New York 10017	962,400	9.25
T. Rowe Price Associates Inc.(6) 100 E. Pratt Street Baltimore, Maryland 21202	750,000	7.2
All directors and executive officers as a group (eleven persons)	4,653,359	44.7%

\*  
Less than 1%.

(1) Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission, and includes voting power and investment power with respect to shares. Shares issuable upon the exercise of outstanding stock options that are currently exercisable or become exercisable within 60 days from March 1, 2003 are considered outstanding for the purpose of

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Mr. Tsang 76,405; Mr. Hess 40,500; Mr. Loder- 32,535; Mr. Wright 10,924; Mr. Petersen 31,500; Mr. Schatz 30,500; Mr. Pearson 30,500; Mr. Stein 30,019; and all directors and officers as a group 282,883.

- (2) Mr. Sireta owns 1,095,000 of his shares through Sireta, LLC.
- (3) 138,000 of these shares are beneficially owned by Advanced Energy Industries, Inc. Mr. Schatz is the Chief Executive Officer and Chairman of the Board of Advanced Energy Industries, Inc. and may be deemed to share voting or investment control with respect to these shares. Mr. Schatz disclaims beneficial ownership of such shares.
- (4) The information as to beneficial ownership is based on a Schedule 13G filed with the Securities and Exchange Commission by FMR Corp. on February 14, 2003, reflecting its beneficial ownership of Common Stock as of December 31, 2002. The Schedule 13G states that FMR Corp. has sole voting power with respect to 284,700 shares of Common Stock and sole dispositive power with respect to 654,348 shares of Common Stock.
- (5) The information as to beneficial ownership is based on a Schedule 13G filed with the Securities and Exchange Commission by Third Avenue Management LLC on January 28, 2003, reflecting its beneficial ownership of Common Stock as of December 31, 2002. The Schedule 13G states Third Avenue Management LLC has sole voting power with respect to 681,000 shares of Common Stock and sole dispositive power with respect to 962,400 shares of Common Stock.
- (6) The information as to beneficial ownership is based on a Schedule 13G filed with the Securities and Exchange Commission by T.Rowe Price Associates Inc. on February 14, 2003. These securities are owned by various individual and institutional investors including T. Rowe Price Small-Cap Value Fund, Inc. (which owns 750,000 shares, representing 7.2% of the shares outstanding), which T. Rowe Price Associates Inc. (Price Associates) serves as investment adviser with power to direct investments and/or sole power to vote the securities. For purposes of the reporting requirements of the Securities Exchange Act of 1934, Price Associates is deemed to be a beneficial owner of such securities; however, Price Associates expressly disclaims that it is, in fact, the beneficial owner of such securities. T. Rowe Price Small-Cap Fund, Inc. reports sole voting power with respect to 750,000 shares of Common Stock and sole dispositive power with respect to 750,000 shares of Common Stock.

### Registration Rights Agreement

We have granted registration rights with respect to 43,215 shares of our Common Stock that are can be issued upon the exercise of warrants and 138,000 shares of Common Stock held by Advanced Energy Industries.

In connection with our acquisition of GHz Technology, Inc. on January 25, 2002, we have granted registration rights with respect to 452,335 shares of our Common Stock held by Summit Investors III, LLP and Summit Ventures IV, LLP. An additional 1,070,641 shares of our common stock, also issued in connection with our acquisition of GHz Technology, Inc. have "piggyback" registration rights should either Summit Investors III, LLP or Summit Ventures IV, LLP exercise their rights under the agreement.

### OTHER MATTERS

#### Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended (Exchange Act) requires our directors and executive officers, and persons who own more than ten percent of a registered class of our equity securities (Reporting Persons), to file initial reports of ownership and changes in beneficial ownership of Common Stock and other equity securities of the Company with the Securities and Exchange Commission and the Nasdaq Stock Market, Inc. Copies of these reports are also required to be delivered to the Company.

To our knowledge, based solely on review of the copies of such reports furnished to the Company and written representations from certain Reporting Persons, during the year ended December 31, 2002, all of the Reporting Persons complied with applicable Exchange Act filing requirements.

