

FIBERSTARS INC /CA/
Form DEF 14A
April 20, 2004

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

SCHEDULE 14A

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

Filed by the Registrant
Filed by a Party other than the Registrant

Check the appropriate box:

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

FIBERSTARS, INC.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- No fee required.
 Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

1) Title of each class of securities to which transaction applies:

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5) Total fee paid:

Fee paid previously with preliminary materials.

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1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

April 16, 2004

Dear Shareholder:

This year's annual meeting of shareholders will be held on May 19, 2004 at 1:00 P.M., local time, at the principal executive offices of Fiberstars, Inc., 44259 Nobel Drive, Fremont, CA 94538. You are cordially invited to attend.

The Notice of Annual Meeting of Shareholders and a Proxy Statement, which describe the formal business to be conducted at the meeting have been made a part of this invitation.

After reading the Proxy Statement, please promptly mark, date, sign and return the enclosed proxy in the prepaid envelope to ensure that your shares will be represented. Your shares cannot be voted unless you date, sign and return the enclosed proxy or attend the annual meeting in person. Regardless of the number of shares you own, your careful consideration of, and vote on, the matters before our shareholders are important.

The Proxy Statement and related proxy form, as well as a copy of the Company's 2003 Annual Report to Shareholders, are being sent on or about April 16, 2004.

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The Board of Directors and management look forward to seeing you at the annual meeting.

Very truly yours,

/s/ David N. Ruckert

David N. Ruckert
President and Chief Executive Officer

FIBERSTARS, INC.
44259 Nobel Drive
Fremont, California 94538

**Notice Of Annual Meeting Of Shareholders
To Be Held May 19, 2004**

TO THE SHAREHOLDERS:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Shareholders of Fiberstars, Inc. (the Company) will be held on May 19, 2004, at 1:00 P.M., local time, at the principal corporate offices of Fiberstars, Inc., 44259 Nobel Drive, Fremont, California, for the following purposes:

1. To elect seven directors to serve for the ensuing year or until their successors are elected and qualified, the nominees for which are as follows: David N. Ruckert, John B. Stuppin, Jeffrey H. Brite, Wayne R. Hellman, Sabu Krishnan, David Traversi and Philip Wolfson;
2. To consider and vote upon a proposal to approve the Company's 2004 Stock Incentive Plan.
3. To ratify the appointment of Grant Thornton LLP as the Company's independent auditors for the fiscal year ending December 31, 2004; and
4. To transact such other business as may properly come before the Annual Meeting or any adjournments or postponements thereof.

The foregoing items of business are more fully described in the Proxy Statement accompanying this Notice.

Only shareholders of record at the close of business on March 26, 2004 are entitled to notice of and to vote at the Annual Meeting and any adjournments or postponements thereof.

BY ORDER OF THE BOARD OF DIRECTORS

/s/ David N. Ruckert

David N. Ruckert
President and Chief Executive Officer

Fremont, California

April 16, 2004

IMPORTANT: Please mark, date, sign and promptly mail the enclosed proxy card in the accompanying postage-paid envelope to ensure that your shares are represented at the meeting. If you attend the meeting, you may choose to vote in person even if you have previously sent in your proxy card.

PROXY STATEMENT FOR ANNUAL MEETING OF SHAREHOLDERS

FIBERSTARS, INC.
44259 Nobel Drive
Fremont, California 94538

INFORMATION CONCERNING SOLICITATION AND VOTING OF PROXIES

General

The enclosed proxy is solicited on behalf of the Board of Directors of Fiberstars, Inc., a California corporation ("Fiberstars" or the "Company"), for use at the Annual Meeting of Shareholders (the "Annual Meeting") to be held on May 19, 2004 at 1:00 P.M., local time, or at any adjournments or postponements thereof, for the purposes set forth herein and in the accompanying Notice of Annual Meeting of Shareholders. The Annual Meeting will be held at the principal executive offices of Fiberstars, Inc., 44259 Nobel Drive, Fremont, California.

This Proxy Statement and the accompanying form of proxy are first being mailed to shareholders on or about April 16, 2004. The cost of soliciting these proxies will be borne by the Company. Regular employees and directors of the Company may solicit proxies in person, by telephone, or by mail. No additional compensation will be given to employees or directors for such solicitation. The Company will request brokers and nominees who hold stock in their names to furnish proxy material to beneficial owners of the shares and will reimburse such brokers and nominees for their reasonable expenses incurred in forwarding solicitation material to such beneficial owners.