## Shareholder Proposals

The deadline for stockholder proposals intended to be considered for inclusion in our Proxy Statement for next year's Annual Meeting of Shareholders is expected to be November 30, 2003. Such proposals may be included in next year's Proxy Statement if they comply with certain rules and regulations promulgated by the Securities and Exchange Commission.

## Form 10-K

A copy of our Annual Report to Shareholders for the year ended December 31, 2002 accompanies this Proxy Statement. We will provide, without charge upon the written request of any beneficial owner of shares of our Common Stock entitled to vote at the Annual Meeting, a copy of our Annual Report on Form 10-K as filed with the SEC for the year ended December 31, 2002. Written requests should be mailed to the Secretary, Advanced Power Technology, Inc., 405 SW Columbia Street, Bend Oregon 97702.

## Other Business

The Board of Directors is not aware of any other matter that may be presented for action at the Annual Meeting. Should any other matter requiring a vote of the stockholders arise, the enclosed proxy card gives authority to the persons listed on the card to vote at their discretion in the best interest of the Company.

It is important that your shares be represented at the Annual Meeting, regardless of the number of shares you hold. We urge you to promptly execute and return the accompanying proxy in the envelope, which has been enclosed for your convenience. Shareholders who are present at the Annual Meeting may revoke their proxies and vote in person or, if they prefer, may abstain from voting in person and allow their proxies to be voted.

By Order of the Board of Directors,

Greg M. Haugen  
*Vice President, Finance and Administration,  
Chief Financial Officer and Secretary*

Bend, Oregon  
May 1, 2003

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## APPENDIX A

### Charter of the Audit Committee of the Board of Directors Of Advanced Power Technology, Inc.

#### I. PURPOSE, RESPONSIBILITIES, AND STRUCTURE OF THE AUDIT COMMITTEE

**A. Purpose.** The purpose of the Audit Committee (the "Committee") of the Board of Directors (the "Board") of Advanced Power Technology, Inc. (the "Company") is to assist the Board in achieving its oversight responsibilities with respect to the Company and its listing on the Nasdaq National Market. The Committee shall be governed by this Charter and such requirements of the National Association of Securities Dealers, Inc. ("NASD") and the U.S. Securities and Exchange Commission ("SEC") as may be applicable to the Company from time to time.

**B. Responsibilities.** In fulfilling its purpose, the Committee shall (i) review the Company's annual audited or quarterly financial statements prior to release to any governmental body or the public, including any certification, report, opinion, or review rendered by the Company's independent accountants and auditors; (ii) at the request of the Board, review the Company's other financial statements, reports and information submitted to any governmental body or the public; and (iii) perform such other duties and tasks as shall be requested by the Board in furtherance of the foregoing.

**C. Structure.** The Committee shall be composed of not less than three members. The members of the Committee must meet the following criteria: (i) subject to the exception set forth below, each must be an Independent Director, as defined below; (ii) each must be able to read and understand fundamental financial statements, including the Company's balance sheet, income statement, and cash flow statement (or be able to do so within a reasonable period of time after appointment to the Committee); and (iii) at least one member of the Committee must have past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background which results in the individual's financial sophistication, including being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities. Notwithstanding the foregoing, one of the members of the Committee need not be an Independent Director if that person (i) is not a current employee or an immediate family member of such employee, (ii) the Board, under exceptional and limited circumstances, determines that membership on the Committee by the individual is required by the best interests of the Company and its shareholders, and (iii) the Board discloses in the next annual proxy statement or report subsequent to such determination the nature of the relationship and the reasons for that determination.

For purposes of this Charter, an "Independent Director" is defined as a person who does not have a relationship with the Company that, in the opinion of the Board, interferes with the exercise of independent judgment in carrying out the responsibilities of a member of the Committee. The following persons will not be considered independent:

- (i) A director who is, or in any of the past three years has been, employed by the Company or any of its affiliates;
- (ii) A director who accepts any compensation from the Company or any of its affiliates in excess of U.S. \$60,000 during the previous fiscal year (other than compensation for Board service, benefits under a tax-qualified retirement plan, or non-discretionary compensation);
- (iii) A director who is a member of the immediate family of an individual who is, or has been in any of the past three years, employed by the Company or any of its affiliates as an executive officer. Immediate family includes a person's spouse, parents, children, siblings, mother-in-law, father-in-law, brother-in-law, sister-in-law, son-in-law, daughter-in-law, and anyone who resides in such person's home;

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- (iv) A director who is a partner in, or a controlling shareholder or an executive officer of, any for-profit business organization to which the Company made, or from which the Company received, payments (other than those arising solely from investments in the Company's securities) that exceed 5% of the Company's or the business organization's consolidated gross revenues for that year, or U.S. \$200,000, whichever is greater, in any of the past three years; and
  - (v) A director who is employed as an executive of another entity where any of the Company's executives serve on that other entity's compensation committee.

## II. PROCEDURES OF THE COMMITTEE

The Committee shall adhere to the following procedures to order to carry out its purpose and responsibilities.

**A. Review of Financial Statements.** Prior to the release of the Company's annual audited and quarterly financial statements, the Committee shall meet with representatives of the Company's independent accountants and auditors. Company management shall attend this meeting.

**B. Meetings with Members of the Independent Auditors.** The Committee also shall meet with representatives of the Company's independent auditors without the presence of Company management in order to ask questions of the representatives regarding the financial statements and reports, the scope of the auditors' examination of the Company's books and records, the auditors' evaluation of the Company's financial, accounting and auditing personnel, and the cooperation that the auditors received during the course of the audit. The Committee shall also direct the special attention of the auditors to specific matters or areas deemed by the Committee or auditors to be of special significance and authorize, where appropriate, the auditors to perform such supplemental reviews as the Committee deems desirable.



**C. Relationships between the Company and the Auditors.** Not less than annually, the Committee shall receive from the independent auditors a formal written statement delineating all relationships between the auditors and the Company. The Committee will be responsible for actively engaging in a dialogue with the auditors with respect to any disclosed relationships or services that may impact the objectivity and independence of the auditors and for taking, or recommending that the full Board take, appropriate action to oversee the independence of the auditors.

**D. Meetings With and Approval of Independent Accountants.** The Committee shall review and approve the selection of the independent accountants on an annual basis. The Committee will take all steps reasonably necessary to make clear to the independent accountants and auditors that they ultimately are responsible to the Board and the Committee as representatives of the shareholders.

On an annual basis, the Committee will review with management and the independent accountants and auditors their qualitative judgments about the appropriateness and acceptability of accounting principles and financial disclosure practices used or proposed, including the degree of aggressiveness or conservatism of the Company's accounting principles and underlying estimates.

On an annual basis, the Committee will receive and consider recommendations from the Company's independent accountants and internal auditors regarding internal controls, information technology controls, security and other matters relating to the Company and review the correction of controls and processes deemed to need improvement. The Committee shall ask management and the independent auditors about significant risks or exposures and assess the steps the Company has taken to minimize such risks. Included in this inquiry shall be a review of all accounting and human resources and succession planning.

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Upon the completion of the annual audit and before release of the annual audited financial statement, the Committee shall review with management and the independent accountants and auditors: (i) the existence of any fraud or illegal acts of which the independent accountants or auditors may have become aware; (ii) any significant deficiencies in the design or operation of internal controls noted during the audit; (iii) the selection of and changes in significant accounting principles or their application; (iv) the process used by management in making significant accounting judgments or estimates; (v) any significant audit adjustments; (vi) the review by the auditors of other information in the audited financial statements; (vii) any disagreements with management; (viii) the consultation, if any, with other auditors on significant accounting matters; (ix) any serious difficulties encountered during the audit; and (x) any such other matters as the Committee deems necessary to fulfill its purpose and responsibilities hereunder.

**E. Reports.** The Committee shall (i) prepare minutes of all Committee minutes and distribute copies thereof to the Board; and (ii) prepare an annual report to the Board specifying the actions the Committee took during the preceding year to satisfy its responsibilities hereunder. Specifically, the report shall disclose whether the Committee has reviewed and discussed the annual financial statements with management, discussed the required items with the independent accountants and auditors, and received the written report from the auditors regarding their independence.