Revocability of Proxies

Any proxy given pursuant to this solicitation may be revoked by the person giving it at any time before its use either by delivering to the Company (44259 Nobel Drive, Fremont, California 94538, Attention: David N. Ruckert) a written notice of revocation or a duly executed proxy bearing a later date, or by attending the Annual Meeting and voting in person. If a proxy is properly signed and not revoked, the shares it represents will be voted in accordance with the instructions of the shareholder.

Record Date and Share Ownership

Only shareholders of record at the close of business on March 26, 2004 (the "Record Date"), will be entitled to notice of and to vote at the Annual Meeting and any adjournments or postponements thereof. As of the Record Date, the Company had 6,478,318 shares of Common Stock, par value \$.0001 per share ("Common Stock"), issued and outstanding.

Voting

Generally, each share of Common Stock held as of the Record Date entitles its holder to one vote on matters to be acted upon at the Annual Meeting, including the election of directors. However, if, prior to the voting to elect directors, any shareholder gives notice at the Annual Meeting of his or her intention to cumulate his or her votes, and if the names of the candidate or candidates for whom that shareholder intends to vote have been placed in nomination prior to the voting, then all shareholders may cumulate their votes for candidates in nomination. This means that each shareholder may give one candidate a number of votes equal to the number of directors to be elected multiplied by the number of shares he or she holds, or such shareholder may distribute that total number of votes among as many candidates as he or she thinks fit. The

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person authorized to vote shares represented by executed proxies in the enclosed form (if authority to vote for the election of directors is not withheld) will have full discretion and authority to vote cumulatively and to allocate votes among any or all of the nominees as he may determine or, if authority to vote for a specified candidate or candidates has been withheld, among those candidates for whom authority to vote has not been withheld. On all matters except the election of directors, each share carries one vote.

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Votes cast by proxy or in person at the Annual Meeting will be tabulated by the Company's transfer agent, which will act as Inspector of Elections. The Inspector of Elections will also determine whether or not a quorum is present. Except with respect to the election of directors and except in certain other specific circumstances, the affirmative vote of a majority of shares represented and voting at a duly held meeting at which a quorum is present (which shares voting affirmatively also constitute at least a majority of the required quorum) is required under California law for approval of proposals presented to shareholders. In general, California law also provides that a quorum consists of a majority of the shares entitled to vote, represented either in person or by proxy. The Inspector of Elections will treat abstentions as shares that are present and entitled to vote for purposes of determining the presence of a quorum but as not voting for purposes of determining the approval of any matter submitted to the shareholders for a vote.

The shares represented by the proxies received, properly marked, dated, signed and not revoked will be voted at the Annual Meeting. Where such proxies specify a choice with respect to any matter to be acted upon, the shares will be voted in accordance with the specifications made. Any proxy in the enclosed form which is returned but is not marked will be voted FOR the election of the seven nominees for director listed in this proxy statement, FOR the approval of the 2004 Stock Incentive Plan, FOR the ratification of the appointment of Grant Thornton LLP as the Company's independent auditors, and as the proxy holders deem advisable on other matters that may properly come before the meeting. If a broker indicates on the enclosed proxy or its substitute that it does not have discretionary authority as to certain shares to vote on a particular matter (broker non-votes), those shares will not be considered as voting with respect to that matter. While there is no definitive statutory or case law authority in California concerning the proper treatment of abstentions and broker non-votes, the Company believes that the tabulation procedures to be followed by the Inspector of Elections are consistent with the general statutory requirements in California concerning voting of shares and determination of a quorum.

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PROPOSAL NO. 1: ELECTION OF DIRECTORS

Nominees

Unless otherwise instructed, the proxy holders will vote the proxies received by them for the nominees named below, regardless of whether any other names are placed in nomination by anyone other than one of the proxy holders. If the candidacy of any one or more of such nominees should, for any reason, be withdrawn, the proxy holders will vote in favor of the remainder of those nominated and for such substituted nominees, if any, as shall be designated by the Board of Directors, taking into account any recommendations of the Nominating and Corporate Governance Committee, or the number of directors to be elected at this time may be reduced by the Board of Directors. The Board of Directors has no reason to believe that any of the persons named will be unable or unwilling to serve as a nominee or as a director if elected.

If a quorum is present and voting, the nominees receiving the highest number of votes will be elected as directors at the Annual Meeting to serve until the next annual meeting or until their respective successors are duly elected or appointed.

The Company's Bylaws provide that the number of directors of the Company shall be no less than five and no more than nine, with the exact number within such range to be fixed by amendment of the Bylaws adopted by the shareholders or by the Board of Directors. The number of directors is currently fixed at eight. One of the current directors, Theodore L. Eliot, Jr., will retire from the Board of Directors effective at the time of the Annual Meeting at which time the number of authorized directors will be fixed at seven. The Nominating and Corporate Governance Committee has recommended, and the Board of Directors has designated, the seven nominees listed below. Biographical information concerning each nominee is set forth below:

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Name	Age	Director Since	Background
David N. Ruckert	66	1987	Mr. Ruckert joined the Company in November 1987 as President, Chief Operating Officer and a director. He has served as Chief Executive Officer of the Company since October 1988 and served as Secretary of the Company from February 1990 to February 1994. From June 1985 to October 1987, he was Executive Vice President of Greybridge, a toy company which he co-founded that was later acquired by Worlds of Wonder in 1987. Prior to that time, he was Executive Vice President of Atari from October 1982 to June 1984 and was a Manager/Vice President of Bristol-Myers Company in New York from October 1966 to October 1982.
John B. Stuppin	70	1993	Mr. Stuppin was elected Chairman of the Board in May 1995. Since September 1987, Mr. Stuppin has served in various executive capacities with Neurobiological Technologies, Inc. (NTI), a biomedical development company he co-founded, and he currently serves as a director of NTI. Mr. Stuppin also has been an investment banker and a venture capitalist, with over 25 years of experience in the founding and management of companies active in emerging technologies.
Jeffrey H. Brite.	56	2003	Mr. Brite joined the board of Fiberstars in July 2003. From January 2002 to the present he has served as Director of Product Development for Gensler, a leading global design, planning and strategic consulting firm. From 1996 to 2002, prior to joining Gensler, Mr. Brite was partner and Chief Executive Officer of NeoRay, a lighting company which was sold to Cooper Lighting. Prior to joining NeoRay, Mr. Brite founded a lighting distribution business and a real estate firm.

Name	Age	Director Since	Background
Wayne R. Hellman	59	1997	Mr. Hellman became a director of the Company in September 1997. Since May 1995, Mr. Hellman has been Chairman of the Board of Directors and Chief Executive Officer of Advanced Lighting Technologies, Inc. (ADLT), a firm that holds 24% of the outstanding shares of Fiberstars Common Stock as of the Record Date. From 1983 until May 1995, Mr. Hellman founded a total of seventeen affiliated companies that specialize in the production and distribution of metal halide lighting

systems, all of which were eventually acquired by ADLT. From 1968 until 1983, Mr. Hellman served in various capacities at General Electric Company (GE), including Manager of Strategy Analysis for the GE Lighting Business Group, Manager of Engineering for the Photographic Lamp Department, and Manager of Metal Halide Product Engineering.

Sabu Krishnan	45	2004	Mr. Krishnan joined the Board in April 2003. He has been Chief Operating Officer of ADLT since February 2003. From 1998 to 2003, he served as Vice President of Indian Operations of ADLT. From 1992 to 1998, Mr. Krishnan was Vice President of South Asian Operations for Lighting Resources International, Inc., a lighting services company located in Ohio. From 1988 to 1995 he was with K&M International, Inc, in the machine parts and lamp division, serving most recently as Vice President. From 1981 to 1988, Mr. Krishnan was an engineering manager at Hindustan Machine Tools in India.
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David Traversi	44	2002	Mr. Traversi became a Board member in October 2002. He is currently a Managing Director of 2020 Growth Partners, LLC, a strategic advisory services firm. From 2000 to 2002, Mr. Traversi was co-founder and Chief Executive Officer of PRE Solutions, Inc., which founded and built the nations largest electronic processor of prepaid telecom products. From 1997 to 1999, he was President of Sirrom Capital Corporation, an NYSE-listed financial services and investment firm. From 1989 to 1996, Mr. Traversi was a General Partner and Managing Director at Montgomery Securities (now Bank of America Securities, LLC).
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Philip Wolfson	60	1987	Dr. Wolfson joined the board in January 1986. Since 1998, Dr. Wolfson has served as Chief Executive Officer of Phytos, Inc., an herbal medicine development company. He has been Assistant Clinical Professor at the University of California School of Medicine in San Francisco since 1986 and has maintained a private practice in psychiatric medicine since 1982. Dr. Wolfson also served as a director and a consultant to NTI from 1989 to 1992.
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Board Meetings and Committees