### III. RESPONSIBILITIES OF THE BOARD OF DIRECTORS.

**A. Annual Review of Audit Committee Structure and Membership.** The Board shall annually review the structure and membership of the Audit Committee as follows:

Not less than 60 days prior to each the end of the Company's fiscal year, the Chairman of the Board ("Chairman") or such other individual designated by the Chairman shall deliver to each existing or prospective Committee member a questionnaire in substantially the form as attached hereto as Exhibit A (the "Questionnaire"). Each Committee member shall complete and return a Questionnaire to the Board not more than 30 days after receipt; and

Based on a review of the Questionnaires and on such other factors as the Board deems necessary or appropriate, the Board shall take such action as may be necessary to ensure that the structure and membership of the Audit Committee meets the requirements set forth in this Charter and the then applicable rules established by the NASD and SEC.

**B. Annual Review and Reassessment of Charter.** At its annual meeting, the Board shall review and reassess the adequacy of this Charter and shall make such modifications or amendments to this Charter as the Board shall deem necessary or desirable. Nothing herein shall prevent the Board from adopting standards, policies, procedures and responsibilities beyond those required by the NASD or SEC.

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**THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS OF  
ADVANCED POWER TECHNOLOGY, INC.**

The undersigned hereby constitutes and appoints Patrick P.H. Sireta and Greg M. Haugen, and each of them, with full power of substitution, the proxies of the undersigned, to represent the undersigned at the Annual Meeting of Shareholders of Advanced Power Technology, Inc. (the "Company") to be held at the Deschutes Brewery, 901 Simpson Avenue, Bend, Oregon 97702, on May 22, 2003 at 10:00 a.m. local time, and at any adjournment or postponement thereof, and to vote all shares of common stock that the undersigned would be entitled to vote if then and there personally present on the matters set forth below.

This Proxy, when properly executed, will be voted in the manner directed herein by the undersigned shareholder. If no direction is made, this Proxy will be voted FOR the nominees to the board of directors named in Proposal No. 1.

- |    |                        |   |  |
|----|------------------------|---|--|
| 1. | ELECTION OF DIRECTORS: | FOR the nominees listed below<br><i>(except as indicated)</i> o | WITHHOLD AUTHORITY<br><i>to vote for the nominees listed below</i> o |
|    | Patrick P.H. Sireta    | Robert C. Pearson   | James E. Petersen  |
|    |                        | Douglas S. Schatz   | Alfred J. Stein  |

**The Board of Directors recommends a vote FOR the nominees named above. If you wish to withhold authority to vote for any nominee, strike a line through such nominee's name listed above.**

2. IN THEIR DISCRETION THE PROXIES ARE AUTHORIZED TO VOTE UPON SUCH OTHER BUSINESS AS MAY PROPERLY COME BEFORE THE MEETING AND AT ANY ADJOURNMENTS OR POSTPONEMENTS THEREOF:

FOR     AGAINST     ABSTAIN

IF YOU WOULD LIKE TO RECEIVE FUTURE PROXY MATERIALS FOR ADVANCED POWER TECHNOLOGY, INC VIA EMAIL, PLEASE GO TO [WWW.COMPUTERSHARE.COM/US/COMPANYCONSENT](http://WWW.COMPUTERSHARE.COM/US/COMPANYCONSENT) TO GIVE US YOUR CONSENT.

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Dated: \_\_\_\_\_, 2003

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Signature)

This Proxy should be marked, dated and signed by the shareholder(s) *exactly* as his or her name appears hereon, and returned promptly in the enclosed envelope. Persons signing in a fiduciary capacity should so indicate. If shares are held by joint tenants or as community property, both should sign. If a corporation, please sign in full corporate name by President or other authorized officer. If a partnership or limited liability company, please sign in the entity's name by authorized person.

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

ADVANCED POWER TECHNOLOGY, INC. PROXY STATEMENT FOR 2003 ANNUAL MEETING OF SHAREHOLDERS

ELECTION OF DIRECTORS (Proposal No. 1)

REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

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THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS OF ADVANCED POWER TECHNOLOGY, INC.

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