The Board of Directors held a total of seven meetings during the fiscal year ended December 31, 2003. All directors attended at least 75% of the aggregate number of meetings of the Board of Directors and of the committees on which such directors serve. In 2003, all directors then serving on the Board attended the annual meeting. The Board of Directors has appointed a Compensation Committee, an Audit and Finance Committee and a Nominating and Corporate Governance Committee. The Board has determined that each director who serves on these committees is independent, as that term is defined by applicable listing standards of The Nasdaq Stock Market and SEC rules. The Board has approved a charter for each of these committees which can be obtained by writing the Company at Fiberstars, Inc., 44259 Nobel Drive, Fremont, CA 94538. A copy of the Nominating and Corporate Governance Committee Charter is attached as Appendix A to this Proxy Statement, and the Audit and

Finance Committee Charter is attached as Appendix B.

The Compensation Committee's primary functions are to discharge the responsibilities of the Board of Directors relating to compensation of the Company's executive officers and to produce an annual report on executive compensation for inclusion in the Company's annual proxy statement. Other specific duties and responsibilities of the Compensation Committee are to: review and recommend to the Board corporate goals and objectives relevant to compensation of the chief executive officer, evaluate his performance in light of such goals and objectives and set his compensation level based on this evaluation; develop and monitor compensation arrangements for executive officers of the Company, including review and approval of individual compensation; recommend to the Board guidelines for the review of the performance and establishment of compensation and benefit policies for all other employees; make recommendations regarding compensation plans and policies; administer the Company's stock option plans and other compensation plans; and make recommendations to the Board regarding compensation of the Board of Directors.

The Audit and Finance Committee's primary functions are to assist the Board of Directors in its oversight of the integrity of the Company's financial statements and other financial information, the Company's compliance with legal and regulatory requirements, the qualifications, independence and performance of the Company's independent auditors and the performance of the Company's internal audit function. Other specific duties and responsibilities of the Audit and Finance Committee are to: appoint, compensate, evaluate and, when appropriate, replace the Company's independent auditors; review and pre-approve audit and permissible non-audit services; review the scope of the annual audit; monitor the independent auditors' relationship with the Company; and meet with the independent auditors and management to discuss and review the Company's financial statements, internal controls, and auditing, accounting and financial reporting processes.

The Nominating and Corporate Governance Committee's primary functions are to seek, evaluate and recommend nominees for election to the Board of Directors and to oversee matters of corporate governance. Other specific duties and responsibilities of the Nominating and Corporate Governance Committee are to: determine the composition of the committees of the Board; make recommendations regarding candidates for director proposed by stockholders; consider and plan for executive officer succession as well as review management development and succession programs; review on an annual basis the performance of the Board and of management; and consider and make recommendations on matters related to the practices, policies and procedures of the Board.

Director Nominations

The Board of Directors nominates directors for election at each annual meeting of stockholders and elects new directors to fill vacancies when they arise. The Nominating and Corporate Governance Committee has the responsibility to identify, evaluate, recruit and recommend qualified candidates to the Board of Directors for nomination or election.

The Board of Directors has as an objective that its membership be composed of experienced and dedicated individuals with diversity of backgrounds, perspectives and skills. The Nominating and Corporate Governance Committee will select candidates for director based on their character, judgment, diversity of experience, business acumen, and ability to act on behalf of all stockholders. The Nominating and Corporate Governance Committee believes that nominees for director should have experience, such as experience in management or accounting and finance, or industry and technology knowledge, that may be useful to the Company and the Board, high personal and professional ethics, and the willingness and ability to devote sufficient time to effectively carry out his or her duties as a director. The Nominating and Corporate Governance Committee believes it appropriate for at least one, and, preferably, multiple, members of the Board to meet the criteria for an audit committee financial expert as defined by SEC rules, and for a majority of the members of the Board to meet the definition of independent director under the rules of The Nasdaq Stock Market. The Nominating and Corporate Governance Committee also believes it appropriate for certain key members of the Company's management to participate as members of the Board.

Prior to each annual meeting of stockholders, the Nominating and Corporate Governance Committee identifies nominees first by evaluating the current directors whose term will expire at the annual meeting and who are willing to continue in service. These candidates are evaluated based on the criteria described above, including as demonstrated by the candidate's prior service as a director, and the needs of the Board with respect to the particular talents and experience of its directors. In the event that a director does not wish to continue in service, the Nominating and

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Corporate Governance Committee determines not to re-nominate the Director, or a vacancy is created on the Board as a result of a resignation, an increase in the size of the board or other event, the Committee will consider various candidates for Board membership, including those suggested by the Committee members, by other Board members, by any executive search firm engaged by the Committee and by stockholders. A stockholder who wishes to suggest a prospective nominee for the Board should notify the Secretary of the Company or any member of the Committee in writing, with any supporting material the stockholder considers appropriate, at the following address: Fiberstars, Inc., 44259 Nobel Drive, Fremont, California 94538.

Stockholder Communications with the Board of Directors

If you wish to communicate with the Board of Directors, you may send your communication in writing to: Secretary, Fiberstars, Inc., 44259 Nobel Drive, Fremont, California 94538. You must include your name and address in the written communication and indicate whether you are a stockholder of the Company. The Secretary will review any communication received from a stockholder, and all material communications from stockholders will be forwarded to the appropriate director or directors or committee of the Board based on the subject matter.

Director Compensation

Each non-employee director receives \$1000 per Board of Directors meeting attended to cover out-of-pocket expenses incurred in connection with such attendance. During the fiscal year ended December 31, 2003, Messrs. Eliot, Feuer, Garet, Hellman, Stuppin, Wolfson, Traversi, Krishnan and Brite received aggregate payments of \$5,650, \$1,850, \$2,800, \$3,800, \$5,650, \$4,700, \$5,650, \$2,850 and \$1,900 respectively, for their services as directors.

Under the terms of the Company's 1994 Directors' Stock Option Plan, each newly appointed non-employee director receives an option to purchase 10,000 shares of Common Stock at an exercise price of 100% of the fair market value of the stock on the date of grant, which option vests in twelve equal monthly installments following the date of grant. In addition, following each annual meeting of the Company's shareholders, each non-employee director who will continue to serve as a member of the Board of Directors automatically receives an option to purchase 5,000 shares of Common Stock at an exercise price of 100% of the fair market value of the stock on the date of grant, which option vests in twelve equal monthly installments following the date of grant.

Subject to shareholder approval of the Company's 2004 Stock Incentive Plan, which is the subject of Proposal 2: Approval of 2004 Stock Incentive Plan, the 1994 Directors' Stock Option Plan will terminate. Under the terms of the 2004 Plan, each newly appointed non-employee director will receive an option to purchase 10,000 shares of Common Stock at an exercise price of 100% of the fair market value of the stock on the date of grant, which option will vest in twelve equal monthly installments following the date of grant. Commencing with this Annual Meeting, following each annual meeting of the Company's shareholders, each non-employee director who will continue to serve as a member of the Board of Directors will automatically receive an option to purchase 7,000 shares of Common Stock at an exercise price of 100% of the fair market value of the stock on the date of grant, which option will vest in twelve equal monthly installments following the date of grant, and the Chairman of the Board and the Chairman of the Audit Committee will each receive an additional option to purchase 3,000 shares under the same terms.

Compensation Committee Interlocks and Insider Participation

The Compensation Committee of the Board of Directors currently consists of John B. Stuppin, Theodore L. Eliot, Jr., and Philip Wolfson. No director serving on the Compensation Committee is or has been an officer or employee of the Company or any of the Company's subsidiaries. No interlocking relationships exist between our Board of Directors or Compensation Committee and the board of directors or compensation committee of any other entity, nor has any interlocking relationship existed in the past.

Required Vote

The seven nominees receiving the highest number of votes at the Annual Meeting will be elected as directors of the Company.

Recommendation of the Board of Directors

THE BOARD OF DIRECTORS RECOMMENDS A VOTE *FOR* EACH OF THE NOMINEES LISTED ABOVE.

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The following table sets forth certain information with respect to beneficial ownership of the Company's Common Stock as of April 12, 2004 as to (i) each person known by the Company to own beneficially more than five percent of the outstanding shares of Common Stock, (ii) each of the Company's directors, (iii) the Company's Chief Executive Officer and each of the Company's executive officers (Named Executive Officers), and (iv) all executive officers and directors of the Company as a group. Unless otherwise specified, the address for each officer and director is 44259 Nobel Drive, Fremont, California 94538.

The table should be read with the understanding that more than one person may be the beneficial owner or possess certain attributes of beneficial ownership with respect to the same securities. Therefore, special attention should be given to the footnotes.

<u>Name and Address</u>	<u>Shares Beneficially Owned(1)</u>	
	<u>Number</u>	<u>Percent of Outstanding Common Stock(2)</u>
5% Shareholders:		
ADLT Class 7 Liquidating Trust Bridge Associates, LLC, Trustee 747 Third Avenue, Suite 32A New York, New York 10017(3)	541,011	7.7%
Valor Capital Management LP 137 Rowayton Avenue Rowayton, CT 06853(4)	360,900	5.6%
Glenn Doshay 6279 Via Campo Verde Rancho Santa Fe, CA 92067(5)	450,000	6.9%
Entities affiliated with Trigran Investments, Inc. 3201 Old Glenview Road, Suite 235 Wilmette, IL 60091(6)	655,645	10.0%
Directors and Named Executive Officers:		
David N. Ruckert (7)	416,573	6.2%
John B. Stupp (8)	214,575	3.3%
Wayne R. Hellman (9)	160,000	2.0%
Sabu Krishnan (10)	135,000	2.4%
Jeffrey H. Brite (11)	9,167	*
David Traversi (12)	15,000	*
Philip Wolfson (13)	153,342	2.4%
Barry R. Greenwald (14)	67,000	2.5%
John Davenport (15)	67,500	1.0%
J. Steven Keplinger (16)	66,560	1.0%
Robert Connors (17)	83,396	1.3%
Roger Buelow (18)	7,000	*
Theodore L. Eliot, Jr. (19)	51,000	0.8%
All executive officers and directors as a group (13 persons) (20)	1,368,113	18.5%

*Less than one percent

- (1) To Fiberstars knowledge, the persons named in the table have sole voting and investment power with respect to all shares of Common Stock shown as beneficially owned by them, subject to community property laws, where applicable, and the information contained in the footnotes to this table.
- (2) Based on 6,478,318 shares outstanding as of April 12, 2004. In addition, shares issuable pursuant to options and warrants which may be exercised within 60 days of April 12, 2004 are deemed to be issued and outstanding and have been treated as outstanding in calculating the percentage ownership of those individuals possessing such interest, but not for any other individuals. Thus, the number of shares considered to be outstanding for the purposes of this table may vary depending on the individuals particular circumstances.
- (3) According to an amended Schedule 13D, filed by the ADLT Class 7 Liquidating Trust with the Securities and Exchange Commission on April 5, 2004, 541,011 shares are held of which 518,000 are subject to warrants exercisable within 60 days of April 12, 2004 and 23,011 are voting shares.
- (4) Includes 25,592 shares subject to warrants that are exercisable within 60 days of April 12, 2004.
- (5) Includes 92,308 shares subject to warrants that are exercisable within 60 days of April 12, 2004.
- (6) According to a Form 4 filed by Trigram Investments L.P. with the Securities and Exchange Commission on March 11, 2004, Trigram Investments, L.P. holds 597,183 shares and 58,462 shares issuable upon exercise of warrants that are immediately exercisable. According to an amended Schedule 13G filed jointly by Trigran Investments L.P., Trigran Investments, Inc., Douglas Granat and Lawrence A. Oberman with the Securities and Exchange Commission on February 11, 2004, Trigran Investments L.P., Trigran Investments, Inc., Douglas Granat and Lawrence A. Oberman have shared voting and dispositive power for all shares. Trigran Investments, Inc. is the general partner of Trigran Investments L.P. Douglas Granat and Lawrence A. Oberman are the controlling shareholders and sole directors of Trigran Investments Inc.
- (7) Includes 257,500 shares subject to options exercisable within 60 days of April 12, 2004.
- (8) Includes 45,000 shares subject to options that are exercisable within 60 days of April 12, 2004 and 8,060 shares subject to warrants that are exercisable within 60 days of April 12, 2004.
- (9) Includes 120,000 shares subject to warrants that are exercisable within 60 days of April 12, 2004 held by Advanced Lighting Technologies, Inc., of which Mr. Hellman is Chairman of the Board of Directors and Chief Executive Officer and as to which Mr. Hellman disclaims beneficial ownership except to the extent of his pecuniary interest therein. Also, includes 40,000 shares subject to outstanding stock options exercisable within 60 days of April 12, 2004.
- (10) Includes of 120,000 warrants that are exercisable within 60 days of April 12, 2004 held by Advanced Lighting Technologies, Inc., of which Mr. Krishnan is Chief Operating Officer and as to which Mr. Krishnan disclaims beneficial ownership except to the extent of his pecuniary interest therein. Also, includes 15,000 shares subject to outstanding stock options exercisable within 60 days of April 12, 2004.
- (11) Consists of 9,167 shares subject to options exercisable within 60 days of April 12, 2004.
- (12) Consists of 15,000 shares subject to options exercisable within 60 days of April 12, 2004.
- (13) Includes 40,000 shares subject to options exercisable within 60 days of April 12, 2004.
- (14) Includes 67,000 shares subject to options exercisable within 60 days of April 12, 2004.
- (15) Includes 112,500 shares subject to options exercisable within 60 days of April 12, 2004.
- (16) Includes 62,166 shares subject to options exercisable within 60 days of April 12, 2004.
- (17) Includes 79,396 shares subject to options exercisable within 60 days of April 12, 2004.
- (18) Consists of 7,000 shares subject to options exercisable within 60 days of April 12, 2004.
- (19) Consists of 1,000 owned by the Eliot Trust, of which Mr. Eliot is a beneficiary, and 50,000 shares subject to outstanding stock options exercisable within 60 days of April 12, 2004.
- (20) Includes 920,789 shares subject to options and warrants that are exercisable within 60 days of April 12, 2004, of which 120,000 shares are subject to warrants beneficially owned by ADLT, a company of which Mr. Hellman, a director of the Company, is Chairman of the Board of Directors and Chief Executive Officer and Mr. Sabu Krishnan is Chief Operating Officer.

REPORT OF THE AUDIT AND FINANCE COMMITTEE

The Audit and Finance Committee operates under a written charter adopted by the Board of Directors. A copy of the Audit and Finance Committee Charter is attached as Appendix B to this Proxy Statement. The members of the Audit and Finance Committee are John B. Stuppin, David Traversi and Philip Wolfson, each of whom meets the independence standards established by The Nasdaq Stock Market.

The Audit and Finance Committee oversees the Company's financial reporting process on behalf of the Board of Directors and is responsible for providing independent, objective oversight of the Company's accounting functions and internal controls. It is not the duty of the Audit and

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Finance Committee to plan or conduct audits or to determine that the Company's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. Management is responsible for the financial statements and the reporting process, including the system of internal controls. The independent auditors are responsible in their report for expressing an opinion on the conformity of those financial statements with generally accepted accounting principles.

The Audit and Finance Committee reviewed and has discussed the audited financial statements contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2003 with the Company's management and its independent auditors. The Audit and Finance Committee met privately with the independent auditors and discussed issues deemed significant by the auditors, including those required by the Statement on Auditing Standards No. 61 (Codification of Statements on Auditing Standards), as amended. In addition, the Audit and Finance Committee has received the written disclosures from the independent auditors required by the Independence Standards Board Standard No. 1 (Independence Discussions with the Audit Committee) and discussed with the independent auditors their independence from the Company.

Based upon the reviews and discussions outlined above, the Audit and Finance Committee recommended to the Board of Directors that the audited financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2003, for filing with the Securities and Exchange Commission.

The foregoing report has been furnished by the Audit and Finance Committee of the Board of Directors of Fiberstars, Inc.

AUDIT AND FINANCE COMMITTEE

David Traversi
John B. Stuppin
Philip Wolfson

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EXECUTIVE COMPENSATION AND OTHER MATTERS

Summary Compensation Table

The following table sets forth all compensation for services rendered in all capacities to the Company for the three fiscal years ended December 31, 2003 for our Chief Executive Officer and our four other most highly compensated executive officers as of December 31, 2003.

Summary Compensation Table

Name and Principal Position	Fiscal Year	Annual Compensation		Long-Term Compensation	All Other Compensation(1)
		Salary(\$)	Bonus(\$)	Awards	
				Securities Underlying Options(#)	
David N. Ruckert	2003	\$207,923		25,000	\$11,125
President and Chief	2002	221,384			10,331
Executive Officer	2001	221,384			9,830
Barry R. Greenwald	2003	185,823			1,603
Senior Vice President, Pool	2002	78,180	\$96,000		1,473
& Spa Division	2001	100,500			